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City	Population	Sales Tax Rate	Exemptions	Discount or Return to Collectors	Sales Tax Gross Revs.	% of Total Revenues	% of Budgetted Expenditures	% of Revs from Food, Rent, Energy	Sales Tax Dedication
Dillingham	1,269	3%	\$1,000 maximum single sale Out of town sales by mail order	none	\$214,624.	18.52%	18.52%	51%	Capital improvements & equipment \$30,000 to school district
Fairbanks, City (Fairbanks Boro)	30,462	3% 2%)	Food, drugs, building materials Maximum \$30 tax on any single item	none	\$6 million		39%	Presently Exempted	1% general fund 2% capital improvements; debt serv.
Haines, City	1,366	3%	Salaries & wages Casual sales, rentals & services Sales, rents, services less than \$100/mo.	none	\$217,968	17.46%	23.47%	Rent - 4.18% Food - 25.99%	2/3 to capital improvements 1/3 general administration
Haines Bourough	1,924	1%	Insurance, Medical, dental fees & medicines Funeral services and materials Wharfages & cargo handling charges Wholesales SE Alaska State Fair sales & services to Sales to government	none	\$ 80,532	11.41%	10.48%	Energy 9.72% 39.89%	Haines Borough: Retirement of principal & interest on school construction bonds
Kenai, City (Kenai Borough)	5,364	3% 2%)	Casual, sales, rentals & services Hospital, medical, dental services & medicines Sales, svcs. & rentals to religious organizations School cafeterias Subscriptions to newspapers & magazines Sales to government Dues or fees to clubs, unions Sales of animal food, seed and fertilizer to farms Property sales and realator services \$500 maximum single sale	none	\$1,016,029	69%	—	52%	1% general fund 1% debt service 1% capital improvements
Kodiak Island Borough	4,960	3%	Salaries & wages \$500 maximum single sale Same as for Kenai, plus Transportation charges of airlines & steamships Banking, savings & loan, credit union services Certain sales for resale	2%	\$1,350,000	32%	—	25-30%	None
Ketchikan Boro (Ketchikan City)	11,490 7,928	1.5% 2.5%)	none Senior citizens exempt from paying sales tax	none	\$930,000	8.86%	8.88%	—	None
North Pole	461	3%	Rentals; casual sales of personal property medical services and medicines Sales by charitable organizations School cafeterias Subscriptions of newspapers & magazines Sales to government Feed for farmuse Services under Real Estate sales Funeral services; Nursery services Senior citizens get \$60.00 annual rebate	none	\$250,000.	50%	50%	\$200,000	None
Palmer	1,859	2%	Government agencies All costs on one major piece of equipment whose value is over \$1,000, e.g., cars, tractors.	none	\$330,000	33%	—	—	None, except that sales tax is pledged to back up revenue bonds for Industrial Park
Petersburg	2,126	5%	Single sales over \$1,000	none	\$600,000	—	—	—	.5% to general administration remainder to specified purposes
Nome	2,585	3%	Medicines, rent, new construction Sales to government	none	\$600,000	—	—	—	None
Sitka	7,650	4%	Senior citizens purchases Others as per ordinance	\$100/quarter	\$1,500,000	42%	37%	—	2% education 2% general admin.
Soldotna	2,586	2%	Single sales over \$500 Churches and government agencies	none	\$323,894	27%	29%	\$98,000 food \$31,000 heat	None
Wrangell	3,152	5%	—	\$15/mo.	\$443,521	—	30%	60-70%	80% to schools, health, sanitation & street const.

Sample effect of HB 578 (Fresman)

Dillingham \$8,600 per year

Kenai City 21,000

Palmer 16,000 (equal to .5 mil property tax)

Juneau 127,600

Arguments against:

1. Sales tax and property tax are the only two revenue sources which may be varied and controlled by the council.
2. Losses would have to be made up by property taxes.
3. Flat 5% would lead to inequities because of differing types of sales, e.g., candy bars vs automobiles; and differing means of accounting, some worth more time than others,

Large collectors such as grocery stores reap a large benefit whereas small businesses may get very little

4. Some municipalities have limited the number of exemptions and therefore figuring the return is fairly simple,
5. This should be a prerogative of the local area.

HOUSE BILL 578, SUGGESTED AMENDMENTS

1. Change 5% to 3% in lines 13 and 18.
2. Add "...or \$100.00 whichever is less."
3. Delete percentage and substitute "...a sum equal to \$100.00 per quarter."
4. Local Option.

Sec. 1 AS 29.53.415 language changed

(e) The assembly of a home rule or general law borough which levys a sales or use tax as authorized under this section may, by ordinance provide for compensation to persons required by the assembly to collect, account for and transmit the proceeds of the tax.

Same for Sec. 2 (b). Delete Sec. 3.

5. Majority Vote. May opt out.

(f) A municipality may exempt itself from the requirements of subsection (e) if a majority of the voters voting on the question at any regular election, as defined by AS 29.78.010(14), or a special election called for that purpose, vote to exempt the municipality from the requirements of this subsection.

6. Majority Vote. May opt in.

Rewrite the bill for AS 29.53.420 Referendum, adoption & modification.
AS 29.53.420 is amended to add a new subsection (c)

(c) At the time of a referendum vote on the question of levy of sales or use taxes or at any regular or special municipal election, the assembly may by ordinance place upon the ballot the question of allowing collectors of sales tax to retain a given percentage or a specified amount for the service of collecting the sales or use tax for the borough.

CITY OF KODIAK

ORDINANCE NO. 497

AN ORDINANCE OF THE CITY OF KODIAK MODIFYING
THE MUNICIPAL SALES TAX

BE IT ORDAINED by the Council of the City of Kodiak,
Alaska, as follows:

SECTION 1. Chapter 3.08 of the Kodiak City Code is
hereby repealed and re-enacted to read as follows:

CHAPTER 3.08

SALES TAX

Sections

3.08.010	Levy of Sales Tax.
3.08.020	Accrual and Collection.
3.08.030	Installment Payments.
3.08.040	General Exemptions.
3.08.050	Exemption of Sales for Resale.
3.08.060	Certificate of Exemption.
3.08.070	Revocation of Certificate of Exemption.
3.08.080	Tax Collector-Registration Certificate.
3.08.090	Addition of Tax.
3.08.100	Assumption of Tax Prohibited.
3.08.110	Tax Schedule.
3.08.120	Maximum Tax.
3.08.130	Title to Tax Proceeds.
3.08.140	Sales Tax Returns.
3.08.150	Credit for Taxes.
3.08.160	Administrative Costs and Reimbursements.
3.08.170	Penalty and Interest.
3.08.180	Determination of Exemptions.
3.08.190	Failure to Collect Taxes.
3.08.200	Preservation of Records.
3.08.210	Estimated Tax.
3.08.220	Returns Confidential.
3.08.230	Recovery of Taxes.
3.08.240	Lien to Secure Payment of Tax.
3.08.250	Foreclosure Against Real Property.
3.08.260	Collection by Distraint and Sale.
3.08.270	Prohibited Acts and Penalties.
3.08.280	Definitions.

3.08.010 Levy of Sales Tax.

A. A sales tax of three percent (3%) of the sales
price or charge is hereby levied on all sales, rentals and
services made within the City of Kodiak.

B. For purposes of the tax levied by this section, a
sale of tangible personal property is made within the City of
Kodiak if:

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1. The sale is made by a business located
within the city and delivery occurs within the
city.

2. The sale is made by a business located
within the city, the order is received or
solicited within the city or payment is received
within the city, and delivery is made to a
purchaser on or adjacent to the road system
within the Kodiak Island Borough.

3. The sale is made by a business located
outside of the city as a result of solicitation
inside of the city and payment or delivery occur
within the city.

C. The tax levied by this section is applicable to
all services rendered within the city, notwithstanding the fact
that the business may be located outside of the city or that
solicitation or payment may have occurred outside the city.

D. The sales tax on rentals is applicable to rentals
for all real property located within the city and to rentals of
personal property from a business within the city.

3.08.020 Accrual and Collection. Sales taxes imposed
by this chapter are due and payable by the buyer at the time of
payment for the purchase, service or rental, and are delinquent
if not paid when due. Every person making sales or rentals, or
rendering services that are taxable under this chapter shall
collect the taxes from the purchaser at the time of the sale,
rental or service, or with respect to credit transactions, at
the time of collection of the sale price, rental or service
fee, and shall transmit the monies collected on a quarterly
basis to the city.

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3.08.030 Installment Payments. When the payments for a purchase, rental or service are made on an installment basis, the entire sales tax shall be collected from the downpayment, or if a downpayment is not made or is insufficient to pay the tax, then from the entire first installment payment or payments until the tax is paid.

3.08.040 General Exemptions. The following classes of sales, rentals and services are exempt from the tax imposed by this chapter:

A. Casual and isolated sales and rentals of personal property, and services not rendered in the regular course of business of the seller.

B. Medical services performed by licensed medical doctors, dentists, osteopaths, optometrists, psychiatrists, psychologists and chiropractors; sales of medicinal preparations and drugs prescribed by medical doctors; and hospital services.

C. Sales, rentals and services to religious and charitable organizations as defined in section 501(c)(3), (4) and (1) of the Internal Revenue Code, for the conduct of regular religious or charitable functions and activities, and not for the support or maintenance of the general membership or for communal living.

D. Sales of food in school cafeterias and lunch rooms that are operated primarily for students.

E. Sales and services by nonprofit schools and student organizations within schools for support of the school, organization or extra curricular activities or events.

F. Sales, rentals and services to the United States, the State of Alaska and any agencies or political subdivisions thereof.

G. Dues or fees to clubs, labor unions and fraternal organizations.

H. Subscriptions to newspapers and periodicals.

I. Sales of animal food, seed, plants and fertilizers to farmers or ranchers for farm use.

J. Sales of insurance and bonds of guaranty and fidelity.

K. Funeral charges.

L. Transportation charges of commercial airlines or steamship companies.

M. Services rendered by banking or savings and loan institutions, or credit unions.

N. Services rendered by an employee to an employer in the normal course of employment.

O. Sales, rentals and services which the city is prohibited from taxing by the constitution or laws of the United States or the State of Alaska.

P. Retail sales in dining rooms or cafeterias of food furnished by nonprofit organizations under programs wholly or partially supported by government funds.

Q. Nursery and babysitting services.

R. Long distance transmission of telephone and telegraph messages.

3.08.050 Exemption of Sales for Resale.

The following sales of property and services are exempt from the sales tax:

A. Sales of property to wholesale dealers located in the city, who deal in property of the type sold, for the purpose of a subsequent sale by such dealer in the city.

B. Sales to retail dealers located in the city, who deal in property of the type sold, for the purpose of

a subsequent retail sale by such dealer in the city, which sale will be subject to the tax imposed by this chapter.

C. Sales of tangible personal property to a person engaged in manufacturing within the city of products sold primarily within the city, which property is converted into or becomes an ingredient or component part of the manufactured product or a container therefore, or otherwise enters directly into the manufacturing process.

D. Sales to a building or construction contractor or subcontractor, for use on a project within the City of building materials, supplies and other tangible personal property to be incorporated or used as component parts of a completed structure, driveway, landscaping and other portions of the project and services utilized directly in the construction, erection, landscaping and similar work on the project. This exemption shall not apply to tools, equipment, fuel, clothing, food and similar items of property utilized but not incorporated into a project.

3.08.060 Certificate of Exemption.

A. A person entitled to the exemption under subsections C or I of section 40, or section 50 of this chapter shall apply to the city for a certificate of tax exemption which will be issued, without charge, to qualified persons. The application shall be submitted on a form provided by the city clerk and shall contain the name, address, type of organization, the section under which the exemption is claimed and such other information as is required by the city clerk. Duplicate certificates will be issued on request.

B. A construction contractor or subcontractor requesting exemption under section 50 D must apply for, and obtain, separate certificates of exemption for each building project,

and the application and certificate shall reflect the correct location of the project by legal description and any other commonly recognized address. Each certificate of exemption shall be valid only for a specific business from which materials, supplies and other property are purchased or services obtained and the application for such certificate shall be signed by both the person seeking the exemption and the authorized representative of the business from which the property or services will be obtained.

C. The certificates of exemption shall be valid for a period of one year and the expiration date shall be printed on the face of the certificate. Exemption certificates may be renewed annually, without charge, by completing an application form containing information required to assess the continued existence of the exemption.

3.08.070 Revocation of Certificate of Exemption.

A. A certificate of tax exemption may be revoked by the city manager for any of the following acts or omissions:

1. Falsification of any statement or information in the application for certificate of exemption.
2. Utilization of the tax exempt certificate for the purchase or acquisition of non-exempt property, rentals or services.
3. Knowingly or negligently permitting or authorizing the use of the certificate by a person other than an authorized agent or employee of the person or entity to whom the certificate was issued.

B. Prior to revocation of a certificate, the holder of the certificate shall be provided with notice of the alleged

violation not less than 10 days prior to the proposed effective date for revocation of the exemption certificate. The person or entity to whom the certificate was issued may request a hearing before the city manager regarding the alleged violation by filing a written request with the city clerk prior to the effective date for revocation. If requested, the hearing shall be held within 20 days after the date of receipt of the request, and the exemption certificate shall not be revoked prior to the date of hearing.

C. A decision of the city manager revoking an exemption certificate may be appealed to the council by filing a written notice of appeal with the city clerk within 10 days after receipt of the decision. The hearing on the appeal shall be scheduled before the council at a regular or special meeting held within 30 days after receipt of the notice of appeal. The council may, in its discretion, hear the matter either on the record or de novo. If the appeal is heard de novo, no evidence may be presented before the council which was not presented before the city manager.

D. If an exemption certificate is revoked, a new certificate may not be issued to the same person or entity for a period of two years from the date of revocation.

E. The revocation provided by this section is an addition to any other penalties provided by law for the violations.

3.08.080 Tax Collectors-Registration Certificate.

A. All persons engaged in selling or renting property or rendering services subject to the tax imposed by this chapter shall file an application for a certificate of registration with the city clerk not later than 10 days after the effective date of this ordinance, or the date of commencing business in

the city, or opening of a place of business in the city. An application for a new business not previously registered to collect sales taxes shall be accompanied by a \$100 deposit which the registrant may recover by a deduction from the remittance submitted with the first quarterly return filed, or if that return is insufficient, the balance shall be refunded. Those businesses filing sales tax returns on the effective date of this ordinance will automatically receive a registration certificate.

B. Upon receipt of a properly executed application, on a form provided by the city clerk, accompanied by the required deposit, the city clerk shall issue the applicant a certificate of registration, stating the address of the place of business to which it is applicable and authorizing such person to collect the sales tax. The certificate shall be prominently displayed at the place of business named on the certificate or if there is no regular place of business, the certificate shall be attached to the stand, truck or other merchandising or service device.

C. The certificate of registration is non-assignable and nontransferable, and must be surrendered to the city clerk by the person or entity to whom it is issued upon cessation of business at the location named in the certificate. If the business is continued at the same location but there is a change in its business form, the certificate holder making such change shall surrender the old certificate to the clerk for cancellation and the successor organization shall apply for a new certificate of registration. Upon receipt of such application properly executed, a new certificate bearing a new number will be issued to such successor.

D. When there is a change of address for the certificate holder's place of business, a new certificate of registration is required, bearing the same registration number, showing the new address.

E. An applicant for a new certificate required to reflect a change in business form or a change of address for an existing certificate holder is not required to post a deposit with the application.

3.02.090 Addition of Tax.

A. The tax collector shall add the tax imposed by this chapter to the price or charge, showing the tax as a separate and distinct item. The tax imposed on the sale of more than one separately priced item may be shown as a total tax on the aggregate price of all items purchased and delivered at one time.

B. The owner or other person providing products or services through a coin-operated vending or amusement machine shall collect the tax levied by this chapter and may include that tax in the fee charged to operate the machine. The allocation of the payment required to operate the machine, between the purchase price and sales tax, shall be explained by notice or marking on the device.

C. A business selling gasoline or diesel fuel delivered to the customer's vehicle in bulk may include the sales tax as an extra charge in the metered price for the fuel if a notice is posted on the meter or pump, or otherwise prominently displayed, explaining the allocation of the total cost between the charge for the fuel and the sales tax.

D. A business engaged in the sale of beverages for consumption on the premises may, in lieu of adding the tax as a separate item. A notice shall be prominently displayed in the

establishment dispensing the beverage explaining the allocation of the total price between the charge for the beverage and the sales tax collected.

E. A business providing for-hire passenger vehicle transportation services may, in lieu of adding the tax as a separate item, include the tax imposed by this chapter in the charge for the transportation. A notice shall be prominently displayed in each for-hire passenger vehicle explaining the allocation of the total charge between transportation charges and the sales tax collected.

F. When authorized by this section to be included in the price or charge for a product or service, the tax to be collected and remitted shall be determined by multiplying the gross receipts from the services or product by .03 and dividing that product by 1.03. Notices required by this section shall be provided by the city.

3.08.100 Assumption of Tax Prohibited. No person may advertise or state to the public, or to any buyer, tenant or consumer of property or services, directly or indirectly, that the tax imposed by this chapter or any part thereof will be assumed or absorbed by that person, or that it will not be added to the sales price or charge, or that it will be refunded, nor may any person assume, absorb or fail to add the tax or any part thereof or refund any tax or fail to separately state the tax to the buyer, tenant or consumer, unless otherwise specifically authorized by this chapter.

3.05.110 Tax Schedule. The amount of the tax to be added to the purchase price, rental or service charge shall be determined in accordance with the following schedule:

Charge	Tax
Under 25 cents	None
\$.25 through \$.45	\$.01

.45 through .7502
.75 through 1.2403
1.25 through 1.4504
1.45 through 1.7505
1.75 through 2.2406
2.25 through 2.4507
2.45 through 2.7508
2.75 through 3.2409
3.25 through 3.4510

Over 3.45 Continue on same scale

3.08.129 Maximum Taxable Sale.

A. If the sales price of an item or items or the charge for rental of any property or performance of any service exceeds \$500 for a single transaction, that portion of the price or charge in excess of \$500 shall be exempt from the tax levied by this chapter.

B. In determining the maximum tax payable with regard to a single transaction for the rendering of services on a substantially regular basis, which services are generally repetitive in nature and are to be performed over a period of time under a contract, each period for payment or partial payment under the contract shall be deemed a separate service transaction. The maximum tax payable shall be applicable to each deemed service transaction with tax payments to accrue and become payable at the time of filing the next quarterly return to be submitted following receipt of payment for the service.

C. For purposes of computing the maximum tax, a rental of property for a period in excess of one month shall be deemed as a series of rentals with each rental transaction terminating as a rental payment is made. The maximum sales tax payable shall be applicable to each deemed rental with tax payments to accrue and become payable at the time of filing the next quarterly return to be submitted following receipt of the rental.

3.08.130 Title to Tax Proceeds. The title to the taxes collected pursuant to this chapter shall vest in the city upon collection by the tax collector.

3.08.131 Sales Reporting.

A. Each person who sells or rents property, or renders services taxable under this chapter in any quarter ending March 31, June 30, September 30 and December 31, shall, on or before the last day of the month succeeding the end of each quarter year complete, sign and file with the city a return for the preceding quarter, upon forms furnished by the city, setting forth the following:

1. The amount received from all sales, rentals and services made or rendered within the city.
2. The amount received from non-taxable sales, rentals and services, with a brief explanation of the non-taxable status.
3. The amount received from taxable sales, rentals and services.
4. The amount of tax attributable to the taxable sales, rentals and services.
5. The taxes collected.
6. Such other information and supporting papers as the council may require in the reporting form.

B. The taxes collected shall be remitted with the reporting form after deducting any administrative fees that may be allowed by section 3.09.160 of this chapter.

C. If the last day of the month is a Saturday, Sunday or legal holiday, tax returns and remittances, other than those delivered by mail, shall be due on or before the next preceding day on which the city offices are open for

business. Tax returns and remittances delivered by mail shall be considered as timely filed if postmarked on the due date or, if the post office is closed on that day, if postmarked on the next preceding day that the post office is open for business.

D. A person making sales or rentals, or rendering services, within the city shall make a return, even though none of the reported transactions are taxable, unless the person is a licensed medical doctor, dentist, osteopath, optometrist, chiropractor, hospital, religious or charitable organization or club, or a labor union.

E. A person who fails to timely comply with the provisions of this chapter relating to the filing of quarterly reports and remittance of taxes collected for any two quarters during a calendar year shall, if required by written notice from the finance director, file the required reports and transmit collected sales taxes monthly until such time as the finance director determines that a willingness and ability to comply with the requirements of this chapter has been established. Monthly reports and remittances shall be due on the 10th day of each month following the month of collection. Any person may, upon notification to the finance director, file reports and transmit taxes monthly.

F. A person doing business within the city for a period of time that is, or can reasonably be expected to be, less than six months in duration, shall file sales tax returns and remit taxes on a monthly basis as provided in subsection E above.

G. A final sales tax return shall be filed and the tax due remitted within 15 days after the date of selling or terminating a business. The purchaser of the business shall withhold a portion of the purchase money sufficient to pay any sale tax, penalties and interest that may be due until seller

displays a receipt from the city evidencing total payment of the tax, interest and penalties due. If the purchaser fails to withhold the required sum from the payment due to the seller, the purchaser shall also be liable for the taxes, penalties and interest owed by the seller to the city.

3.08.150 Credit for Taxes. A person who has collected and remitted a tax on a sale, which tax is subsequently determined not to be due because a refund is granted for returned merchandise, payment is refused on a check received in conjunction with a sale, or similar circumstances may take a credit against future taxes. Proper documentation shall be made available by the tax collector, on request, to substantiate the credit taken.

3.08.160 Administrative Costs and Reimbursements. To compensate sellers, renters and persons rendering services for keeping the sales tax records and filing returns as required by this chapter and making prompt remittances, those persons shall be entitled to a fee equal to two percent of the amount of the tax collected, and that amount may be deducted when making remittances, provided that the reports and remittances are received on or before the due date for such reports and remittances. A person filing a report or remitting taxes collected after the due date forfeits his right and claim to the fee provided by this section and shall remit the entire tax due.

3.08.170 Penalty and Interest.

A. A person who fails to remit taxes collected on or before the due date shall pay, in addition to the tax due, a penalty of ten percent of the tax that is then due and unpaid.

F. Taxes that are not remitted to the city when due shall draw interest from the date of delinquency until paid at the rate of eight percent per annum. Interest shall not accrue

on the penalty assessed by subsection A of this section, but shall accrue on the civil penalty assessed by section 190 of this chapter.

3.08.180 Determination of Exemptions.

A. Every sale of property or service and every rental made within the city, or rendered or received by a person within the city, unless explicitly exempted by ordinance, is presumed to be subject to the tax imposed by this chapter.

B. A purchaser, tenant or other person obtaining property or service who claims an exemption under a provision of this chapter for which a certificate of exemption is required shall display the certificate at the time of the purchase or rental and the certificate number shall be noted on the receipt, invoice or other evidence of the transaction.

C. A purchaser, tenant or other person obtaining property or services who believes the tax has been charged in error may make a claim to the city for refund within 30 days after the date of sale.

D. If the finance director denies a refund of the tax, the taxpayer may appeal to the city manager by filing a written notice of appeal, within ten days after the finance director's decision, setting forth all facts relating to the claimed exemption. The city manager shall provide an opportunity for a hearing within thirty days after the receipt of the notice of appeal.

3.08.190 Failure to Collect Taxes.

A. A person required by this chapter to collect sales taxes levied, who fails to collect such taxes on taxable transactions, shall be assessed with a civil penalty of double the tax that should have been collected, as determined by an audit.

B. If any of the following defenses are established, the civil penalty imposed by this section shall be waived:

1. The securing, in good faith, of a certificate of exemption or a statement of eligibility for exemption from the person against whom the tax would have been levied.

2. Proof of a belief, based upon advice of legal counsel or the city finance director that the sale, rental or rendering of service was not subject to the tax levied by this chapter, accompanied by proof of notification in writing to the city manager based on such belief prior to or immediately following the transaction.

3. A reasonable attempt, in good faith, to collect the tax from the buyer.

C. A purchaser, renter or other person obtaining property or services who fails to pay the tax levied by this chapter on a taxable transaction shall be assessed with a civil penalty of double the taxes that should have been paid.

D. The civil penalties imposed by this section shall be in addition to any other civil or criminal penalties imposed by this chapter.

3.08.200 Preservation of Records. Every person required by this chapter to collect and remit taxes shall keep and preserve suitable records of the gross sales, rentals or service receipts, together with bills of sale and other pertinent records and documents which may be necessary to determine the amount of the tax due under this chapter and to substantiate the information provided in filed returns. The records required to be maintained shall be preserved for not less than three years after the remittance of the taxes and shall be subject to

examination of the city finance director or any other authorized employee of the city while engaged in reviewing or auditing the records of any taxpayer required to make a return under the provisions of this chapter. The city shall give written notice of intent to conduct an audit under this section, not less than five days prior to the audit.

3.08.210 Estimated Tax. If the city is unable to ascertain the correct tax to be paid by a seller because of the failure or refusal of the seller to file a return, keep accurate records or allow their inspection, or because a return has been falsified, the city may prepare an estimate of the tax due based on any information that may be available. Notice of the estimated tax shall be provided to the seller and shall become final for the purpose of establishing the tax liability unless the seller, within thirty days after receipt of notice of the estimated tax, files an accurate return supported by records determined by the finance director to be satisfactory, establishing a lesser liability.

3.08.220 Returns Confidential. Except in connection with official investigations or proceedings of the city, whether judicial or administrative, involving taxes due under this chapter, no officer, employee or agent of the city may divulge any information disclosed in a report or return filed under this chapter. The prohibition of this section shall not prohibit the preparation and use of statistical summaries of sales tax data that do not disclose the identity of any person filing reports required by this chapter.

3.08.230 Recovery of Taxes. Taxes due but not paid may be recovered by the city in an action against the buyer, tenant or recipient of services if that person has failed or refused to pay the tax on request by the seller or submitted a

false certificate of exemption. Taxes collected but not transmitted and taxes not requested or demanded by the person charged with the duty of collecting of tax may be recovered by an action against the person selling or renting the property or services.

3.08.240 Lien to Secure Payment of Tax.

A. The tax imposed by this chapter, together with any penalty and interest that may accrue, shall constitute a lien in favor of the city upon all of the property, real and personal, and any interest in such property owned or held by the person or persons required to pay the tax. The lien arises at the time of delinquency and continues for a period of two years from the date of notice to the city of the delinquency unless an action is initiated during that period to foreclose the lien or the lien is satisfied by distraint and sale.

B. The date of notice to the city of delinquency shall be the first of the following events to occur.

1. A required return is filed accurately reflecting the tax due and the return is not accompanied by the required remittance.
2. A notice of estimated tax is provided to a person by the city and the thirty day period for filing an accurate return has expired.

C. The lien created by this section is not valid against a mortgagee, deed of trust beneficiary, or other person holding a lien or security interest in the property, or a purchaser or judgment creditor, who acquires an interest in the property prior to filing by the city of a notice of lien in the office of the Kodiak District Recorder.

3.08.250 Foreclosure Against Real Property. A lien for the tax, interest and penalties created by this chapter may

be foreclosed, when authorized by the council by commencement of an action in the Superior Court pursuant to the procedure set forth in AS 34.45.170-220.

3.03.260 Collection by Distraint and Sale.

A. The city may collect taxes, with interest, penalties, and other additional amounts permitted by law, by distraint and sale of the property of the person liable to pay the taxes, interest, penalty or other additional amount, who neglects or refuses to pay them within ten days after receipt of notice and demand for payment.

B. In case of neglect or refusal to pay taxes or deficiencies as provided in this section, the city clerk may issue a warrant authorizing any police officer to levy upon, seize and sell any property, except exempt property belonging to the person for the payment of the amount due, with interest and penalty. When distraint is made as provided in this section, the police officer charged with the services shall make an inventory of the property served and leave a signed copy of that inventory with the owner or possessor of the property, or at his dwelling or usual place of business, if a person of suitable age and discretion can be found, or if the taxpayer is a corporation or other type or organization with an officer, manager, general agent, or agent for process, with a notation of the amount demanded and the time and place of sale.

C. The police officer shall immediately publish a notice of the time and place of sale at public auction, together with a description of the property distrained, in a newspaper published in the city and post a copy of the notice at the Post Office nearest the place where the sale is to be made.

D. The time of sale shall be not less than fifteen or more than sixty days from the date of the notification to

the owner or possessor of the property, and the place proposed for the sale shall not be more than five miles from the place of making the distraint. The sale may be continued from time to time in the discretion of the police officer, but not for more than thirty days after the date specified in the notice.

E. The property distrained shall be restored to the owner or possessor if, before the sale, payment of the amount due is made to the police officer charged with the collection, together with the fees and other charges.

F. The police officer conducting the sale under this section shall give to the purchaser a certificate of sale on payment in full of the purchase price. The certificate of sale:

1. Is prima facie evidence of the right of the police officer to make the sale, and conclusive evidence of the regularity of his proceedings in making the sale.
2. Transfers to the purchaser all right, title, and interest of the delinquent in and to the property sold.
3. Where the property consists of stock, is notice, when received, to the corporation to record the transfer on their books and records in the same manner as if the stock were transferred or assigned by the party holding the stock in lieu of an original or prior certificate, which is void, whether cancelled or not.
4. Where the subject of the sale is security or other evidence of debt, is a good and valid receipt to the person holding it, as against a person holding or claiming to hold possession of the security or other evidence of debt.

G. If property seized and sold is not sufficient to satisfy the claim of the city for which distraint or seizure is made, the police officer may, thereafter, and as often as is necessary, proceed to seize and sell in like manner any other property subject to the lien created by this chapter until the amount due from the taxpayer together with all expenses is fully paid.

H. A person in possession or control of property subject to distraint, upon which a levy is made, shall, upon demand by the police officer making the levy, surrender the property to the police officer, unless the property is, at the time of the demand, subject to an attachment under judicial process. A person who fails or refuses to so surrender the property is personally liable to the city for a sum equal to the value of the property not so surrendered, but not exceeding the amount of the taxes or deficiencies, including penalties and interest for the collection of which levy is made, together with costs and interest from the date of the levy.

1. All persons shall, on demand of a police officer about to distraint or having distrained on property, or rights of property, exhibit all books containing evidence or statements relating to the property liable to distraint for the tax due.

J. The provisions of this chapter are not exclusive but are in addition to all other existing remedies provided by law for the enforcement of a levy and collection of taxes of the city.

3.08.270 Prohibited Acts and Penalties.

A. No person may

1. fail or refuse to file a completed tax return required by this chapter, upon demand, or falsify any material statement in that return;

2. fail or refuse to collect taxes levied by this chapter and remit those taxes to the city as required;

3. conduct any business in the city relating to sales, rentals or services subject to taxation under this chapter without first applying for and obtaining a certificate of registration to collect the taxes imposed on sales, rentals and services; or

4. falsify any portion of an application for a Certificate of Exemption or a Statement of Eligibility for Exemption.

B. A person who violates a prohibition contained in subsection A of this section is, upon conviction, punishable by a fine of not more than three hundred dollars or imprisonment for a term not to exceed thirty days, or by both.

C. A person who violates any other provision of this chapter not specifically set forth in subsection A above is, upon conviction, punishable by a fine of not more than two hundred dollars.

3.08.280 Definitions. As used in this chapter:

A. "buyer" or "purchaser" means a person who acquires an interest in real or personal property, or the right to use real or personal property, or who acquires services for consideration;

B. "rental" means permitting the use or occupancy of real or personal property for consideration;

C. "sale" means a transfer or exchange of any property of every kind and description, or the right to use or occupy such property, for consideration;

D. "sales price" or "charge" means the consideration, whether money, credit or other property or interest in property, without deduction for deliverer costs, taxes or any other expense. The receipt of property or an interest in property as consideration, the "sales price" or "charge" shall be based on the fair market value of the property or interest in property.

E. "seller" means a person, whether acting as a principal, agent or broker, who sells, leases or rents real or personal property or provides services to another for consideration.

CITY OF KODIAK

Tom Frost
Mayor

ATTEST:

Henry Pearson
City Clerk

FIRST READING: 7/14/77

SECOND READING AND PASSAGE DATE: 7/27/77

EFFECTIVE DATE: 8/27/77



THE CITY AND BOROUGH OF JUNEAU

CAPITAL OF ALASKA

155 SOUTH SEWARD ST. JUNEAU, ALASKA 99801

DATE: January 27, 1978

FILE NO. Legislature - 1978 Session

SUBJECT: HB 578, 5% Sales Tax Rebate
to Merchants

Honorable Lisa Rudd, Chair
House Community & Regional Affairs Committee
Room 625 Court Building
Juneau, Alaska 99801

Dear Representative Rudd:

The Assembly Legislative Committee has reviewed House Bill 578 which would entitle persons collecting a municipal sales tax to retain 5% of the tax collected and has taken a position in opposition to the bill.

As the sales tax is something which is optional with each community, the method of collection and compensation to those collecting tax should, to maximum extent possible, be left to local option also. Each community can then tailor its procedures to what are perceived by the elected community leaders to be circumstances peculiar to its own situation. The need for this flexibility is demonstrated in the following hypothetical situation. The amount which the seller is permitted to retain is supposed to be full or partial compensation for the burden placed on the seller of collecting, accounting for and transmitting the sales tax. I think it can be safely assumed that there is little difference in this burden between a seller who must collect a 1/2 of 1% sales tax and one who must collect a 5% sales tax. Each must go through the same motions. However, the seller in a community which has a 5% sales tax will be authorized to retain ten times as much on the same taxable sales as the seller in a community which only collects a 1/2 of 1% tax. In a community such as Juneau, where two different rates of sales tax are imposed within the community, the proposed bill would compensate sellers in the 3% area three times as much as sellers doing the same taxable volume in the 1% area. By allowing each community to establish the method of compensation to sellers, the foregoing disparity will not necessarily occur.

Even if it is believed that a statewide percentage rebate should be established, 5% is too high as it provides far more compensation to many sellers than the burden of collecting the taxes. As an example, each of the four large grocery stores in the City & Borough of Juneau do a gross annual business which is roughly in the neighborhood of \$5,000,000. A store doing that gross located in an area which levies a 3% sales tax will collect \$150,000 in taxes;

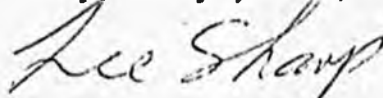
Representative Rudd
January 27, 1978
Page Two

5% of this amount is \$7,500. One can obtain far more accounting services for \$7,500 than are required to account for, report and transmit the sales tax.

The state and federal governments do not compensate employers for withholding, accounting for and transmitting income taxes of employees even though this is a far more difficult and time consuming task than accounting for sales tax. Just as withholding and transmitting to the government a part of an employee's wages is a burden placed on each person who engages in the privilege of hiring another person, so is the burden of collecting and transmitting sales taxes a burden uniformly borne by those who engage in the privilege of doing business within a community which levies a sales tax. Juneau does allow each seller to retain 1% of the taxes collected each quarter but the amount may not exceed \$100 per quarter. In calendar year 1977, Juneau sellers had a total allowable discount of \$19,800. Under House Bill 578, Juneau sellers could have retained \$127,600 of the taxes collected, resulting in a tax loss to the municipality of \$107,800. This amount would have to have been made up by some other revenue source such as property taxes.

For the reasons set forth above, the City & Borough of Juneau believes that House Bill 578 should not be passed.

Very truly yours,



GERALD L. SHARP
City & Borough Attorney

GLS:sm/jt

cc: Jim Rolle, Executive Director
Alaska Municipal League

Representatives Oral Freeman, Sarah Smith, Nels A. Anderson,
Bill Miles, Al Ose, Merle G. Snider, Tim Kelly,
Pete Lovseth, Randy Phillips

FAIRBANKS NORTH STAR BOROUGH



January 25, 1978

Rep. Lisa Rudd

Chairman & Member
Community & Regional Affairs Committee
Alaska State House
Porch V
Juneau, Alaska 99881

Dear sir:

I appreciate the opportunity to comment on two bills before your committee. The bills that I am concerned about are House Bill No. 509 and House Bill No. 578.

House Bill No. 509

As you may be aware, the Fairbanks North Star Borough has already exempted food, hygiene, and prescription drug items from sales tax. The City of Fairbanks, in turn, concurred with this exemption. The City of North Pole could not afford to make this exemption, however they did choose, through a different mechanism, tax rebates per resident, to give some sales tax relief to their residents.

The ability of municipal officials to design and construct a taxing structure that meets their program needs and suits the character of their community is an essential component of local government.

House Bill No. 578

I feel House Bill No. 578 mandates a prerogative which presently exists as an option for locally elected councils and assemblies to consider. At present our assembly and councils have not chosen this mechanism as an aid to business.

I, therefore, must oppose both House Bill No. 578 and House Bill No. 509 as a state intrusion on local control.

Very truly yours,

A handwritten signature in cursive script that reads "Joe A. Carlson".

JOE A. CARLSON
Borough Mayor

JAC:bjw

CITY OF HAINES

TELEPHONE (907) 766-2231 — POST OFFICE BOX 239 — HAINES, ALASKA 99827

February 3, 1978

The Honorable Lisa Rudd, Chairman
House Community and Regional Affairs Committee
Pouch Y
Juneau, Alaska 99811

Dear Representative Rudd:

Jim Polle, Executive Director of the Alaska Municipal League, has asked me to provide you and your Committee with the following information concerning local sales tax matters for use in the upcoming hearings on House Bills 509 and 578.

TAX LEVIED: City of Haines: 3% Haines Borough: 1%

EXEMPTIONS: A list of exemptions from sales tax charged by the City of Haines is enclosed as Attachment 1. A list of the exemptions of the Haines Borough is enclosed as Attachment 2. Both the City and the Borough are presently considering expanding the list of sales transactions which are exempt from tax to include:

1. Sales made and services performed by governmental agencies
2. Sales made and services performed for governmental agencies.
3. Membership dues paid to clubs, labor unions and fraternal organizations.
4. Sales made and services performed for non-profit cooperatives.
5. The value of new or used articles taken in trade.
6. Receipts derived from sales resulting from orders received outside the corporate limits of the municipality, where delivery is made outside the corporate limits of the municipality.
7. Services under a building construction contract or subcontractor.
8. Sales of building or construction supplies exceeding \$5,000 in any one calendar year.

GROSS INCOME RECEIVED FROM SALES TAX:

City of Haines 7/1/76-6/30/77:	217,968
Haines Borough 7/1/76-6/30/77:	80,532

PERCENT OF TOTAL INCOME PROVIDED BY SALES TAX:

City of Haines 7/1/76-6/30/77:	$\frac{217,968}{1,248,428^*}$	= 17.46%
Haines Borough 7/1/76-6/30/77:	$\frac{80,532}{705,812}$	= 11.41%

*Includes all utility revenues as well as State and federal grants for capital improvements

SALES TAX INCOME IN RELATION TO TOTAL EXPENSES:

City of Haines 7/1/76-6/30/77:	$\frac{217,968}{928,869}$	= 23.47%
Haines Borough 7/1/76-6/30/77:	$\frac{80,532}{768,255}$	= 10.48%

DEDICATION OF SALES TAX PROCEEDS:

City of Haines: 2/3 of the revenue must be used for capital improvements; 1/3 may be used for general operating expenses.

Haines Borough: All proceeds to be used for retirement of principal and interest on School Construction Bonds

Too, in order to inform you of the impact that HB-509 would have on sales tax revenues of the City of Haines, I have prepared the following summary of income, in both absolute and relative terms, from taxes on sales of items which would be specifically exempt from tax if this bill becomes law.

Lisa Rudd

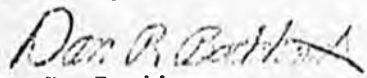
February 3, 1978

Page 3

	Sales tax income 7/1/76-6/30/77	Percent of total sales tax received
Rent	\$ 9,110.84	4.18%
Prescription drugs	presently exempt	
Food	56,639.41	25.99%
Energy source for use in residences	21,192.79	9.72%
Totals	<u>\$ 86,943.04</u>	<u>39.89%</u>

If you need any further information concerning this matter, please contact me.

Sincerely,



Dan R. Bockhorst
City Administrator

cc: Jim Rolle

Encl: Attachment 1
Attachment 2

Attachment 1
Exemptions from sales tax
City of Haines

Sec. 60.10.010 continued

(c) The sales price of all items purchased or delivered at the same time shall be added together and the tax levied on the aggregate amount thereof.

(d) The following are exempt from said tax:

- (1) Salaries and wages paid to an employee.
- (2) Sales made and services performed which are not in the regular course of business.
- (3) Sales, rentals and services when the amount paid to any person for such sales, rentals and services by all persons doing business with such party does not aggregate \$100.00 in any calendar month.
- (4) Sales of insurance and bonds of guaranty and fidelity.
- (5) Fees for medical, dental and hospital services.
- (6) Remuneration received for services and materials including caskets, used or furnished for funerals.
- (7) Wharfage charges and charges for freight handling and cargo handling on docks
- (8) All sales of commodities made to a manufacturer, broker, wholesaler or dealer and which are not consumed or destroyed by such purchaser, but which are resold in the same or an altered form, or which are used to package, crate or deliver the products of such purchaser.
- (9) All sales to a bona fide retailer when the same are purchased by him for resale in the ordinary course of business. In this connection, a retailer is one who regularly stocks merchandise for resale, displays the same to the public and holds himself out as regularly engaged in the business of selling such products either during a regular season or throughout the year directly to the consumer.
- (10) All sales, rentals and services made, paid and performed during the hours, under the auspices and in direct participation with the annual Southeast Alaska State Fair.

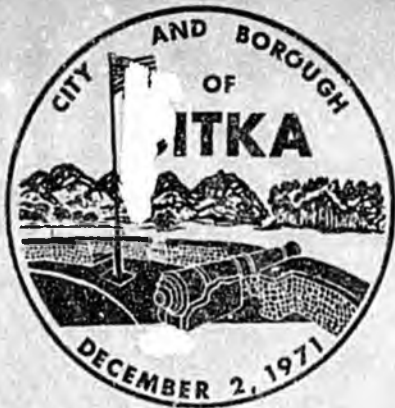
(Ord. 229; adopted 8/1/77)

Attachment 2
Exemptions from sales tax
Haines Borough

Section: 04.20.030. Exempt Transactions. The sales price of all items purchased or delivered at the same time shall be added together and the tax levied on the aggregate amount thereof.

The following are exempt from said tax:

- (a) Salaries and wages paid to an employee.
- (b) Sales made and services performed which are not in the regular course of business.
- (c) Sales, rentals, and services when the amount paid to any person for such sales, rents, and services by all persons doing business with such party does not aggregate \$100.00 in any calendar month.
- (d) Sales of insurance and bonds of guaranty and fidelity.
- (e) Fees for medical, dental, and hospital services.
- (f) Remuneration received for services and materials, including caskets, used or furnished for funerals.
- (g) Wharfage charges and charges for freight handling and cargo handling on docks.
- (h) All sales of commodities made to a manufacturer, broker, wholesaler, or dealer and which are not consumed or destroyed by such purchaser, but which are resold in the same or an altered form, or which are used to package, crate, or deliver the products of such purchaser.
- (i) All sales to a bona fide retailer when the same are purchased by him for resale in the ordinary course of business. In this connection a retailer is one who regularly stocks merchandise for resale, displays the same to the public and holds himself out as regularly engaged in the business of selling such products either during a regular season or throughout the year direct to the consumer.



City and Borough of Sitka

P.O. BOX 79 • SITKA, ALASKA • 99835

February 3, 1978

Lisa Rudd, Chairman
Community and Regional Affairs Committee
Pouch V
Juneau, Alaska 99811

Dear Representative Rudd:

The Alaska Municipal League has requested that we furnish yourself and your committee members the following sales tax data.

1. Sales tax within the City and Borough of Sitka is 4%.
2. Please refer to the enclosed copy of our sales tax ordinance which indicates those sales and services exempt from sales tax.
3. Persons over the age of 65 years are exempt from paying sales tax.
4. Our gross income from sales tax this fiscal year will be 1.5 million dollars.
5. This fiscal year our sales tax will represent 42% of our total revenue, and 37% for our total expenditures.
6. 2% of our sales tax is dedicated for education, and the other 2% for general operation of the municipality.

We oppose HB 509 and 578, and reiterate that sales tax should be a matter of local preference.

Very truly yours,

Fermin Gutierrez
Administrator

Lisa Rudd, Chairman

-2-

February 3, 1978

Enclosure: Sales Tax Ordinance

cc: Representative Sarah Smith
Alaska State Legislature

Representative Nels Anderson
Alaska State Legislature

Representative Bill Miles
Alaska State Legislature

Representative Al Ose
Alaska State Legislature

Representative Merle Snider
Alaska State Legislature

Representative Tim Kelly
Alaska State Legislature

Representative Kris Lovseth
Alaska State Legislature

Representative Randy Phillips
Alaska State Legislature

Jim Rolle
Municipal League



CITY OF DILLINGHAM

P.O. BOX 191

DILLINGHAM, ALASKA 99576

TELEPHONE (907) 842-5211 or 842-5212

February 3, 1978

Community and Regional Affairs Committee
Lisa Rudd, Chairman
Pouch Y
Juneau, Alaska 99811

Dear Madam Chairman:

The following information is submitted to your committee with the intent of advising you as to the position of the City of Dillingham with regard to HB 509 and HB 578. These bills are, as you are aware, with regard to sales tax and various amendments to be added to the Alaska Statutes regarding such. I would appreciate very much your committee being advised of the feelings of small communities such as Dillingham and the potential fiscal impact on these communities if such an elimination of certain items were indeed legislated. I know that you realize the degree to which small communities rely on such revenue and the difference with regard to impact between the large communities such as Anchorage and Fairbanks and those such as Dillingham, Bethel and other bush communities.

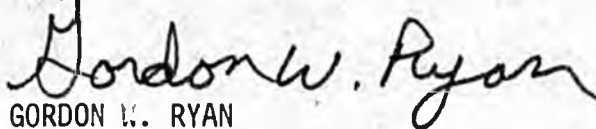
With that fact in mind I would like to present for your committee's information the following facts.

1. The City of Dillingham charges 3% sales tax.
2. The specific exemptions or limits by categories of sales are in the form of a \$1,000 maximum single sale tax. Any item purchased at one given time with a value of over \$1,000, the amount of such valuation over \$1,000 is not subject to tax.
3. Exemptions for sales tax in general is provided to out of town consumers who order their supplies and have them delivered by common carrier.
4. FY77 gross income from sales tax was \$214,624.50. The budgeted revenue for FY78 from sales tax is \$215,000.
5. The sales tax is 18.52% of the total revenue for the City of Dillingham which for FY78 is \$1,160,394.00.
6. Other than capital expenditures and equipment which is purchased from sales tax and which necessarily incorporates a large part of expenditures from that revenue source, the City of Dillingham additionally provides \$30,000.00 in contribution to the School District.

Lisa Rudd, Chairman
February 3, 1978
Page two

I would very much appreciate your committees considering these facts with regard to small cities and if I can be of any assistance to you in providing additional data which would make your decisions and recommendations on HB 509 and HB 578 I would be more than pleased to present such information to you.

Respectfully yours,



GORDON W. RYAN
City Manager

GWR/lrh

cc: Representative Sarah Smith
Representative Nels A. Anderson, Jr.
Representative Bill Miles
Representative Al Ose
Representative Merle Snider
Representative Tim Kelly
Representative Kris Lovseth
Representative Randy Phillips
Jim Rolle, Executive Director, Alaska Municipal League



City of Kodiak

PHONE (907) 486 - 3224
P.O. BOX 1397
KODIAK, ALASKA 99615

February 6, 1978

Representative Lisa Rudd, Chairman
Community and Regional Affairs Committee
Pouch Y
Juneau, Alaska 99811

Dear Representative Rudd:

I would like to provide some general information about sales tax for the Committee's information. Specifically, I am referring to HB 578 and HB 509.

At the present time, the City of Kodiak charges 3% sales tax. The City does not charge sales tax on items over \$500. We do have a number of exemptions on who does pay the sales tax. Our gross income from sales tax estimated for the 1977/78 fiscal year is \$1,350,000. This is 42% of the locally collected general fund revenues and 32% of the total general fund revenues. We do not have any dedication of any of our sales tax for a specific purpose.

In addition, I would like to provide you with some more information regarding HB 578. This is in regard to the retention of a sum equal to 5% of the proceeds of the tax collected by the individual doing the collecting. The City of Kodiak recently revised its sales tax ordinance and changed the fee from 3% to 2%. This was a compromise as the City was attempting to make it zero percent. It is obvious that the large collectors such as grocery stores and firms of that nature would reap a large benefit whereas the small businessman would hardly get anything at all. There are, of course, many ways to look at this fact; however, it is not fair as far as I can see to allow the large businesses to make out one form just as the small businesses do and still make substantial gains.

The other bill, HB 509, is very disturbing. At the present time, the City of Kodiak collects 25% to 35% of its sales tax revenue from those items which this bill wishes to exclude. I would like to be able to give you a more definite figure; however, there are many problems in separating out the different exemptions referred to in this bill.

I have been through a similar discussion regarding the exemption of food from

Representative Lisa Rudd
Page Two
February 6, 1978

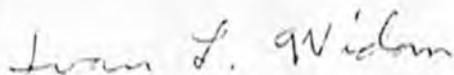
sales tax in Colorado. There is quite a problem for the supermarket to have to separate the item out when checking at the counter because the items do not come out of the basket separate; they are all mixed up. If sales tax is charged only on food items opposed to non-food, i.e. vitamins, soft drinks, etc., they have to be separately charged at the check stand. Anyone who has waited at the supermarket obviously knows that this would delay the process much further and cause a lot of problems for the individuals involved.

While the problems of the super market are relevant, it is most important that you understand that the City of Kodiak is in dire financial straits at this time. Any such change would have to be made up by State funds supplementing the City's losses. I see no such provision in this bill. I might also mention that I have asked the City Council to raise the sales tax from 3% to 5%. This is to cover additional costs of services as well as needed capital improvements. The decision regarding this will be made in the near future. Hopefully, the State Legislature will understand that the City needs the revenue it is now getting out of sales tax and is looking towards further reliance in that area in the future. We do not currently have a personal property tax because of the many problems it presents with inventories, boats and other items.

Thank you for your consideration in this very important matter. If you have any additional questions, please feel free to call on me at your convenience.

Very truly yours,

CITY OF KODIAK



Ivan L. Widom
City Manager

ILW/lp

cc: Representative Oral Freeman
Representative Merle Snider
Senator Kay Poland
Representative Russ Meekins, Jr.
CRA Committee



CITY of YAKUTAT

P. O. Box 6
YAKUTAT, ALASKA 99689
(907) 784-3323

February 6, 1978

Lisa Rudd, Chairman
Community & Regional Affairs Committee
Pouch Y
Juneau, Alaska 99811

Re: H.B. 509
H.B. 578

Dear Lisa:

I would like to provide you with the following information relating to action on the above referenced bills.

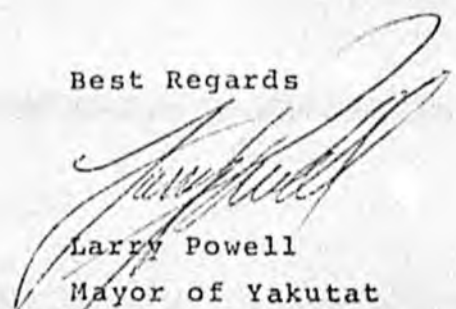
Sales Tax data for the City of Yakutat (Fiscal year 1976-77)

1. 2% general Sales Tax
2. Exemption- are listed on attached excerpt from the Sales Tax Ordinance
3. Exemptions relating to who pays the tax are also attached.
4. Gross Revenues from Sales Tax: \$49,952.
5. Item no. 4 is 23% of all expenditures for last fiscal budget.
6. Since May 1976 there are no dedications of all or any part of the tax for specific purposes collected.

Although the City Council has seriously considered an exemption for food items; but could not afford the large loss as most sales taxes, come from food oriented businesses. We do feel that serious consideration be given to strengthening the use tax concept. This would give us an acceptable area to retrieve revenue losses that would surely come as a result of your proposed bills. The Oil Industry has bitterly fought the Use Taxes instituted in other areas of the state.

I hope that this helps your decision in this matter.

Best Regards



Larry Powell
Mayor of Yakutat

Section 4. Exemptions. The following classes of retail sales, rentals and services are exempt from the tax imposed by this ordinance:

a. Sales, services, rentals and transactions amounting to less than \$25.00 in any quarter year.

b. Casual and isolated retail sales of real or personal property, rental of personal property, and services not in the regular course of the business of the seller.

c. Funeral charges and services, and medical services performed by licensed medical doctors, dentists, osteopaths, optometrists, psychologists, and chiropractors, prescribed by such, and hospital services.

d. The service of transporting students to and from grade or high schools in motor or other vehicles.

e. The sale of food in public, common, high school or college cafeterias or lunch rooms operated primarily for teachers and pupils, and not operated primarily for the public and not operated for profits.

f. The sale of newspapers and periodicals made directly to a consumer or user of newspapers or periodicals by a carrier.

g. Sales, rentals and services to the United States Government, the State of Alaska and its political subdivisions and municipalities.

h. Sales, rentals and services and transactions which the municipality is prohibited from taxing under the Constitution and laws of the United States or the State of Alaska.

i. Dues or fees to clubs, labor unions, fraternal organizations.

j. Salaries and wages received by an employee from an employer but this exemption shall not apply to the gross remuneration for furnishing labor and materials for accomplishing a specified result.



CITY OF NOME

P.O. BOX 281 - NOME, ALASKA 99762
TELEPHONE (907) 443-5242

February 6, 1978

Lisa Rudd, Chairman
Community and Regional Affairs Committee
Pouch Y
Juneau, Alaska 99811

Dear Ms. Rudd:

In connection with HB 509 and 578 we are submitting some information which may be of interest and helpful to you. We do not, however, have a borough in Nome.

1. Our rate of sales tax is 3%
2. Drugs (prescriptions), rent, new construction are exempt
3. State, Federal and city are exempt
4. Our gross income from sales tax 1977-\$443,520.98
5. Gross income from sales tax is 22% of our total budget
6. None of our sales tax is dedicated for a specific purposes. It is all deposited to the general fund

In addition I am enclosing a copy of our sales tax ordinance which enlarges on exempts, etc.

We hope this information will be useful. To restrict collection of sales tax on food and electricity would seriously cut into our revenue if it were restricted at our level.

Yours very truly,

F. G. Breeden
F. G. Breeden
City Manager

FGB:mo
Enclosure
cc: All committee members

CITY OF SKAGWAY

GATEWAY TO THE GOLD RUSH OF '98"

P. O. BOX 415 SKAGWAY, ALASKA 99840

February 6, 1978

Mrs. Lisa Rudd, Chairperson
Community & Regional Affairs Committee
Pouch Y
Juneau, Alaska 99811

Dear Mrs. Rudd:

It is understood that your committee shortly will be holding hearings on House Bill No. 509 - "An act exempting certain items from Sales Tax" and House Bill No. 578 - "An act relating to the levy and collection of Sales and Use Tax by Municipalities". Please introduce the following comments into the records of these hearings:

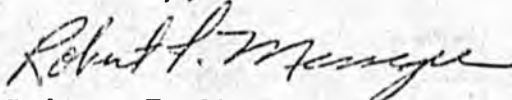
H.B. No. 509 -

The City of Skagway strongly opposes the exemption from taxation of the categories of items as listed in the proposed legislation. The removal of these categories as sources of tax revenue would result in a serious impairment of the City's financial stability. The City's financial planning is premised on the availability of sales tax revenue, as conservatively estimated, for application under the provisions of the City Code - i.e. for retirement of bonded indebtedness and construction of capital improvements to streets, sidewalks and utility systems. Further, the mandating at the State level of categories for exemption from local tax is considered an usurpation of authority better left at the municipal level. Accordingly, the City of Skagway urges that your Committee recommend that H.B. No. 509 not be passed.

H.B. 578 -

The City of Skagway supports the concept that the person or entity charged with the responsibility for collection of municipal sales taxes should be compensated for the administrative costs of this effort. The proposed compensation in the amount of 5% of the amount collected is considered to be acceptable. Accordingly, the City of Skagway supports the passage of H.B. No. 578.

Sincerely,



Robert F. Messegee
Mayor

cc: Senator Bill Ray
Representative Mike Miller
Representative Jim Duncan
City Attorney Ruddy
Representative Ose

GDAcp

CITY OF PETERSBURG

P. O. Box 329 • PETERSBURG, ALASKA 99833

February 6, 1978

Lisa Rudd, Chairman
Community and Regional Affairs Committee
Pouch Y
Juneau, Alaska
99811

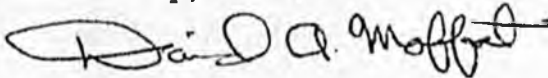
Dear Ms. Rudd:

In reference to the hearing to be held on February 13, 1978 by the Community and Regional Affairs Committee regarding HB 509 & 578, the City of Petersburg volunteers the following information.

The City of Petersburg charges a 5% sales tax. The 5% sales tax is charged on items up to \$1000.00. Government entities are exempted from the sales tax. The gross income from sales tax is \$600,000.00. Approximately 1/2 of 1% of total sales tax relates to all budgeted income. There is a dedication of a portion of sales tax for specific purposes.

Hopefully, this information will be helpful to the Community and Regional Affairs Committee.

Sincerely,



David A. Moffat
City Manager

cc: Sarah Smith
Nels Anderson
Bill Miles
Al Ose

Merle Snider
Tim Kelly
Kris Lovseth
Randy Phillips

Jim Rolle, Alaska Municipal League



DAM/plc



ADOPTED AUGUST 1972

CITY of WRANGELL, ALASKA

INCORPORATED JUNE 15, 1903

BOX 531, 99929 (907) 874-2381

February 7, 1978

Lisa Rudd, Chairperson
House Community and Regional
Affairs Committee
Pouch V, State Capitol
Juneau, Alaska 99811

Re: HB 509, Sales Tax Exemptions

Dear Ms. Rudd:

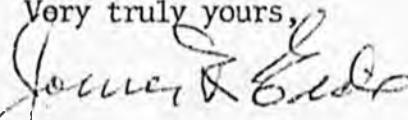
The City of Wrangell wishes to go on record in opposition to the proposed sales tax legislation imposing State mandated exemptions.

The sales tax ordinance was enacted and approved by a majority vote of the qualified voters and can be changed, repealed, or exemptions added in the same manner. It would seem reasonable that the local people are the best judge of how they prefer to financially support their local schools and government. Eighty percent of our sales tax, as enacted, is dedicated to schools, health, sanitation and street construction. The tax supports approximately thirty percent of our budget at the present time. The exemptions included in HB 509 would reduce these funds by sixty to seventy percent. This would result in a reduction of services or increasing the property tax to cover the short fall.

In order to relieve senior citizens from any burden which sales tax may impose, the City has enacted a refund program of \$15.00 per month to qualified persons.

It is our opinion that the local legislative bodies can incorporate exemptions in the sales tax ordinance if it is to the benefit of the local community.

Very truly yours,



James R. Eide
City Manager

JRE/jr

cc: Jim Rolle, Executive Director AML

City of Soldotna

Box 409

Phone 262-4492

SOLDOTNA, ALASKA
99669

February 7, 1978

Lisa Rudd, Chairman
Community & Regional Affairs Committee
Pouch Y
Juneau, Alaska 99811

Re: HB 509 and HB 578

Dear Ms. Rudd:

The City of Soldotna strongly protests passage of HB 509 and HB 578.

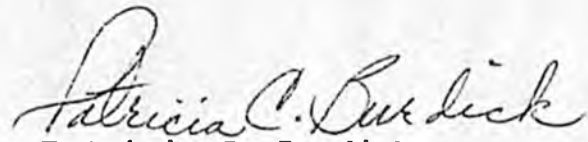
Soldotna has a 2% sales tax payable on amounts up to \$500. Churches and government entities are exempt.

Our gross income from the sales tax was \$323,894 in FY 1976-77. We have received \$251,465 for the first six months of FY 1977-78. Our sales tax income as it relates to all other income is 27%, and is 29% of our budgeted expenses. The tax is not dedicated for a specific purpose, but goes into the general fund.

Of the money received this fiscal year, \$98,000 has come from food sources and \$31,000 from heating sources. Under HB 578 relating to levy and collection of sales and use tax, the City would lose \$6,700 by the increase from 3% to 5% to individuals collecting the tax.

The City cannot afford to lose a large portion of its revenue. We are already faced with tremendous growth with its related problems and future impact, and are wondering where the money for increased services is coming from.

Sincerely,


Patricia C. Burdick
Acting City Clerk

PCB/bm

cc: Committee Members
Alaska Municipal League

Mr. Jim Rolle
February 7, 1978
Page 3

At the end of the text of this book there is a section under the caption "Summary of Proposed Changes." This reads as follows:

"As a whole, the most important changes needed in the state sales taxes include:

1. Elimination of all exemptions of consumer goods except perhaps prescription drugs."

I have been the administrator for the City of Palmer sales tax for nearly eight years and I think this recommendation certainly concurs with my experience. I would strongly urge the Alaska Municipal League to take a firm position in opposition of any type of exemptions. There may be some unique to a local community which are worthwhile, but let them make the decisions.

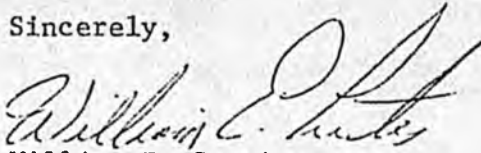
In reference to HB 578, I would certainly speak in opposition. I am aware that the provision has been under borough law for some time as it did not appear under city sales tax law. Some cities and boroughs have taken this prerogative but certainly 5% is more than is necessary in today's world. First of all, if the ordinance on sales tax is not riddled with exemptions, then the calculating and accounting will be a fixed percentage of the gross receipts which is a very simple matter as it does not require 5% of the tax collected. In this day and age with electronic cash registers, electronic calculators, etc., if you have not riddled the sales tax ordinance with exemptions, it is extremely simple to check any day's or month's receipt. If you co-mingle exempt and non-exempt items in the same sales or service of an organization, then you have created a bookkeeping monster and perhaps 5% is not nearly enough. If you will refer back to my opening statement about the fact that of our total revenues, only two items are under control of the Council, and in our case 70% of that total revenue is in the sales tax. Whatever you do to affect that sales tax has dramatic reaction with the City Council's responsibilities and authority. By allowing the 5% retention in our case of our total revenues of \$330,000, you are talking about \$16,500. If that revenue is removed from the sales tax then it must be applied to the property tax. In our case, 1 mill of taxation produces \$30,000. By allowing this 5% retention you merely cause the City Council to levy an additional 1/2 mill of real and personal property tax on everyone in the City. In the majority of the cases this is going to be the owner-operator of the establishment who is retaining the 5%. The only alternative is whether he pays it once a month in twelve installments or once a year when property taxes are due.

In summation, I would like to say, Jim, that sales tax is a very sophisticated form of taxation and its administration is much more complicated than real

Mr. Jim Rolle
February 7, 1978
Page 4

property taxes. Each municipality is unique within itself and it is best left to the local governing body who lives there 365 days a year to make these decisions. Please try to inform our legislators that these decisions are better made at home.

Sincerely,


William E. Curtis
City of Palmer
Manager

WEC/car

cc: ✓ Lisa Rudd, Chairman, Community & Regional Affairs Committee
The Honorable Al Ose
The Honorable Jalmar Kerttula



ALASKA MUNICIPAL LEAGUE

204 N. FRANKLIN ST.

JUNEAU, ALASKA 99801

Statement of

Jim Rolle

Executive Director

of the

Alaska Municipal League

Before

The House C&RA Committee

January 30, 1978

Houses Bill 509

House Bill 578

MADAM CHAIRMAN-MEMBERS OF THE COMMITTEE

Good Morning

My name is Jim Rolle and I am here to testify on behalf of the Alaska Municipal League, as both HB 509 and HB 578 appear on your agenda today. I am in hopes that you will allow the philosophy of my remarks to apply to both bills. However the specifics will apply to HB 578 in so far as the numbers are concerned.

Sources of local revenue for municipalities in Alaska are limited to a very extensive degree, to the income derived from local property and sales taxes.

Those tax reformers, who insist that the obligations ought to be borne according to the ability to pay, will find little comfort in the findings of a recent poll by the Advisory Commission on Intergovernmental Relations. (attached)

As analyzed, the poll shows that more people than ever, about 35% nation wide, regard the property tax as the most unfair tax of all. The report also shows federal income tax the second "worst" tax with sales tax seemingly more popular.

The report should baffle those who, like me and some elected municipal officials, long have condemned the sales levy as the most regressive form of taxation.

Whatever, the poll suggests that any attempts to enlarge taxes on income or property will have increasingly stiff opposition. This leads me to our point today.

We did a rough telephone survey of Municipal League members to find that should these act become law, our members will lose approximately 1.5 million dollars in local revenue. Obviously, these revenues will have to be found elsewhere. I should like to point out that the sales tax in most communities is a result of the peoples vote, not council or assembly action like the property tax.

Some communities, for a variety of reasons, already practice the concept of rebate or holdback. However, it was done locally and in the amounts most beneficial to the municipality and its population affected.

In the case of Fairbanks North Star Borough and the City of Fairbanks we are speaking roughly of \$450,000 loss of revenue. In Juneau we are looking at \$107,000, Palmer \$15,000 and Kodiak \$55,000, just as examples.

In conclusion, we feel that both of these bills, if passed, would have a serious adverse effect upon the operation of municipal governments, resulting in either a marked increase in the level of property tax or a reduction in the level of services offered to the public.

Therefore, the Alaska Municipal League opposes these bills.

Thank You.

The Worst Tax

Table 3

Which Do You Think is the Worst Tax — That is, the Least Fair?

Percent of Total U.S. Public

	May 1977	May 1975	April 1974	May 1973	March 1972
Federal Income Tax	28%	28%	30%	30%	19%
State Income Tax	11	11	10	10	13
State Sales Tax	17	23	20	20	13
Local Property Tax	33	29	28	31	45
Don't Know	11	10	14	11	11

When 1977 national totals are broken down by region, they reveal the following striking contrasts:

	Percent of Total U.S. Public	Percent of Respondents by Region			
		North- east	North Central	South	West
Federal Income Tax	28%	20%	32%	33%	25%
State Income Tax	11	17	9	10	7
State Sales Tax	17	23	15	17	15
Local Property Tax	33	28	37	25	45
Don't Know	11	13	8	14	7

For additional detail, see Table A3 on page 12.

TABLE 3A

Which Do You Think is the Worst Tax — That is, the Least Fair?

	Federal Income Tax	State Income Tax	State Sales Tax	Local Property Tax	Don't Know
Total Public	28%	11%	17%	33%	11%
18-29 Years of Age	29	10	18	35	9
30-44	34	15	16	29	6
45-59	32	11	14	33	10
60 Years and Over	18	7	20	34	20
Male					
Total	28	11	18	36	7
18-29 Years of Age	29	10	18	40	3
30-44	32	16	15	33	4
45-59	29	11	15	38	7
60 Years and Over	21	9	23	31	16
Female					
Total	29	10	17	30	14
18-29 Years of Age	28	9	19	30	14
30-44	35	15	18	26	7
45-59	34	10	14	28	14
60 Years and Over	15	4	17	38	26
Employed	31	10	19	30	10
Housewife	29	13	17	27	13
High School Graduate or Less					
Total	26	11	19	31	13
Less Than High School Graduate	23	11	20	29	17
High School Graduate	29	11	17	33	10
College					
Total	33	10	15	35	6
Some	33	12	14	35	6
Graduate	34	8	16	36	7
Executive, Professional, Managerial	29	8	14	42	6
White Collar	34	13	14	32	7
Blue Collar					
Total	30	11	19	31	10
Skilled	31	13	16	33	7
Semi/Unskilled	28	10	21	29	12
Retired	19	9	21	33	18

TABLE 3A (Cont.)

Which Do You Think is the Worst Tax — That is, the Least Fair?

	Federal Income Tax	State Income Tax	State Sales Tax	Local Property Tax	Don't Know
Total Public	28%	11%	17%	33%	11%
Nielsen Markets					
A	25	13	16	34	11
B	31	9	17	33	9
C	28	10	18	35	10
D	31	9	20	25	15
Household Income					
Under 7K	22	8	21	30	18
7-9.9K	28	11	19	30	12
10-14.9K	31	10	18	37	4
15-24.9K	33	13	14	32	8
25K Plus	31	13	14	38	3
Region					
Northeast	20	17	23	28	13
North Central	32	9	15	37	8
South	33	10	17	25	14
West	25	7	15	45	7
Rural	27	10	17	36	10
Suburb	27	11	15	35	11
City					
Total	30	10	20	29	11
One Family	29	10	20	31	10
Multifamily	31	12	18	25	14
Race					
White	28	11	17	34	10
Nonwhite	27	10	20	23	20
No Child	26	9	17	34	14
With Children					
Total	31	11	18	32	8
12-17	31	13	18	31	8
6-11	32	13	18	30	7
Under 6	29	10	17	34	9
Own Home	27	10	17	36	10
Rent Home	30	12	18	26	14

Kinai Boro - get notice - ?
do they allow w/holding - ?

ordinance on having to pay tax even if
you didn't collect it but shd. have -

lower % age - ?

make a maximum that businesses
can retain -

Jumrau 1% to Max

Kinai 30% -

Arch. contrib. to visitors' bureau

Sitka \$100 * per gr.

Fbx. considering -