

**SB**

**366**

**SFIN**

**FILE**

**SENATE FINANCE COMMITTEE REPORT**  
**First Committee of Referral**

REPORTED OUT
MAY 07 2004
SENATE FINANCE COMMITTEE

DATE: 3/17/04

FURTHER:

Date of 5-Day Notice: \_\_\_\_\_  
 (in accordance with Uniform Rule 23)

DATE TURNED IN TO OFFICE: 7 May 2004

Finance Committee considered

SENATE BILL NO. 366

SB 366 STATE SALES TAX

"An Act relating to the levy and collection of sales and use taxes, to the levy and collection of municipal sales and use taxes, and to municipal sales and use taxes on alcoholic beverages; and providing for an effective date."

and recommends:

- be replaced with \_\_\_\_\_ CS CS SB 366 (FIN)
- adopt previous \_\_\_\_\_ CS CS forthcoming
- attached amendment(s)
- adopt Letter of Intent by \_\_\_\_\_ Committee
- further referral to \_\_\_\_\_ Committee

<b>Senate Bill:</b>	
<input type="checkbox"/>	Same Title
<input checked="" type="checkbox"/>	New Title
<b>House Bill:</b>	
<input type="checkbox"/>	Same Title
<input type="checkbox"/>	Technical Title Change
<input type="checkbox"/>	New Title w/ SCR # _____

**NEW FISCAL NOTE(S):**

**PREVIOUS FISCAL NOTE(S):**

Department	Date	Fiscal	Zero	Indet.	FN#
	F/n				
	forthcoming				

Department	Date	Fiscal	Zero	Indet.	FN#

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	DO PASS	DO NOT PASS	NO REC	AMEND
<i>[Signature]</i>			✓	
<i>[Signature]</i>		✓		
<i>[Signature]</i>		✓		
<i>[Signature]</i>	✓			
<i>[Signature]</i>	X			
COCHAIR:				
COCHAIR: <i>[Signature]</i>				

MAY 07 2004

SENATE FINANCE  
COMMITTEE

# FISCAL NOTE

STATE OF ALASKA  
2004 LEGISLATIVE SESSION

Fiscal Note Number: \_\_\_\_\_  
Bill Version: CSSB 366(FIN)  
( ) Publish Date: \_\_\_\_\_

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: Revenue  
Title State Sales Tax RDU Revenue Programs & Services  
Component Tax Division  
Sponsor Senate Finance Committee  
Requester Senate Finance Committee Component No. 2476

**Expenditures/Revenues** (Thousands of Dollars)  
Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	*	*	*	*	*	*

<b>CAPITAL EXPENDITURES</b>	*					
-----------------------------	---	--	--	--	--	--

<b>CHANGE IN REVENUES ( )</b>	*	*	*	*	*	*
-------------------------------	---	---	---	---	---	---

**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
<b>TOTAL</b>	*	*	*	*	*	*

Estimate of any current year (FY2004) cost: 0.0  
Check this box (X) if funding for this bill is included in the Governor's FY 2005 budget proposal:

**POSITIONS**

Full-time	*	*	*	*	*	*
Part-time						
Temporary						

**ANALYSIS:** (Attach a separate page if necessary)

\* See page 2 and 3

Prepared by: Chuck Harlamert & Brett Fried Phone 465-2320  
Division: Tax Division Date/Time 5/7/04 4:33 PM  
Approved by: Steve Porter, Deputy Commissioner Date 5/7/2004  
Agency: Department of Revenue

THE  
FOLLOWING  
DOCUMENT(S)  
ARE  
POOR  
ORIGINAL  
COPIES

## FISCAL NOTE

STATE OF ALASKA  
2004 LEGISLATIVE SESSION

BILL NO. CSSB 366(FIN)

### ANALYSIS CONTINUATION

#### Cost Discussion

We estimate that there will be approximately 50,000 taxpayers under the bill generating just under 500,000 returns each year. We estimate ongoing operational costs of \$5.9 million per fiscal year. The projected staffing is 79 full time employees. We have not developed cost estimates for specific fiscal years that reflect program start-up and maturity. Based on this estimate, and our analysis of other broad based tax proposals, we expect that operational costs for FY05 will be between \$2.0 and \$3.0 million after which operating costs are expected to peak during the second year of the program then decline and stabilize at the \$5.9 million estimate as the program matures. Capital investment in information systems and specialized equipment are estimated at \$7.5 million.

These operational and capital cost estimates assume that the \$60 tax cap under the bill is a \$60 cap on the state tax and an independent \$60 cap on each municipal tax that may apply to a transaction. This is how we interpret the bill as written. If however, the cap is intended to be a limit of \$60 on state and municipal taxes combined, then detailed reporting of individual transactions would be necessary to determine the portion of the \$60 attributable to the state and municipal taxes. The cost of transactional reporting are significant for taxpayers and the department. If the bill is modified to impose a cap on the combined state and municipal tax, we recommend that the revenue distribution and tax sharing provisions of the bill be modified to provide for revenue sharing based on the ratio of state to municipal tax rates in order to avoid these costs and complexities.

#### Revenue Discussion

Estimating the revenue from a proposed sales tax is fraught with potential pitfalls. These include the difficulty of obtaining current and applicable data and identifying the potential effects on consumers and businesses. Besides these estimation difficulties, the maximum allowable tax per single sale and municipal share provisions in this bill make it even more difficult to develop a plausible estimate.

#### Sales

The U.S. Economic Census estimates that the total value of all sales, receipts or revenue for Alaska establishments in 1997 was over \$35 billion. However, HB 366 exempts certain goods and services, including the following:

- (1) the sale of property for resale
- (2) financial services
- (3) prescription drugs
- (4) health care services
- (5) the sale, lease or rental of real property
- (6) sale of natural gas or diesel fuel for home heating
- (7) water, sewer, electricity steam or refuse and garbage collection
- (8) transportation of passengers and tangible personal property
- (9) property and services used for the exploration, extraction and production of natural resources.
- (10) the sale, transfer or use of motor fuel taxed under AS 43.40.010;
- (11) sales, leases, or rentals made in a municipality or unincorporated community with a population of less than 500.

We tried as much as possible to match goods and service classified as exempt in the Bill to census definitions so that we could exclude them from the estimated tax base. We then updated the tax base by sector using personal income statistics. The result is a tax base of about \$12.5 billion. If we ignore for the time being the municipal share, allowable maximum tax and exemption for sales made in small communities provisions in the Bill, then the total estimated revenue at three percent would be about \$375 million. Additionally, at no point in this analysis do we estimate how any of the provisions in this bill will change behavior.

#### The Cap

We are not aware of any direct method to estimate the reduction in revenue as a result of the exclusion of single sales, leases or rentals that exceed the tax cap of \$60. There is no statewide estimate of the volume of sales or the amount of each sale that would exceed the cap. A community that defines its maximum tax per sale in a similar fashion to HB 366 is the Kenai Peninsula Borough. The Kenai Peninsula Borough allows the tax to be applied "only to the first \$500 of each separate sale, rent or service transaction with some exceptions."

## FISCAL NOTE

STATE OF ALASKA  
2004 LEGISLATIVE SESSION

BILL NO. CSSB 366(FIN)

These exceptions include a provision that defines room rentals on a per room per night basis. This is to prevent a person from bundling rooms together over time and using the bundled transaction as a single sale. There is no such provision in this Bill.

The Kenai Peninsula Borough used a random sampling of their 1999 returns to do an analysis of their tax cap. The result of their analysis shows that the cap lowers the Kenai Peninsula Borough's taxable sales by approximately 35 percent. Although this percentage seems very high when applied to the state there would be a large incentive to bundle goods and services and to invoice as infrequently as possible. This will be particularly true of services which account for almost 50 percent of the total estimated revenue from this tax. Unlike the Kenai Peninsula Borough, this bill also does not have any restrictions such as the "per room per night" restriction in the Borough ordinance. In 1999, this ordinance also specified that a single sale of a service could not be invoiced over more than 30 days. This provision was recently repealed. Using the Kenai Peninsula Borough's experience the cap could reduce the statewide sales tax base to \$8.1 billion. Our very rough revenue estimate at the three percent tax rate would then be about \$243 million.

### Communities with less than 500 individuals

We estimate that approximately three percent of the population lives in cities with less than 500 people. Although these individuals may have completely different spending habits than other individuals in the state, as a very rough estimate we could reduce the tax base by three percent. The tax base would then be about \$7.9 billion and our very rough estimate at the three percent tax rate would be \$235 million.

### The Municipal Share

It is not possible to estimate how many municipalities (cities and boroughs) would choose to impose sales taxes or change their rates as a result of HB 366. However, we do know that approximately 70 municipalities in Alaska already have sales tax rates equal to or higher than three percent. If we use population as a proxy for sales and adjust for cities that currently have population less than 500 and levy sales taxes, then at a minimum, 19 percent of one percent of the tax base would go to cities, or about \$15 million using the above rough estimate. The maximum municipal share, if all communities with populations greater than 500 adopted a three percent or higher tax rate, would be about \$79 million using the above estimate. The rough estimate of revenue to the state would then be somewhere between \$156 to \$220 million at the 3 percent rate.

### Intersection of Tax Cap and Municipal Share

The Bill says that if a borough levies a "general" sales tax then a "borough must conform exactly to the statewide sales and use tax." In addition, "a city may levy sales and use taxes in the manner provided for boroughs." We interpret this to be that the \$60 tax cap would apply separately at the borough, city and statewide level. That is, the total effective tax cap for sales made in a city with a sales tax within a Borough with a sales tax, would be \$180. If, however, the total tax cap on the sale is \$60 and it is shared back to municipalities and boroughs with sales taxes then the revenue estimate would be lower.

### Other Assumptions or Exclusions

We did not include any adjustments for consumers or businesses lowering their tax burden by changing their behavior. Also, we did not include estimates for use taxes collected from buyers and out-of-state sellers. Additionally, we did not exclude the sales of services by or to the state or a political subdivision of the state.



Official Business

# Alaska State Senate

## Senate Finance Committee

Mail Stop 3100  
State Capitol  
Juneau, Alaska 99801-1182

RUSH

Scheduled

FAX COVER SHEET

for 10:00 am  
floor

DATE: 7 May 2004 TIME: 10:05 am

TO: Legal Services

NUMBER OF PAGES, INCLUDING COVER SHEET: 1

FROM: MINDY ROWLAND  
SENATE FINANCE COMMITTEE SECRETARY  
PHONE: 465-4935  
FAX: 465-2187

NOTES: CS SB 366 (FIN)

23-LS1051\Z

Kurtz 5/6/04

no changes

Thx

Mindy

ADOPTED

WORK DRAFT

WORK DRAFT

WORK DRAFT

23-LS1051VZ  
Kurtz  
5/6/04

**CS FOR SENATE BILL NO. 366( )**  
**IN THE LEGISLATURE OF THE STATE OF ALASKA**  
**TWENTY-THIRD LEGISLATURE - SECOND SESSION**

**BY**

**Offered:**  
**Referred:**

**Sponsor(s): SENATE FINANCE COMMITTEE BY REQUEST**

**A BILL**

**FOR AN ACT ENTITLED**

1 **"An Act relating to the levy and collection of sales and use taxes, and to the levy,**  
2 **collection, and expenditure of municipal taxes; and providing for an effective date."**

3 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

4 **\* Section 1.** AS 29.05.210(b) is amended to read:

5 (b) The department shall provide assistance to each borough and unified  
6 municipality incorporated after December 31, 1985, in

7 (1) establishing the initial sales and use tax assessment [AND  
8 COLLECTION DEPARTMENT] if the borough or unified municipality has adopted a  
9 sales or use tax;

10 (2) determining the initial property tax assessment roll if the borough  
11 or unified municipality has adopted a property tax, including contracting for appraisals  
12 of property needed to complete the initial assessment.

13 **\* Sec. 2.** AS 29.05.210(b) is amended to read:

14 (b) The department shall provide assistance to each borough and unified

1 municipality incorporated after December 31, 1985, in

2 (1) establishing the initial sales and use tax assessment and collection  
3 department if the borough or unified municipality has adopted a sales or use tax;

4 (2) determining the initial property tax assessment roll if the borough  
5 or unified municipality has adopted a property tax, including contracting for appraisals  
6 of property needed to complete the initial assessment.

7 \* Sec. 3. AS 29.10.200(41) is amended to read:

8 (41) AS 29.35.170 [AS 29.35.170(b)] (assessment and collection of  
9 taxes);

10 \* Sec. 4. AS 29.10.200(41) is amended to read:

11 (41) AS 29.35.170(b) [AS 29.35.170] (assessment and collection of  
12 taxes);

13 \* Sec. 5. AS 29.10.200(51) is amended to read:

14 (51) AS 29.45.650 [AS 29.45.650(c), (d), (e), (f), (i), AND (j)]  
15 (general sales and use tax);

16 \* Sec. 6. AS 29.10.200(51) is amended to read:

17 (51) AS 29.45.650(c), (d), (e), (f), (h), and (i) [AS 29.45.650]  
18 ([GENERAL] sales and use tax);

19 \* Sec. 7. AS 29.10.200(52) is amended to read:

20 (52) AS 29.45.700 [AS 29.45.700(d) AND (e)] (general sales and use  
21 tax);

22 \* Sec. 8. AS 29.10.200(52) is amended to read:

23 (52) AS 29.45.700(d) and (e) [AS 29.45.700] ([GENERAL] sales and  
24 use tax);

25 \* Sec. 9. AS 29.10.200 is amended by adding new paragraphs to read:

26 (64) AS 29.35.110(a) (expenditure of borough revenues);

27 (65) AS 29.45.660 (notice of sales and use tax);

28 (66) AS 29.45.670 (referendum on adoption, and modification of sales  
29 and use tax).

30 \* Sec. 10. AS 29.35.110(a) is amended to read:

31 (a) Borough revenues received through taxes levied [COLLECTED] on an

1 areawide basis by the borough may be expended on general administrative costs and  
2 on areawide functions only. Borough revenues received through taxes levied  
3 [COLLECTED] on a nonareawide basis may be expended on general administrative  
4 costs and functions that render service only to the area outside all cities in the  
5 borough. This subsection applies to home rule and general law municipalities.

6 \* **Sec. 11.** AS 29.35.110(a) is amended to read:

7 (a) Borough revenues received through taxes collected [LEVIED] on an  
8 areawide basis by the borough may be expended on general administrative costs and  
9 on areawide functions only. Borough revenues received through taxes collected  
10 [LEVIED] on a nonareawide basis may be expended on general administrative costs  
11 and functions that render service only to the area outside all cities in the borough.  
12 [THIS SUBSECTION APPLIES TO HOME RULE AND GENERAL LAW  
13 MUNICIPALITIES.]

14 \* **Sec. 12.** AS 29.35.170 is amended to read:

15 **Sec. 29.35.170. Assessment and collection of taxes.** (a) A borough shall  
16 assess [AND COLLECT] property [, SALES, AND USE] taxes and collect taxes,  
17 other than general sales and use taxes, that are levied in its boundaries, subject to  
18 AS 29.45.

19 (b) Taxes, other than general sales and use taxes, levied by a city shall be  
20 collected by a borough and returned in full to the levying city. [THIS SUBSECTION  
21 APPLIES TO HOME RULE AND GENERAL LAW MUNICIPALITIES.]

22 \* **Sec. 13.** AS 29.35.170 is amended to read:

23 **Sec. 29.35.170. Assessment and collection of taxes.** (a) A borough shall  
24 assess and collect property, sales, and use taxes [AND COLLECT TAXES, OTHER  
25 THAN GENERAL SALES AND USE TAXES,] that are levied in its boundaries,  
26 subject to AS 29.45.

27 (b) Taxes [, OTHER THAN GENERAL SALES AND USE TAXES,] levied  
28 by a city shall be collected by a borough and returned in full to the levying city. This  
29 subsection applies to home rule and general law municipalities.

30 \* **Sec. 14.** AS 29.35.170 is amended by adding a new subsection to read:

31 (c) This section applies to home rule and general law municipalities.

1 \* **Sec. 15.** AS 29.45.650 is repealed and reenacted to read:

2 **Sec. 29.45.650. General sales and use tax.** (a) Except as provided in  
3 AS 29.45.750, a borough may levy a general sales and use tax. If a borough levies a  
4 general sales and use tax,

5 (1) the borough must conform exactly to the statewide sales and use  
6 tax levied and collected under AS 43.44, except that the municipal general sales and  
7 use tax may be levied at any rate; and

8 (2) the borough's use tax is levied on the privilege of using in the  
9 borough tangible personal property or services.

10 (b) The Department of Revenue shall collect a sales and use tax levied under  
11 this section and remit the proceeds to the municipality. The Department of Revenue  
12 may use its administrative authority under AS 43.05 and its enforcement and  
13 collection authority under AS 43.10 to collect a sales and use tax levied under this  
14 section.

15 \* **Sec. 16.** AS 29.45.650 is repealed and reenacted to read:

16 **Sec. 29.45.650. Sales and use tax.** (a) Except as provided in  
17 AS 04.21.010(c), AS 29.45.750, and in (f), (g), (h), and (i) of this section, a borough  
18 may levy and collect a sales tax on sales, rents, and on services provided in the  
19 borough. The sales tax may apply to any or all of these sources. Exemptions may be  
20 granted by ordinance.

21 (b) A borough levying a sales tax may also by ordinance levy a use tax on the  
22 storage, use, or consumption of tangible personal property in the borough. The use tax  
23 rate must equal the sales tax rate and the use tax shall be levied only on buyers.

24 (c) A person who furnishes proof, in the form required by the borough tax  
25 collector, that the person has paid a sales tax on the source on which a use tax is levied  
26 by the borough is required to pay the use tax only to the extent of the difference  
27 between the amount of the sales tax paid and the amount of the use tax levied by the  
28 borough. This subsection applies to a sales tax levied in any taxing jurisdiction  
29 whether inside or outside the state.

30 (d) If the assembly charges interest on sales taxes not paid when due, the rate  
31 of interest may not exceed 15 percent a year on the delinquent taxes and shall be

1 charged from the due date until paid in full. This subsection applies to home rule and  
2 general law municipalities.

3 (e) A borough may provide for the creation, recording, and notice of a lien on  
4 real or personal property to secure the payment of a sales and use tax, and the interest,  
5 penalties, and administration costs in the event of delinquency. When recorded, the  
6 sales tax lien has priority over all other liens except (1) liens for property taxes and  
7 special assessments; (2) liens that were perfected before the recording of the sales tax  
8 lien for amounts actually advanced before the recording of the sales tax lien; (3)  
9 mechanics' and materialmen's liens for which claims of lien under AS 34.35.070 or  
10 notices of right to lien under AS 34.35.064 have been recorded before the recording of  
11 the sales tax lien. This subsection applies to home rule and general law municipalities.

12 (f) A borough may not levy and collect a sales tax on a purchase made with  
13 (1) food coupons, food stamps, or other type of allotment issued under 7 U.S.C. 2011 -  
14 2036 (Food Stamp Program); or (2) food instruments, food vouchers, or other type of  
15 certificate issued under 42 U.S.C. 1786 (Special Supplemental Food Program for  
16 Women, Infants, and Children). For purposes of this subsection, the value of a food  
17 stamp allotment paid in the form of a wage subsidy as authorized under  
18 AS 47.25.975(b) is not considered to be an allotment issued under 7 U.S.C. 2011 -  
19 2036 (Food Stamp Program). This subsection applies to home rule and general law  
20 municipalities.

21 (g) A borough may not levy or collect a sales tax on sales, rents, and services,  
22 or a use tax on the storage, use, or consumption of personal property on the following  
23 activities:

24 (1) the sale, lease, rental, storage, consumption, or distribution in this  
25 state of or the provision of services relating to an orbital space facility, space  
26 propulsion system, or space vehicle, satellite, or station of any kind possessing space  
27 flight capacity, including the components of them;

28 (2) the sale, lease, rental, storage, consumption, or use of tangible  
29 personal property placed on or used aboard an orbital space facility, space propulsion  
30 system, or space vehicle, satellite, or station of any kind, regardless of whether the  
31 tangible personal property is returned to this state for subsequent use, storage, or

1 consumption; an exemption under this paragraph is not affected by the failure of a  
2 launch to occur, or the destruction of a launch vehicle or a component of a launch  
3 vehicle.

4 (h) A borough may not levy or collect a sales or use tax on (1) the physical  
5 transfer of refined fuel, unless the transfer is made in connection with a sale or use in  
6 the borough, or (2) wholesale sales or transfers of fuel refined in the borough. A sale is  
7 in the borough if the fuel is delivered to the buyer in the borough. A use is in the  
8 borough if the fuel is consumed in the borough. This subsection applies to home rule  
9 and general law municipalities.

10 (i) The prohibitions on the levy and collection of a sales or use tax on refined  
11 fuel in (h) of this section do not apply to a borough if, on the effective date of (h) of  
12 this section, the borough is

13 (1) levying and collecting a sales or use tax on the sale, use, or transfer  
14 of refined fuel under an ordinance adopted before January 1, 2003; or

15 (2) receiving payments in lieu of a sales or use tax on the sale, use, or  
16 transfer of refined fuel under an agreement entered into before January 1, 2003.

17 \* Sec. 17. AS 29.45 is amended by adding a new section to read:

18 **Sec. 29.45.655. Specific taxes on property and services.** Unless otherwise  
19 prohibited by law, a municipality may levy and collect specific sales or excise taxes on  
20 single categories of tangible or intangible property or services, such as bed taxes, car  
21 rental taxes, and fish taxes.

22 \* Sec. 18. AS 29.45.660(a) is amended to read:

23 (a) If the borough levies [AND COLLECTS] only a general sales tax and use  
24 tax, the assembly shall provide a notice substantially in the form set out in  
25 AS 29.45.020. In providing notice under this subsection, the assembly shall substitute  
26 for the millage equivalency its estimate of the equivalent sales tax rate for each of the  
27 categories of financial assistance set out in AS 29.45.020. Notice shall be provided

28 (1) by publishing in a newspaper of general circulation in the borough  
29 a copy of the notice once each week for a period of three successive weeks, with  
30 publication to occur not later than 45 days after the final adoption of the borough's  
31 budget; or

1 (2) if there is no newspaper of general circulation in the borough, by  
2 posting a copy of the notice for at least 20 days in at least two public places in the  
3 borough, with posting to occur not later than 45 days after the final adoption of the  
4 borough's budget.

5 \* **Sec. 19.** AS 29.45.660(a) is amended to read:

6 (a) If the borough levies and collects only a [GENERAL] sales tax and use  
7 tax, the assembly shall provide a notice substantially in the form set out in  
8 AS 29.45.020. In providing notice under this subsection, the assembly shall substitute  
9 for the millage equivalency its estimate of the equivalent sales tax rate for each of the  
10 categories of financial assistance set out in AS 29.45.020. Notice shall be provided

11 (1) by publishing in a newspaper of general circulation in the borough  
12 a copy of the notice once each week for a period of three successive weeks, with  
13 publication to occur not later than 45 days after the final adoption of the borough's  
14 budget; or

15 (2) if there is no newspaper of general circulation in the borough, by  
16 posting a copy of the notice for at least 20 days in at least two public places in the  
17 borough, with posting to occur not later than 45 days after the final adoption of the  
18 borough's budget.

19 \* **Sec. 20.** AS 29.45.660 is amended by adding a new subsection to read:

20 (c) This section applies to home rule and general law municipalities.

21 \* **Sec. 21.** AS 29.45.670 is amended to read:

22 **Sec. 29.45.670. Referendum, adoption, and modification.** A new sales and  
23 use tax or an increase in the rate of levy of a sales tax approved by ordinance does not  
24 take effect until ratified by a majority of the voters at an election. A borough may  
25 not require that a new sales and use tax or an increase in the rate of levy of a  
26 sales tax approved by ordinance be ratified by more than 50 percent plus one of  
27 the voters voting on the issue. This section applies to home rule and general law  
28 municipalities.

29 \* **Sec. 22.** AS 29.45.670 is amended to read:

30 **Sec. 29.45.670. Referendum, adoption, and modification.** A new sales and  
31 use tax or an increase in the rate of levy of a sales tax approved by ordinance does not

1 take effect until ratified by a majority of the voters at an election. [A BOROUGH  
2 MAY NOT REQUIRE THAT A NEW SALES AND USE TAX OR AN INCREASE  
3 IN THE RATE OF LEVY OF A SALES TAX APPROVED BY ORDINANCE BE  
4 RATIFIED BY MORE THAN 50 PERCENT PLUS ONE OF THE VOTERS  
5 VOTING ON THE ISSUE. THIS SECTION APPLIES TO HOME RULE AND  
6 GENERAL LAW MUNICIPALITIES.]

7 \* **Sec. 23.** AS 29.45.700 is repealed and reenacted to read:

8 **Sec. 29.45.700. Power of levy.** A city may levy sales and use taxes in the  
9 manner provided for boroughs under AS 29.45.650 and 29.45.655.

10 \* **Sec. 24.** AS 29.45.700 is repealed and reenacted to read:

11 **Sec. 29.45.700. Power of levy.** (a) A city in a borough that levies and collects  
12 areawide sales and use taxes may levy sales and use taxes on all sources taxed by the  
13 borough in the manner provided for boroughs. Except as provided in (d) and (e) of this  
14 section, the assembly may by ordinance authorize a city to levy and collect sales and  
15 use taxes on other sources.

16 (b) A city in a borough that does not levy and collect sales and use taxes for  
17 areawide borough functions may levy and collect sales and use taxes in the manner  
18 provided for boroughs.

19 (c) A city outside a borough may levy and collect sales and use taxes in the  
20 manner provided for boroughs.

21 (d) A city that levies and collects sales and use taxes under (a) of this section  
22 may not levy and collect a sales tax on a purchase made with (1) food coupons, food  
23 stamps, or other types of allotments issued under 7 U.S.C. 2011 - 2036 (Food Stamp  
24 Program); or (2) food instruments, food vouchers, or other type of certificate issued  
25 under 42 U.S.C. 1786 (Special Supplemental Food Program for Women, Infants, and  
26 Children). For purposes of this subsection, the value of a food stamp allotment paid in  
27 the form of a wage subsidy as authorized under AS 47.25.975(b) is not considered to  
28 be an allotment issued under 7 U.S.C. 2011 - 2036 (Food Stamp Program). This  
29 subsection applies to home rule and general law municipalities.

30 (e) A city that levies and collects sales and use taxes may not levy and collect  
31 a sales or use tax on (1) the physical transfer of refined fuel, unless the transfer is

1 made in connection with a sale or use in the city, or (2) wholesale sales or transfers of  
2 fuel refined in the city. A sale is in the city if the fuel is delivered to the buyer in the  
3 city. A use is in the city if the fuel is consumed in the city. This subsection applies to  
4 home rule and general law municipalities.

5 (f) The prohibitions on the levy and collection of a sales or use tax on refined  
6 fuel in (e) of this section do not apply to a city if, on September 16, 2003, the city is

7 (1) levying and collecting a sales or use tax on the sale, use, or transfer  
8 of refined fuel under an ordinance adopted before January 1, 2003; or

9 (2) receiving payments in lieu of a sales or use tax on the sale, use, or  
10 transfer of refined fuel under an agreement entered into before January 1, 2003.

11 \* Sec. 25. AS 29.45.750(b) is amended to read:

12 (b) A municipality that levies [AND COLLECTS] a sales tax on mobile  
13 telecommunications services shall do so in accordance with the provisions of 4 U.S.C.  
14 116 - 126 (Mobile Telecommunications Sourcing Act).

15 \* Sec. 26. AS 29.45.750(b) is amended to read:

16 (b) A municipality that levies and collects a sales tax on mobile  
17 telecommunications services shall do so in accordance with the provisions of 4 U.S.C.  
18 116 - 126 (Mobile Telecommunications Sourcing Act).

19 \* Sec. 27. AS 29.45.810(a) is amended to read:

20 (a) A party to a contract approved by the legislature as a result of submission  
21 of a proposed contract developed under AS 43.82 or as a result of acts by the  
22 legislature in implementing the purposes of AS 43.82, and the property, gas, products,  
23 and activities associated with the approved qualified project that is subject to the  
24 contract, are exempt, as specified in the contract, from all taxes identified in the  
25 contract that would be levied [AND COLLECTED] by a municipality under state law  
26 as a consequence of the participation by the party in the approved qualified project.

27 \* Sec. 28. AS 29.45.810(a) is amended to read:

28 (a) A party to a contract approved by the legislature as a result of submission  
29 of a proposed contract developed under AS 43.82 or as a result of acts by the  
30 legislature in implementing the purposes of AS 43.82, and the property, gas, products,  
31 and activities associated with the approved qualified project that is subject to the

1 contract, are exempt, as specified in the contract, from all taxes identified in the  
2 contract that would be levied and collected by a municipality under state law as a  
3 consequence of the participation by the party in the approved qualified project.

4 \* Sec. 29. AS 43 is amended by adding a new chapter to read:

5 **Chapter 44. Sales and Use Tax.**

6 **Article 1. Levy of Tax, Rate, Exemptions.**

7 **Sec. 43.44.010. Levy of sales and use tax; tax rate.** (a) A sales tax is levied  
8 on the sale, lease, or rental of tangible personal property and on the sale of services.

9 (b) A use tax is levied on the privilege of using in the state tangible personal  
10 property or services. The use tax is not levied if the sales tax levied in (a) of this  
11 section has been paid, except, if the price on which the tax was calculated did not  
12 represent the value of the property or service purchased, the use tax is imposed on the  
13 difference between the price and the value.

14 (c) The rate of the sales tax is three percent of the sales price. The rate of the  
15 use tax is three percent of the purchase price.

16 (d) The maximum tax on a single sale, lease, or rental is \$60.

17 **Sec. 43.44.020. Exemptions.** (a) The taxes levied in AS 43.44.010 apply to  
18 all sales, leases, rentals, and uses of tangible personal property and all sales and uses  
19 of services in this state except as provided in this section. Transactions described in  
20 this section must be documented on an invoice or receipt to qualify for the exemption.

21 (b) The taxes levied under AS 43.44.010 do not apply to

22 (1) tangible personal property or services that are exempt from taxation  
23 under federal law, including sales to the federal government, and purchases made with

24 (A) food coupons, food stamps, or other types of certificates  
25 issued under 7 U.S.C. 2011 - 2036 (Food Stamp Program); and

26 (B) food instruments, food vouchers, or other types of  
27 certificates issued under 42 U.S.C. 1786 (Special Supplemental Nutrition  
28 Program for Women, Infants, and Children);

29 (2) medical care, including

30 (A) health care services provided by a person licensed or  
31 certified to provide those services under AS 08 or a "health care facility" as

1 that term is defined in AS 08.68.395(g);

2 (B) drugs, durable medical equipment, mobility enhancing  
3 equipment, and prosthetic devices obtained on prescription from a person  
4 licensed to prescribe those goods under AS 08 or from a health care facility, as  
5 that term is defined in AS 08.68.395(g);

6 (3) isolated or occasional sales, leases, or rentals of tangible personal  
7 property or sales of services by a person who is not regularly engaged in the business  
8 of selling, leasing, or renting similar personal property or services;

9 (4) sales, leases, or rentals of tangible personal property and sales of  
10 services by or to the state or a political subdivision of the state;

11 (5) the sale of natural gas, coal, fuel to be used to generate heat or  
12 electricity, water or sewer utilities, steam, or refuse and garbage collection service;

13 (6) the sale of property for resale if

14 (A) the purchaser resells the property, by itself or in  
15 combination with other property, in the ordinary course of business; and

16 (B) the property is subject to the sales tax levied under  
17 AS 43.44.010 on resale unless the subsequent resale is exempt under this  
18 section;

19 (7) the sale of property to a purchaser engaged in the business of  
20 mining or manufacturing if the purchaser incorporates the property as an ingredient or  
21 component part of the product in the business of mining or manufacturing; for  
22 purposes of this paragraph, electrical energy is considered a component part of the  
23 product;

24 (8) wages, salaries, commissions, tips, and any other form of  
25 remuneration for personal services if paid by an employer to an employee; the terms  
26 used in this section have the meanings given in 26 U.S.C. 3121 (Internal Revenue  
27 Code);

28 (9) interest;

29 (10) financial services, including

30 (A) fees for services associated with a deposit account;

31 (B) fees for purchases of cashier's checks, money orders,

1 traveler's checks, currency, and similar products used for payment and transfer  
2 of funds;

3 (C) loan transaction pass-through charges that include sales tax;

4 (D) loan fees; and

5 (E) services related to the sale or purchase of financial  
6 instruments including stocks, bonds, and securities;

7 (11) property and services used for exploration, extraction, production,  
8 refinement, or transportation of natural resources, including oil and gas, fish and other  
9 seafood, timber and other forest products, and minerals;

10 (12) transportation of passengers and tangible personal property;

11 (13) the sale, use, or lease of property held for lease;

12 (14) the sale, transfer, or use of motor fuel taxed under AS 43.40.010;

13 (15) the sale, lease, and rental of real property and the construction of  
14 improvements on real property;

15 (16) sales, leases, or rentals made in a municipality or unincorporated  
16 community with a population of less than 500.

17 (c) The use by an individual of personal or household effects brought into the  
18 state for the establishment by the individual of an initial residence in this state and the  
19 use of property brought into the state by a nonresident for the nonresident's own  
20 nonbusiness use while temporarily within this state is exempt from the use tax.

21 **Sec. 43.44.030. Exemption certificates.** (a) The department shall provide for  
22 a uniform exemption certificate. A purchaser shall use the certificate when purchasing  
23 goods or services for resale or for other exempt transactions.

24 (b) The certificate must include

25 (1) the number of the seller's permit issued to the purchaser as  
26 provided in AS 43.44.110 or the number of the direct pay permit issued to the  
27 purchaser as provided in AS 43.44.120, as applicable;

28 (2) the general character of property or service sold by the purchaser in  
29 the regular course of business;

30 (3) the name and address of the purchaser; and

31 (4) the signature or electronic signature of the purchaser.

1 (c) An exemption certificate executed by a purchaser or lessee must be in the  
2 possession of the seller or lessor at the time that an exempt transaction occurs.

3 (d) If the seller or lessor accepts an exemption certificate and believes in good  
4 faith that the purchaser or lessee will employ the property or service transferred in an  
5 exempt manner, the properly executed exemption certificate is considered conclusive  
6 evidence, as to the seller or lessor, that the sale is exempt.

7 (e) If a purchaser who uses an exemption certificate uses the subject of the  
8 purchase for a purpose other than one allowed as exempt under this chapter, the sale is  
9 considered a taxable sale as of the time of first use by the purchaser, and the sales  
10 price is the price that the purchaser paid. If the sole nonexempt use is rental while  
11 holding for sale, the purchaser shall include in the sales price the amount of the rental  
12 charged. Upon subsequent sale of the property, the seller shall include the entire  
13 amount of the sales price, without deduction of amounts previously received as  
14 rentals.

15 (f) A person who uses an exemption certificate for property that will be used  
16 for purposes other than the purpose claimed is subject to penalties under  
17 AS 43.05.220, 43.05.290, or both.

## 18 Article 2. Payment of Tax.

19 **Sec. 43.44.100. Collection of sales and use tax.** (a) A seller shall add the  
20 amount of the sales tax levied by this chapter and the amount of any municipal general  
21 sales tax levied under AS 29.45 to the sales price of personal property or services  
22 subject to the tax. The tax shall be stated separately on any receipt, invoice, or other  
23 record of the transaction, except for sales from coin-operated or currency-operated  
24 machines, sales of drinks in a bar, sales on the dock, sales from street vending carts,  
25 admission fees, and other sales as determined by regulation by the department.

26 (b) Except as provided in (c) of this section, a seller shall collect the sales tax  
27 levied by this chapter and any general municipal sales tax levied under AS 29.45 from  
28 the buyer, file a return, and remit the tax collected to the department not later than 30  
29 days following the last day of the month in which the sale was made. A seller shall  
30 report and pay the tax using the same method of accounting that the seller uses for  
31 federal tax purposes.

1 (c) A seller that electronically files a return and remits the sales tax collected  
2 under this chapter to the department within 30 days as required in this section may  
3 retain one percent of the amount collected to cover expenses associated with collecting  
4 and remitting the tax.

5 (d) To the fullest extent permitted under the Constitution of the United States,  
6 a person whose sales are not subject to the sales tax is required to collect the use tax  
7 from the purchaser and pay the tax collected to the department.

8 (e) A seller that collects a total of less than \$250 of taxes levied under this  
9 chapter and AS 29.45 in a month shall file a return and remit the tax not later than 30  
10 days following the last day of the month in which a total of \$250 is reached or, if the  
11 total collected in a calendar year is less than \$250, within 30 days following the last  
12 day of the calendar year.

13 (f) If a seller provides a bundle of personal property or services including both  
14 taxable and tax-exempt property or services, the seller shall collect the tax on the price  
15 of the entire bundle as stated on any receipt, invoice, or other record of the transaction.

16 **Sec. 43.44.110. Registration and seller's permit.** (a) A seller shall register  
17 with the department, and apply for and obtain a permit before making a sale, lease, or  
18 rental of tangible personal property or a sale of services that is taxable under this  
19 chapter.

20 (b) If a seller fails to register and obtain a permit as required under (a) of this  
21 section and fails to file a tax return or make a payment required under this chapter, the  
22 department must assess double the penalties otherwise due under AS 43.05.220.

23 (c) The department must specify the format for permit applications. An  
24 application shall include the seller's place of business, the seller's business name, and  
25 any other information the department requires.

26 (d) A permit is valid until revoked or suspended but is not assignable. A  
27 permit is valid only for the person in whose name it is issued. A copy of the permit  
28 must be conspicuously displayed at all times at the place for which it is issued.

29 (e) A seller shall apply for a seller's permit. If the seller has more than one  
30 location in which the seller maintains an office or other place of business, an  
31 application may include multiple locations. A vending machine operator who has

1 more than one vending machine location is considered to have only one place of  
2 business for purposes of this section. A seller who does not maintain an office or  
3 other place of business and who moves from place to place is considered to have only  
4 one place of business and shall attach the permit to the applicant's cart, stand, truck, or  
5 other merchandising device.

6 (f) The department may revoke or suspend a permit held by a person who fails  
7 to comply with the provisions of this chapter. The department shall provide written  
8 notice and an opportunity for a hearing on a proposed revocation or suspension. The  
9 hearing must be conducted informally and is not subject to AS 44.62 (Administrative  
10 Procedure Act).

11 (g) If a permit is revoked, the department may not issue a new permit except  
12 upon application accompanied by reasonable evidence of the intention of the applicant  
13 to comply with the provisions of this chapter. The department may, as a condition for  
14 the issuance of a new permit to the applicant, require security in an amount reasonably  
15 necessary to ensure compliance with this chapter.

16 (h) A person aggrieved by the department's final decision to revoke a permit  
17 as provided in (f) of this section may appeal the decision to the superior court.

18 **Sec. 43.44.120. Direct pay permit.** (a) The department may issue a direct  
19 pay permit allowing the permit holder to purchase, lease, or rent taxable goods and  
20 services without payment of tax to the seller at the time of purchase to a person that  
21 applies to the department and meets criteria established by the department by  
22 regulation.

23 (b) The holder of a direct pay permit shall file a return and remit the tax levied  
24 under this chapter and any municipal taxes levied under AS 29.45.650 and 29.45.700  
25 to the department not later than 30 days following the last day of the month in which  
26 the purchase, lease, or rental was made.

27 (c) The department may revoke a direct pay permit held by a person who fails  
28 to comply with the provisions of this chapter. The department shall provide written  
29 notice and an opportunity for a hearing on a proposed revocation. The hearing shall  
30 be conducted informally and is not subject to AS 44.62. A person aggrieved by the  
31 department's final decision to revoke a permit may appeal the decision to the superior

1 court.

2 (d) The department may require a permit holder whose direct pay permit has  
3 been revoked to provide security in a form and amount satisfactory to the department  
4 to guarantee payment of the permit holder's tax liability under this chapter before  
5 issuing a new permit to that person.

6 **Sec. 43.44.130. Presumption of taxability; sales price and purchase price.**

7 (a) In order to prevent evasion of the sales tax and to aid in its administration, it is  
8 presumed that

9 (1) all sales by a person engaging in business are subject to the sales  
10 tax or use tax; and

11 (2) all property purchased or sold by any person for delivery into this  
12 state is purchased or sold for a taxable use in this state.

13 (b) For purposes of this section, the sales price or purchase price of property  
14 must be determined as of the time of acquisition, introduction into this state, or  
15 conversion to use, whichever is latest.

16 **Sec. 43.44.140. Deduction for bad debts.** (a) A person filing a return under  
17 AS 43.44.100(b) may deduct sales found to be worthless. The bad debt may be  
18 deducted when it

19 (1) is written off as uncollectable in the person's books and records;  
20 and

21 (2) qualifies as a deduction for federal income tax purposes under 26  
22 U.S.C. (Internal Revenue Code).

23 (b) If the amount of bad debt exceeds the amount of taxable sales during the  
24 period that the bad debt is written off, a person may file a refund claim with the  
25 department.

26 (c) If a bad debt deducted under (a) of this section is subsequently collected,  
27 the person who claimed the deduction shall pay the tax levied under AS 43.44.010 on  
28 the amount collected. For purposes of this subsection, any payments made on a debt  
29 or account are applied

30 (1) first to the taxable price of the property or service and the tax  
31 levied under AS 43.44.010 on the property or service, then

1 (2) to interest, service charges, and any other charges.

2 **Sec. 43.44.150. Payment of use tax.** A user subject to the use tax shall file a  
3 return and remit the tax levied under this chapter and any municipal use tax levied  
4 under AS 29.45 to the department not later than 30 days following the last day of the  
5 month in which the taxable use occurs.

6 **Sec. 43.44.160. Computation of tax.** (a) The taxes levied under this chapter  
7 shall be computed on an invoice basis.

8 (b) The tax computation shall be

9 (1) carried to the third decimal place;

10 (2) rounded to a whole cent using a method that rounds up to the next  
11 cent whenever the third decimal place is greater than four; and

12 (3) made according to a rounding algorithm prescribed by the  
13 department.

14 **Sec. 43.44.170. Tax credit for sales or use tax paid to another state or a**  
15 **political subdivision.** (a) A buyer liable under this chapter for use tax on tangible  
16 personal property or services is entitled to a full credit for the amount of sales or use  
17 tax paid on the tangible personal property or services to another state.

18 (b) A buyer liable under AS 29.45.650 or 29.45.700 for use tax on tangible  
19 personal property or services is entitled to a full credit for the amount of sales or use  
20 tax paid on the tangible personal property or services to a political subdivision of this  
21 or another state. In the case of a city within a borough, if both the city and the  
22 borough levy a sales and use tax, the credit for taxes paid to a political subdivision of a  
23 state shall be applied against the amount of use tax levied by the city and the borough  
24 in proportion to the respective city and borough tax rates.

25 **Sec. 43.44.180. Liability for tax.** (a) Except as provided in (c) of this  
26 section, a seller is liable for the sales tax on tangible personal property or services sold  
27 by the seller.

28 (b) A buyer is liable for the tax on tangible personal property or services sold  
29 to the buyer if the seller did not collect the tax.

30 (c) A seller that receives and accepts in good faith from a buyer a copy of the  
31 buyer's direct payment permit is not liable for the sales tax on the tangible personal

1 property or services sold, leased, or rented to the buyer.

2 **Sec. 43.44.190. Taxpayer quitting business; liability of successor.** (a) All  
3 taxes payable under this chapter are due and payable immediately whenever a  
4 taxpayer quits business, sells, exchanges, or otherwise disposes of the business or  
5 disposes of the stock of goods. The taxpayer shall make a return and pay the taxes due  
6 within 10 days after the taxpayer quits business, sells, exchanges, or otherwise  
7 disposes of the business or disposes of the stock of goods.

8 (b) Except as provided in (d) of this section, a person who becomes a  
9 successor in the taxpayer's business or stock of goods is liable for the full amount of  
10 the tax and shall withhold from the sales price payable to the taxpayer a sum sufficient  
11 to pay any tax due until the taxpayer produces either a receipt from the department  
12 showing payment in full of any tax due or a statement from the department that tax is  
13 not due.

14 (c) If a tax is due but has not been paid as provided in (a) of this section, the  
15 successor is liable for the payment of the full amount of tax. The payment of the tax  
16 by the successor is considered to be a payment on the sales price and, if the payment is  
17 greater in amount than the sales price, the amount of the difference becomes a debt  
18 due to the successor from the taxpayer owing the tax under (a) of this section.

19 (d) A successor is not liable for any tax due from the person from whom the  
20 successor acquired a business or stock of goods if (1) the successor gives written  
21 notice to the department of the acquisition; and (2) an assessment is not issued by the  
22 department against the former operator of the business within six months after receipt  
23 of the notice from the successor. If an assessment is issued by the department and a  
24 copy of the assessment is not mailed to the successor, the successor is not liable for the  
25 tax due.

26 **Sec. 43.44.200. Tax as debt.** (a) The tax imposed by this chapter and related  
27 interest and penalties become a personal debt of the individual required to file a return  
28 from the time the liability arises, regardless of when the time for payment of the  
29 liability occurs.

30 (b) If the personal representative of an estate has voluntarily distributed the  
31 assets held in that capacity without reserving sufficient assets to pay the taxes, interest,

1 and penalties, the personal representative is personally liable for any deficiency, to the  
2 extent permitted under AS 13.16.

3 (c) This section applies to corporate officers, directors, or shareholders  
4 required by the department to personally guarantee the payment of the taxes for their  
5 corporation. The officer or employee of a corporation whose duty it is to collect,  
6 truthfully account for, and pay to the state the taxes imposed by this chapter and who  
7 fails to pay the taxes is liable to the state for the taxes imposed by this chapter and the  
8 penalty and interest due on the taxes.

9 **Article 3. Administration of Tax.**

10 **Sec. 43.44.300. Accounting.** Except as provided in AS 43.44.310, the  
11 department shall deposit the proceeds of the tax levied under this chapter in the  
12 general fund of the state.

13 **Sec. 43.44.310. Relationship to municipal levies.** (a) A municipality may  
14 not levy a sales and use tax except as provided in AS 04.21.010(c), AS 29.45.650,  
15 29.45.655, or 29.45.700. The department shall collect sales and use taxes levied under  
16 AS 29.45.650 or 29.45.700. A municipality may not collect a sales and use tax levied  
17 under AS 29.45.650 or 29.45.700.

18 (b) Except as provided in (c) of this section, from the total combined state and  
19 municipal sales and use taxes collected within the boundaries of a municipality, the  
20 department shall remit to the municipality the amount collected and payable to the  
21 municipality under this subsection. If the rate of a sales and use tax levied by a  
22 municipality is

23 (1) less than three percent, the department shall remit the amount of  
24 the tax levied by the municipality;

25 (2) at least three percent but less than four percent, the department  
26 shall remit the amount that would have been collected in the municipality if the sales  
27 and use tax levy had been four percent;

28 (3) at least four percent but less than five percent, the department shall  
29 remit the amount that would have been collected in the municipality if the sales and  
30 use tax levy had been five percent;

31 (4) five percent or more, the department shall round up to the next

1 whole number and remit the amount that would have been collected in the  
2 municipality if the sales and use tax levy had been that whole number; for example, if  
3 a municipality levied a sales and use tax at the rate of five percent, the department  
4 shall remit the amount that would have been collected under a six percent levy.

5 (c) In the case of a city within a borough, if both the city and the borough levy  
6 a sales and use tax, the department shall combine the city and borough tax rates to  
7 determine the amount to remit to the municipalities under (b) of this section. Of that  
8 amount, the department shall remit to the city an amount proportionate to the city's  
9 share of the combined tax rate and remit the remainder to the borough.

10 (d) The department shall have sole responsibility and authority for the  
11 administration of taxes levied under this chapter, AS 29.45.650, and 29.45.700. The  
12 department may contract with a municipality to provide a field office for that  
13 municipality's geographic area of the state.

14 **Sec. 43.44.320. Refunds and credits.** The department may credit or refund  
15 overpayments of taxes, taxes erroneously or illegally assessed or collected, penalties  
16 collected without authority, and taxes that are found unjustly assessed or excessive in  
17 amount, or otherwise wrongfully collected. The department shall set limitations,  
18 specify the manner in which claims for credits or refunds are made, and give notice of  
19 allowance or disallowance. When a refund is allowed to a taxpayer, it shall be paid  
20 out of the general fund on a warrant issued under a voucher approved by the  
21 department. If the department credits or refunds a municipal sales tax, it may collect  
22 the amount of the credit or refund from the municipality.

23 **Sec. 43.44.330. Electronic filing and remittance.** The department shall by  
24 regulation provide for the electronic filing of returns and remittance of taxes, and shall  
25 provide for other uses of technology or filing methodologies to improve the efficiency  
26 of administration of the sales and use tax.

27 **Sec. 43.44.340. Authority to enter streamlined sales and use tax**  
28 **agreement.** (a) The department is authorized to enter into the Streamlined Sales and  
29 Use Tax Agreement with one or more states to simplify and modernize sales and use  
30 tax administration in order to substantially reduce the burden of tax compliance for all  
31 sellers and for all types of commerce. In furtherance of the Streamlined Sales and Use

1 Tax Agreement, the department is authorized to act jointly with other states that are  
2 members of the Streamlined Sales and Use Tax Agreement to establish standards for  
3 certification of a certified service provider and certified automated system and  
4 establish performance standards for multistate sellers.

5 (b) To the extent possible, the department shall adopt regulations  
6 implementing this chapter consistent with the Streamlined Sales and Use Tax  
7 Agreement.

8 (c) The department is authorized to take other actions reasonably required to  
9 implement the provisions set out in this section. Other actions authorized by this  
10 section include the joint procurement, with other member states, of goods and services  
11 in furtherance of the cooperative agreement.

12 (d) The department or the department's designee is authorized to represent this  
13 state before the other states that are signatories to the Streamlined Sales and Use Tax  
14 Agreement.

#### 15 Article 4. General Provisions.

##### 16 Sec. 43.44.399. Definitions. In this chapter,

17 (1) "lease or rental," regardless of whether a transaction is  
18 characterized as a lease or rental under generally accepted accounting principles, the  
19 Internal Revenue Code, AS 45.29, or other provisions of federal, state, or local law,

20 (A) means any transfer of possession or control of tangible  
21 personal property for a fixed or indeterminate term for consideration; a lease or  
22 rental may include future options to purchase or extend;

23 (B) does not include

24 (i) a transfer of possession or control of property under  
25 a security agreement or deferred payment plan that requires the transfer  
26 of title upon completion of the required payments;

27 (ii) a transfer of possession or control of property under  
28 an agreement that requires the transfer of title upon completion of  
29 required payments if payment of an option price does not exceed the  
30 greater of \$100 or one percent of the total required payments; or

31 (iii) providing tangible personal property along with an

1 operator for a fixed or indeterminate period of time; a condition of this  
2 exclusion is that the operator is necessary for the equipment to perform  
3 as designed; for the purpose of this sub-subparagraph, an operator must  
4 do more than maintain, inspect, or set up the tangible personal property;

5 (C) includes agreements covering motor vehicles and trailers  
6 where the amount of consideration may be increased or decreased by reference  
7 to the amount realized upon sale or disposition of the property as defined in 26  
8 U.S.C. 7701(h)(1);

9 (2) "manufacturing" means combining or processing components or  
10 materials, including the processing of ores in a mill, smelter, refinery, or reduction  
11 facility, to increase the value of the components or materials for sale in the ordinary  
12 course of business; "manufacturing" does not include construction;

13 (3) "purchase price" applies to the measure subject to use tax and has  
14 the same meaning as sales price;

15 (4) "sales price"

16 (A) applies to the measure subject to sales tax and means the  
17 total amount of consideration, including cash, credit, property, and services, for  
18 which personal property or services are sold, leased, or rented, valued in  
19 money, whether received in money or otherwise, without any deduction for the  
20 following:

21 (i) the seller's cost of the property sold;

22 (ii) the cost of materials used, labor or service cost,  
23 interest, losses, all costs of transportation to the seller, all taxes  
24 imposed on the seller, and any other expense of the seller;

25 (iii) charges by the seller for any services necessary to  
26 complete the sale, rental, or lease, other than delivery and installation  
27 charges;

28 (iv) delivery charges;

29 (v) installation charges;

30 (vi) the value of exempt personal property given to the  
31 purchaser where taxable and exempt personal property have been

1 bundled together and sold, leased, or rented by the seller as a single  
2 product or piece of merchandise; and

3 (vii) credit for any trade-in;

4 (B) does not include

5 (i) discounts, including cash, term, or coupons that are  
6 not reimbursed by a third party that are allowed by a seller and taken by  
7 a purchaser on a sale;

8 (ii) interest, financing, and carrying charges from credit  
9 extended on the sale of personal property or services if the amount is  
10 separately stated on the invoice, bill of sale, or similar document given  
11 to the purchaser; and

12 (iii) taxes legally imposed directly on a consumer that  
13 are separately stated on the invoice, bill of sale, or similar document  
14 given to the purchaser;

15 (5) "seller" means a person making sales, leases, or rentals of tangible  
16 personal property or services;

17 (6) "service" means an activity that is engaged in for another person  
18 for consideration and that is distinguished from the sale or lease of property; in  
19 determining what a service is, the intended use, principal objective, or ultimate  
20 objective of the contracting parties is irrelevant; "service" includes labor; professional  
21 services; telephone or other communications service; entertainment, including cable or  
22 pay television or other telecommunications service; the supplying of food, lodging, or  
23 other accommodations in hotels, restaurants, or elsewhere; and admission to  
24 exhibitions;

25 (7) "tangible personal property" means personal property that can be  
26 seen, weighed, measured, felt, or touched, or that is in any other manner perceptible to  
27 the senses; "tangible personal property" includes electricity, water, gas, steam, and  
28 prewritten computer software;

29 (8) "tax" means the taxes levied by AS 43.44.010;

30 (9) "use" or "using" includes use, consumption, or storage, other than  
31 storage for resale or for use solely outside this state in the ordinary course of business.

1 \* Sec. 30. AS 43.56.030 is amended to read:

2           **Sec. 43.56.030. In place of other taxes.** Except for those taxes imposed  
3 under AS 43.55, the taxes levied or authorized under AS 43.56.010(b) are in place of

4                   (1) all other ad valorem taxes or other taxes imposed by a municipality  
5 on property subject to tax under this chapter or exempted from taxation by  
6 AS 43.56.020; and

7                   (2) all other taxes imposed by a municipality on or with respect to the  
8 property subject to tax under this chapter or exempted from taxation by AS 43.56.020,  
9 including, but not limited to,

10                           (A) taxes on the retail sale or use of the property except for the  
11 retail sales tax levied under AS 29.45.650 or 29.45.700 on the first \$1,000 of  
12 each sale;

13                           (B) taxes on the sale or use of gas or unrefined oil;

14                           (C) taxes on the sale or use of services used in or associated  
15 with the property or in its maintenance or operation except for the sales tax  
16 levied under AS 29.45.650 or 29.45.700 on the first \$1,000 of each sale;

17                           (D) taxes on or measured by gross or net income from the  
18 property, including income from the exploration for, production of, or pipeline  
19 transportation of gas or unrefined oil or property; and

20                           (E) any license, excise, fee, charge or other tax on or pertaining  
21 to the property or services.

22 \* Sec. 31. AS 43.56.030 is amended to read:

23           **Sec. 43.56.030. In place of other taxes.** Except for those taxes imposed  
24 under AS 43.55, the taxes levied or authorized under AS 43.56.010(b) are in place of

25                   (1) all other ad valorem taxes or other taxes imposed by a municipality  
26 on property subject to tax under this chapter or exempted from taxation by  
27 AS 43.56.020; and

28                   (2) all other taxes imposed by a municipality on or with respect to the  
29 property subject to tax under this chapter or exempted from taxation by AS 43.56.020,  
30 including, but not limited to,

31                           (A) taxes on the retail sale or use of the property except for the

1 retail sales tax [LEVIED UNDER AS 29.45.650 OR 29.45.700] on the first  
2 \$1,000 of each sale;

3 (B) taxes on the sale or use of gas or unrefined oil;

4 (C) taxes on the sale or use of services used in or associated  
5 with the property or in its maintenance or operation except for the sales tax  
6 [LEVIED UNDER AS 29.45.650 OR 29.45.700] on the first \$1,000 of each  
7 sale;

8 (D) taxes on or measured by gross or net income from the  
9 property, including income from the exploration for, production of, or pipeline  
10 transportation of gas or unrefined oil or property; and

11 (E) any license, excise, fee, charge or other tax on or pertaining  
12 to the property or services.

13 \* **Sec. 32.** AS 29.10.200(64), 29.10.200(65), 29.10.200(66); AS 29.35.170(c);  
14 AS 29.45.655, 29.45.660(c); AS 43.44.010, 43.44.020, 43.44.030, 43.44.100, 43.44.110,  
15 43.44.120, 43.44.130, 43.44.140, 43.44.150, 43.44.160, 43.44.170, 43.44.180, 43.44.190,  
16 43.44.200, 43.44.300, 43.44.310, 43.44.320, 43.44.330, 43.44.340, and 43.44.399 are  
17 repealed.

18 \* **Sec. 33.** Sections 4, 6, 9, and 11, ch. 100, SLA 2002, and sec. 9, ch. 117, SLA 2003, are  
19 repealed.

20 \* **Sec. 34.** The uncodified law of the State of Alaska is amended by adding a new section to  
21 read:

22 REGULATIONS. (a) The Department of Revenue may proceed to adopt regulations  
23 necessary to implement the provisions of this Act. The regulations take effect under AS 44.62  
24 (Administrative Procedure Act), but not before the effective date of the provision being  
25 implemented.

26 (b) The Department of Revenue shall adopt regulations relating to sourcing, or the  
27 determination of where a sale occurred for sales and use tax purposes, that are, to the extent  
28 possible, consistent with the Streamlined Sales and Use Tax Agreement.

29 \* **Sec. 35.** The uncodified law of the State of Alaska is amended by adding a new section to  
30 read:

31 TRANSITIONAL PROVISIONS. (a) Notwithstanding AS 43.44.310(b)(1), added by

1 sec. 29 of this Act, for one year after the effective date of sec. 29 of this Act, the department  
2 shall remit to a municipality that levies a sales and use tax at a rate of less than three percent  
3 the amount that would have been collected if the sales and use tax levy had been the actual  
4 rate plus a fraction corresponding to the actual rate divided by three.

5 (b) The use tax imposed in AS 43.44.010(b), added by sec. 29 of this Act, does not  
6 apply to the use of tangible personal property acquired before the effective date of sec. 29 of  
7 this Act.

8 (c) Services under a contract executed and paid in full before the effective date of sec.  
9 29 of this Act and performed within 12 months after the effective date of sec. 29 of this Act  
10 are exempt from the sales tax and use tax.

11 \* **Sec. 36.** Section 34 of this Act takes effect immediately under AS 01.10.070(c).

12 \* **Sec. 37.** Sections 2, 4, 6, 8, 11, 13, 16, 19, 22, 24, 26, 28, 31, and 32 of this Act take  
13 effect July 1, 2013.

14 \* **Sec. 38.** Except as provided in secs. 36 and 37 of this Act, this Act takes effect July 1,  
15 2005.

ADOPTED  
4/14/04

23-LS1051\X  
Kurtz  
4/12/04

CS FOR SENATE BILL NO. 366( )  
IN THE LEGISLATURE OF THE STATE OF ALASKA  
TWENTY-THIRD LEGISLATURE - SECOND SESSION

BY

Offered:  
Referred:

Sponsor(s): SENATE FINANCE COMMITTEE BY REQUEST

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to the levy and collection of sales and use taxes, and to the levy,  
2 collection, and expenditure of municipal taxes; and providing for an effective date."

3 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

4 \* Section 1. AS 29.05.210(b) is amended to read:

5 (b) The department shall provide assistance to each borough and unified  
6 municipality incorporated after December 31, 1985, in

7 (1) establishing the initial sales and use tax assessment [AND  
8 COLLECTION DEPARTMENT] if the borough or unified municipality has adopted a  
9 sales or use tax;

10 (2) determining the initial property tax assessment roll if the borough  
11 or unified municipality has adopted a property tax, including contracting for appraisals  
12 of property needed to complete the initial assessment.

13 \* Sec. 2. AS 29.10.200(41) is amended to read:

14 (41) AS 29.35.170 [AS 29.35.170(b)] (assessment and collection of

1 taxes);

2 \* Sec. 3. AS 29.10.200(51) is amended to read:

3 (51) AS 29.45.650 [AS 29.45.650(c), (d), (e), (f), (i), AND (j)]

4 (general sales and use tax);

5 \* Sec. 4. AS 29.10.200(52) is amended to read:

6 (52) AS 29.45.700 [AS 29.45.700(d) AND (e)] (general sales and use

7 tax);

8 \* Sec. 5. AS 29.10.200 is amended by adding new paragraphs to read:

9 (64) AS 29.35.110(a) (expenditure of borough revenues);

10 (65) AS 29.45.660 (notice of sales and use tax);

11 (66) AS 29.45.670 (referendum on adoption, and modification of sales  
12 and use tax).

13 \* Sec. 6. AS 29.35.110(a) is amended to read:

14 (a) Borough revenues received through taxes levied [COLLECTED] on an  
15 areawide basis by the borough may be expended on general administrative costs and  
16 on areawide functions only. Borough revenues received through taxes levied  
17 [COLLECTED] on a nonareawide basis may be expended on general administrative  
18 costs and functions that render service only to the area outside all cities in the  
19 borough. This subsection applies to home rule and general law municipalities.

20 \* Sec. 7. AS 29.35.170 is amended to read:

21 **Sec. 29.35.170. Assessment and collection of taxes.** (a) A borough shall  
22 assess [AND COLLECT] property [, SALES, AND USE] taxes and collect taxes,  
23 other than general sales and use taxes, that are levied in its boundaries, subject to  
24 AS 29.45.

25 (b) Taxes, other than general sales and use taxes, levied by a city shall be  
26 collected by a borough and returned in full to the levying city. [THIS SUBSECTION  
27 APPLIES TO HOME RULE AND GENERAL LAW MUNICIPALITIES.]

28 \* Sec. 8. AS 29.35.170 is amended by adding a new subsection to read:

29 (c) This section applies to home rule and general law municipalities.

30 \* Sec. 9. AS 29.45.650 is repealed and reenacted to read:

31 **Sec. 29.45.650. General sales and use tax.** (a) Except as provided in

1 AS 29.45.750, a borough may levy a general sales and use tax. If a borough levies a  
2 general sales and use tax,

3 (1) the borough must conform exactly to the statewide sales and use  
4 tax levied and collected under AS 43.44, except that the municipal general sales and  
5 use tax may be levied at any rate; and

6 (2) the borough's use tax is levied on the privilege of using in the  
7 borough tangible personal property or services.

8 (b) The Department of Revenue shall collect a sales and use tax levied under  
9 this section and remit the proceeds to the municipality. The Department of Revenue  
10 may use its administrative authority under AS 43.05 and its enforcement and  
11 collection authority under AS 43.10 to collect a sales and use tax levied under this  
12 section.

13 \* **Sec. 10.** AS 29.45 is amended by adding a new section to read:

14 **Sec. 29.45.655. Specific taxes on property and services.** Unless otherwise  
15 prohibited by law, a municipality may levy and collect specific sales or excise taxes on  
16 single categories of tangible or intangible property or services, such as bed taxes, car  
17 rental taxes, and fish taxes.

18 \* **Sec. 11.** AS 29.45.660(a) is amended to read:

19 (a) If the borough levies [AND COLLECTS] only a general sales tax and use  
20 tax, the assembly shall provide a notice substantially in the form set out in  
21 AS 29.45.020. In providing notice under this subsection, the assembly shall substitute  
22 for the millage equivalency its estimate of the equivalent sales tax rate for each of the  
23 categories of financial assistance set out in AS 29.45.020. Notice shall be provided

24 (1) by publishing in a newspaper of general circulation in the borough  
25 a copy of the notice once each week for a period of three successive weeks, with  
26 publication to occur not later than 45 days after the final adoption of the borough's  
27 budget; or

28 (2) if there is no newspaper of general circulation in the borough, by  
29 posting a copy of the notice for at least 20 days in at least two public places in the  
30 borough, with posting to occur not later than 45 days after the final adoption of the  
31 borough's budget.

1 \* Sec. 12. AS 29.45.660 is amended by adding a new subsection to read:

2 (c) This section applies to home rule and general law municipalities.

3 \* Sec. 13. AS 29.45.670 is amended to read:

4 **Sec. 29.45.670. Referendum, adoption, and modification.** A new sales and  
5 use tax or an increase in the rate of levy of a sales tax approved by ordinance does not  
6 take effect until ratified by a majority of the voters at an election. A municipality  
7 may not require that a new sales and use tax or an increase in the rate of levy of a  
8 sales tax approved by ordinance be ratified by more than 50 percent plus one of  
9 the voters voting on the issue. This section applies to home rule and general law  
10 municipalities.

11 \* Sec. 14. AS 29.45.700 is repealed and reenacted to read:

12 **Sec. 29.45.700. Power of levy.** A city may levy sales and use taxes in the  
13 manner provided for boroughs under AS 29.45.650 and 29.45.655.

14 \* Sec. 15. AS 29.45.750(b) is amended to read:

15 (b) A municipality that levies [AND COLLECTS] a sales tax on mobile  
16 telecommunications services shall do so in accordance with the provisions of 4 U.S.C.  
17 116 - 126 (Mobile Telecommunications Sourcing Act).

18 \* Sec. 16. AS 29.45.810(a) is amended to read:

19 (a) A party to a contract approved by the legislature as a result of submission  
20 of a proposed contract developed under AS 43.82 or as a result of acts by the  
21 legislature in implementing the purposes of AS 43.82, and the property, gas, products,  
22 and activities associated with the approved qualified project that is subject to the  
23 contract, are exempt, as specified in the contract, from all taxes identified in the  
24 contract that would be levied [AND COLLECTED] by a municipality under state law  
25 as a consequence of the participation by the party in the approved qualified project.

26 \* Sec. 17. AS 43 is amended by adding a new chapter to read:

27 **Chapter 44. Sales and Use Tax.**

28 **Sec. 43.44.010. Levy of sales and use tax; tax rate.** (a) A sales tax is levied  
29 on the sale, lease, or rental of tangible personal property and on the sale of services.

30 (b) A use tax is levied on the privilege of using in the state tangible personal  
31 property or services. The use tax is not levied if the sales tax levied in (a) of this

1 section has been paid, except, if the price on which the tax was calculated did not  
2 represent the value of the property or service purchased, the use tax is imposed on the  
3 difference between the price and the value.

4 (c) The rate of the sales tax is four percent of the sales price. The rate of the  
5 use tax is four percent of the purchase price.

6 (d) The maximum tax on a single sale, lease, or rental is \$60.

7 **Sec. 43.44.020. Exemptions.** The taxes levied in AS 43.44.010 apply to all  
8 sales, leases, rentals, and uses of tangible personal property and all sales and uses of  
9 services in this state except as provided in this section. Transactions described in this  
10 section must be documented on an invoice or receipt to qualify for the exemption.  
11 The tax levied under AS 43.44.010 does not apply to

12 (1) tangible personal property or services that are

13 (A) explicitly exempted from taxation under another provision  
14 of state law; or

15 (B) exempt from taxation under federal law, including sales to  
16 the federal government, and purchases made with

17 (i) food coupons, food stamps, or other types of  
18 certificates issued under 7 U.S.C. 2011 - 2036 (Food Stamp Program);  
19 and

20 (ii) food instruments, food vouchers, or other types of  
21 certificates issued under 42 U.S.C. 1786 (Special Supplemental  
22 Nutrition Program for Women, Infants, and Children);

23 (2) medical care, including

24 (A) health care services provided by a person licensed or  
25 certified to provide those services under AS 08 or a "health care facility" as  
26 that term is defined in AS 08.68.395(g);

27 (B) drugs, durable medical equipment, mobility enhancing  
28 equipment, and prosthetic devices obtained on prescription from a person  
29 licensed to prescribe those goods under AS 08 or from a health care facility, as  
30 that term is defined in AS 08.68.395(g);

31 (3) isolated or occasional sales, leases, or rentals of tangible personal

1 property or sales of services by a person who is not regularly engaged in the business  
2 of selling, leasing, or renting similar personal property or services;

3 (4) sales, leases, or rentals of tangible personal property and sales of  
4 services by or to the state or a political subdivision of the state;

5 (5) the sale of natural gas, coal, diesel fuel to be used for home  
6 heating, heating oil, water, district heat, sewer, electricity, steam, or refuse and  
7 garbage collection service;

8 (6) the sale of property for resale if

9 (A) the purchaser resells the property, by itself or in  
10 combination with other property, in the ordinary course of business; and

11 (B) the property is subject to the sales tax levied under  
12 AS 43.44.010 on resale;

13 (7) the sale of property to a purchaser engaged in the business of  
14 mining or manufacturing if the purchaser incorporates the property as an ingredient or  
15 component part of the product in the business of mining or manufacturing; for  
16 purposes of this paragraph, electrical energy or electricity used or consumed by  
17 electrolytic reduction used in the reduction or refinement of ores is considered a  
18 component part of the product;

19 (8) wages, salaries, commissions, tips, and any other form of  
20 remuneration for personal services if paid by an employer to an employee; the terms  
21 used in this section have the meanings given in 26 U.S.C. 3121 (Internal Revenue  
22 Code);

23 (9) interest;

24 (10) financial services, including

25 (A) fees for services associated with a deposit account;

26 (B) fees for purchases of cashier's checks, money orders,  
27 traveler's checks, currency, and similar products used for payment and transfer  
28 of funds;

29 (C) loan transaction pass-through charges that include sales tax;

30 (D) loan fees; and

31 (E) services related to the sale or purchase of financial

1 instruments including stocks, bonds, and securities;

2 (11) property and services used for exploration, extraction, production,  
3 refinement, or transportation of natural resources, including oil and gas, fish and other  
4 seafood, timber and other forest products, and minerals;

5 (12) transportation of passengers and tangible personal property;

6 (13) the sale, use, or lease of property held for lease;

7 (14) the sale, transfer, or use of motor fuel taxed under AS 43.40.010;

8 (15) the sale, lease, and rental of real property and the construction of  
9 improvements on real property.

10 **Sec. 43.44.030. Collection of sales and use tax.** (a) A seller shall add the  
11 amount of the sales tax levied by this chapter and the amount of any municipal general  
12 sales tax levied under AS 29.45 to the sales price of personal property or services  
13 subject to the tax. The tax shall be stated separately on any receipt, invoice, or other  
14 record of the transaction, except for sales from coin-operated or currency-operated  
15 machines, sales of drinks in a bar, sales on the dock, sales from street vending carts,  
16 admission fees, and other sales as determined by regulation by the department.

17 (b) Except as provided in (e) of this section, a seller shall collect the sales tax  
18 levied by this chapter and any general municipal sales tax levied under AS 29.45 from  
19 the buyer, file a return, and remit the tax collected to the department not later than 30  
20 days following the last day of the month in which the tax was collected.

21 (c) A seller remitting the sales tax collected under this chapter to the  
22 department within 30 days as required in this section may retain one percent of the  
23 amount collected to cover expenses associated with collecting and remitting the tax.

24 (d) To the fullest extent permitted under the Constitution of the United States,  
25 a person whose sales are not subject to the sales tax is required to collect the use tax  
26 from the purchaser and pay the tax collected to the department.

27 (e) A seller that collects a total of less than \$250 of taxes levied under this  
28 chapter and AS 29.45 in a month shall file a return and remit the tax not later than 30  
29 days following the last day of the month in which a total of \$250 is reached or, if the  
30 total collected in a calendar year is less than \$250, within 30 days following the last  
31 day of the calendar year.

1 (f) If a seller provides a bundle of personal property or services including both  
2 taxable and tax-exempt property and services, the seller shall collect the tax on the  
3 price of the entire bundle as stated on any receipt, invoice, or other record of the  
4 transaction.

5 (g) All taxes payable under this chapter are due and payable immediately  
6 whenever a taxpayer quits business, sells, exchanges, or otherwise disposes of the  
7 business or disposes of the stock of goods. The taxpayer shall make a return and pay  
8 the taxes due within 10 days after the taxpayer quits business, sells, exchanges, or  
9 otherwise disposes of the business or disposes of the stock of goods.

10 **Sec. 43.44.035. Deduction for bad debts.** (a) A person filing a return under  
11 AS 43.44.030(b) may deduct sales found to be worthless. The bad debt may be  
12 deducted when it

13 (1) is written off as uncollectable in the person's books and records;  
14 and

15 (2) qualifies as a deduction for federal income tax purposes under 26  
16 U.S.C. (Internal Revenue Code).

17 (b) If the amount of bad debt exceeds the amount of taxable sales during the  
18 period that the bad debt is written off, a person may file a refund claim with the  
19 department.

20 (c) If a bad debt deducted under (a) of this section is subsequently collected,  
21 the person who claimed the deduction shall pay the tax levied under AS 43.44.010 on  
22 the amount collected. For purposes of this subsection, any payments made on a debt  
23 or account are applied

24 (1) first to the taxable price of the property or service and the tax  
25 levied under AS 43.44.010 on the property or service, then

26 (2) to interest, service charges, and any other charges.

27 **Sec. 43.44.040. Payment of use tax.** A user subject to the use tax shall file a  
28 return and remit the tax levied under this chapter and any municipal use tax levied  
29 under AS 29.45 to the department not later than 30 days following the last day of the  
30 month in which the taxable use occurs.

31 **Sec. 43.44.050. Accounting.** Except as provided in AS 43.44.060, the

1 department shall deposit the proceeds of the tax levied under this chapter in the  
2 general fund of the state.

3 **Sec. 43.44.060. Relationship to municipal levies.** (a) A municipality may  
4 not levy a sales and use tax except as provided in AS 04.21.010(c), AS 29.45.650,  
5 29.45.655, or 29.45.700. The department shall collect sales and use taxes levied under  
6 AS 29.45.650 or 29.45.700. A municipality may not collect a sales and use tax levied  
7 under AS 29.45.650 or 29.45.700.

8 (b) Except as provided in (c) of this section, from the total combined state and  
9 municipal sales and use taxes collected within the boundaries of a municipality, the  
10 department shall remit to the municipality the amount described under this subsection.  
11 If the rate of a sales and use tax levied by a municipality is

12 (1) less than three percent, the department shall remit the amount of  
13 the tax levied by the municipality;

14 (2) at least three percent but less than four percent, the department  
15 shall remit the amount that would have been collected in the municipality if the sales  
16 and use tax levy had been four percent;

17 (3) at least four percent but less than five percent, the department shall  
18 remit the amount that would have been collected in the municipality if the sales and  
19 use tax levy had been five percent;

20 (4) five percent or more, the department shall round up to the next  
21 whole number and remit the amount that would have been collected in the  
22 municipality if the sales and use tax levy had been that whole number; for example, if  
23 a municipality levied a sales and use tax at the rate of five percent, the department  
24 shall remit the amount that would have been collected under a six percent levy.

25 (c) In the case of a city within a borough, if both the city and the borough levy  
26 a sales and use tax, the department shall combine the city and borough tax rates to  
27 determine the amount to remit to the municipalities under (b) of this section. Of that  
28 amount, the department shall remit to the city an amount proportionate to the city's  
29 share of the combined tax rate and remit the remainder to the borough.

30 **Sec. 43.44.070. Computation of tax.** (a) The taxes levied under this chapter  
31 shall be computed on an invoice basis.

1 (b) The tax computation shall be

2 (1) carried to the third decimal place;

3 (2) rounded to a whole cent using a method that rounds up to the next  
4 cent whenever the third decimal place is greater than four; and

5 (3) made according to a rounding algorithm prescribed by the  
6 department.

7 **Sec. 43.44.080. Tax credit for sales or use tax paid to another state or a**  
8 **political subdivision.** (a) A buyer liable under this chapter for use tax on tangible  
9 personal property or services is entitled to a full credit for the amount of sales or use  
10 tax paid on the tangible personal property or services to another state.

11 (b) A buyer liable under AS 29.45.650 or 29.45.700 for use tax on tangible  
12 personal property or services is entitled to a full credit for the amount of sales or use  
13 tax paid on the tangible personal property or services to a political subdivision of this  
14 or another state. In the case of a city within a borough, if both the city and the  
15 borough levy a sales and use tax, the credit for taxes paid to a political subdivision of a  
16 state shall be applied against the amount of use tax levied by the city and the borough  
17 in proportion to the respective city and borough tax rates.

18 **Sec. 43.44.090. Liability for tax.** (a) Except as provided in (c) of this  
19 section, a seller is liable for the sales tax on tangible personal property or services sold  
20 by the seller.

21 (b) A buyer is liable for the tax on tangible personal property or services sold  
22 to the buyer if the seller did not collect the tax.

23 (c) A seller that receives and accepts in good faith from a buyer a copy of the  
24 buyer's direct payment permit is not liable for the sales tax on the tangible personal  
25 property or services sold, leased, or rented to the buyer.

26 **Sec. 43.44.100. Registration.** A seller shall register with the department  
27 before making a sale, lease, or rental of tangible personal property or a sale of services  
28 that is taxable under this chapter.

29 **Sec. 43.44.110. Direct pay permit.** (a) The department may issue a direct  
30 pay permit allowing the permit holder to purchase, lease, or rent taxable goods and  
31 services without payment of tax to the seller at the time of purchase.

1 (b) The holder of a direct pay permit shall file a return and remit the tax levied  
 2 under this chapter and any municipal taxes levied under AS 29.45.650 and 29.45.700  
 3 to the department not later than 30 days following the last day of the month in which  
 4 the purchase, lease, or rental was made.

5 (c) The department may revoke a direct pay permit held by a person who fails  
 6 to comply with the provisions of this chapter. The department shall provide written  
 7 notice and an opportunity for a hearing on a proposed revocation. The hearing shall  
 8 be conducted informally and is not subject to AS 44.62. A person aggrieved by the  
 9 department's final decision to revoke a permit may appeal the decision to the superior  
 10 court.

11 (d) The department may require a permit holder whose direct pay permit has  
 12 been revoked to provide security in a form and amount satisfactory to the department  
 13 to guarantee payment of the permit holder's tax liability under this chapter before  
 14 issuing a new permit to that person.

15 **Sec. 43.44.120. Refunds and credits.** The department may credit or refund  
 16 overpayments of taxes, taxes erroneously or illegally assessed or collected, penalties  
 17 collected without authority, and taxes that are found unjustly assessed or excessive in  
 18 amount, or otherwise wrongfully collected. The department shall set limitations,  
 19 specify the manner in which claims for credits or refunds are made, and give notice of  
 20 allowance or disallowance. When a refund is allowed to a taxpayer, it shall be paid  
 21 out of the general fund on a warrant issued under a voucher approved by the  
 22 department. If the department credits or refunds a municipal sales tax, it may collect  
 23 the amount of the credit or refund from the municipality.

24 **Sec. 43.44.130. Authority to enter streamlined sales and use tax**  
 25 **agreement.** (a) The department is authorized to enter into the Streamlined Sales and  
 26 Use Tax Agreement with one or more states to simplify and modernize sales and use  
 27 tax administration in order to substantially reduce the burden of tax compliance for all  
 28 sellers and for all types of commerce. In furtherance of the Streamlined Sales and Use  
 29 Tax Agreement, the department is authorized to act jointly with other states that are  
 30 members of the Streamlined Sales and Use Tax Agreement to establish standards for  
 31 certification of a certified service provider and certified automated system and

1 establish performance standards for multistate sellers.

2 (b) To the extent possible, the department shall adopt regulations  
3 implementing this chapter consistent with the Streamlined Sales and Use Tax  
4 Agreement.

5 (c) The department is authorized to take other actions reasonably required to  
6 implement the provisions set out in this section. Other actions authorized by this  
7 section include the joint procurement, with other member states, of goods and services  
8 in furtherance of the cooperative agreement.

9 (d) The department or the department's designee is authorized to represent this  
10 state before the other states that are signatories to the Streamlined Sales and Use Tax  
11 Agreement.

12 **Sec. 43.44.199. Definitions.** In this chapter,

13 (1) "lease or rental," regardless of whether a transaction is  
14 characterized as a lease or rental under generally accepted accounting principles, the  
15 Internal Revenue Code, AS 45.29, or other provisions of federal, state, or local law,

16 (A) means any transfer of possession or control of tangible  
17 personal property for a fixed or indeterminate term for consideration; a lease or  
18 rental may include future options to purchase or extend;

19 (B) does not include

20 (i) a transfer of possession or control of property under  
21 a security agreement or deferred payment plan that requires the transfer  
22 of title upon completion of the required payments;

23 (ii) a transfer of possession or control of property under  
24 an agreement that requires the transfer of title upon completion of  
25 required payments if payment of an option price does not exceed the  
26 greater of \$100 or one percent of the total required payments; or

27 (iii) providing tangible personal property along with an  
28 operator for a fixed or indeterminate period of time; a condition of this  
29 exclusion is that the operator is necessary for the equipment to perform  
30 as designed; for the purpose of this sub-subparagraph, an operator must  
31 do more than maintain, inspect, or set up the tangible personal property;

1 (C) includes agreements covering motor vehicles and trailers  
2 where the amount of consideration may be increased or decreased by reference  
3 to the amount realized upon sale or disposition of the property as defined in 26  
4 U.S.C. 7701(h)(1);

5 (2) "manufacturing" means combining or processing components or  
6 materials, including the processing of ores in a mill, smelter, refinery, or reduction  
7 facility, to increase the value of the components or materials for sale in the ordinary  
8 course of business; "manufacturing" does not include construction;

9 (3) "purchase price" applies to the measure subject to use tax and has  
10 the same meaning as sales price;

11 (4) "sales price"

12 (A) applies to the measure subject to sales tax and means the  
13 total amount of consideration, including cash, credit, property, and services, for  
14 which personal property or services are sold, leased, or rented, valued in  
15 money, whether received in money or otherwise, without any deduction for the  
16 following:

17 (i) the seller's cost of the property sold;

18 (ii) the cost of materials used, labor or service cost,  
19 interest, losses, all costs of transportation to the seller, all taxes  
20 imposed on the seller, and any other expense of the seller;

21 (iii) charges by the seller for any services necessary to  
22 complete the sale, rental, or lease, other than delivery and installation  
23 charges;

24 (iv) delivery charges;

25 (v) installation charges;

26 (vi) the value of exempt personal property given to the  
27 purchaser where taxable and exempt personal property have been  
28 bundled together and sold, leased, or rented by the seller as a single  
29 product or piece of merchandise; and

30 (vii) credit for any trade-in;

31 (B) does not include

1 (i) discounts, including cash, term, or coupons that are  
2 not reimbursed by a third party that are allowed by a seller and taken by  
3 a purchaser on a sale;

4 (ii) interest, financing, and carrying charges from credit  
5 extended on the sale of personal property or services if the amount is  
6 separately stated on the invoice, bill of sale, or similar document given  
7 to the purchaser; and

8 (iii) taxes legally imposed directly on a consumer that  
9 are separately stated on the invoice, bill of sale, or similar document  
10 given to the purchaser;

11 (5) "seller" means a person making sales, leases, or rentals of tangible  
12 personal property or services;

13 (6) "service" means an activity that is engaged in for another person  
14 for consideration and that is distinguished from the sale or lease of property; in  
15 determining what a service is, the intended use, principal objective, or ultimate  
16 objective of the contracting parties is irrelevant; "service" includes labor; professional  
17 services; telephone or other communications service; entertainment, including cable or  
18 pay television or other telecommunications service; the supplying of food, lodging, or  
19 other accommodations in hotels, restaurants, or elsewhere; and admission to  
20 exhibitions;

21 (7) "tangible personal property" means personal property that can be  
22 seen, weighed, measured, felt, or touched, or that is in any other manner perceptible to  
23 the senses; "tangible personal property" includes electricity, water, gas, steam, and  
24 prewritten computer software;

25 (8) "tax" means the taxes levied by AS 43.44.010;

26 (9) "use" or "using" includes use, consumption, or storage, other than  
27 storage for resale or for use solely outside this state in the ordinary course of business.

28 \* Sec. 18. AS 43.56.030 is amended to read:

29 **Sec. 43.56.030. In place of other taxes.** Except for those taxes imposed  
30 under AS 43.55, the taxes levied or authorized under AS 43.56.010(b) are in place of

31 (1) all other ad valorem taxes or other taxes imposed by a municipality

1 on property subject to tax under this chapter or exempted from taxation by  
2 AS 43.56.020; and

3 (2) all other taxes imposed by a municipality on or with respect to the  
4 property subject to tax under this chapter or exempted from taxation by AS 43.56.020,  
5 including, but not limited to,

6 (A) taxes on the retail sale or use of the property except for the  
7 retail sales tax levied under AS 29.45.650 or 29.45.700 on the first \$1,000 of  
8 each sale;

9 (B) taxes on the sale or use of gas or unrefined oil;

10 (C) taxes on the sale or use of services used in or associated  
11 with the property or in its maintenance or operation except for the sales tax  
12 levied under AS 29.45.650 or 29.45.700 on the first \$1,000 of each sale;

13 (D) taxes on or measured by gross or net income from the  
14 property, including income from the exploration for, production of, or pipeline  
15 transportation of gas or unrefined oil or property; and

16 (E) any license, excise, fee, charge or other tax on or pertaining  
17 to the property or services.

18 \* Sec. 19. Section 4, ch. 100, SLA 2002, as amended by sec. 9, ch. 117, SLA 2003, is  
19 repealed and reenacted to read:

20 Sec. 4. AS 29.45.650(a) is amended to read:

21 (a) A [EXCEPT AS PROVIDED IN AS 29.45.750, A] borough may levy a  
22 general sales and use tax. If a borough levies a general sales and use tax,

23 (1) the borough must conform exactly to the statewide sales and use  
24 tax levied and collected under AS 43.44, except that the municipal general sales and  
25 use tax may be levied at any rate;

26 (2) the borough's use tax is levied on the privilege of using in the  
27 borough tangible personal property or service

28 \* Sec. 20. The uncodified law of the State of Alaska is amended by adding a new section to  
29 read:

30 REGULATIONS. (a) The Department of Revenue may proceed to adopt regulations  
31 necessary to implement the provisions of this Act. The regulations take effect under AS 44.62

1 (Administrative Procedure Act), but not before the effective date of the provision being  
2 implemented.

3 (b) The Department of Revenue shall adopt regulations relating to sourcing, or the  
4 determination of where a sale occurred for sales and use tax purposes, that are, to the extent  
5 possible, consistent with the Streamlined Sales and Use Tax Agreement.

6 \* Sec. 21. The uncodified law of the State of Alaska is amended by adding a new section to  
7 read:

8 TRANSITIONAL PROVISIONS. (a) Notwithstanding AS 43.44.060(b)(1), added by  
9 sec. 17 of this Act, for one year after the effective date of sec. 17 of this Act, the department  
10 shall remit to a municipality that levies a sales and use tax at a rate of less than three percent  
11 the amount that would have been collected if the sales and use tax levy had been the actual  
12 rate plus a fraction corresponding to the actual rate divided by three.

13 (b) The use tax imposed in AS 43.44.010(b), added by sec. 17 of this Act, does not  
14 apply to the use of tangible personal property acquired before the effective date of sec. 17 of  
15 this Act.

16 (c) Services under a contract executed and paid in full before the effective date of sec.  
17 17 of this Act and performed within 12 months after the effective date of sec. 17 of this Act  
18 are exempt from the sales tax and use tax.

19 \* Sec. 22. Section 20 of this Act takes effect immediately under AS 01.10.070(c).

20 \* Sec. 23. Except as provided in sec. 22 of this Act, this Act takes effect July 1, 2005.

SENATE FINANCE COMMITTEE  
4 /14/2004 COMMITTEE ACTION

Bill Number	SB 366		
Amendment	Version "X"		
Motion	to adopt		
<u>Motion by</u>	Stevens		
<u>Objection by</u>	Stevens		
<u>Removed</u>	✓		
<u>Second Objection by</u>			
<u>Committee Member</u>	Y	<u>Vote</u>	N
Senator Bunde			
Senator Dyson			
Senator Hoffman			
Senator Olson			
Senator Stevens			
Co-Chair Green			
Co-Chair Wilken			
<u>Tally</u>			
Yea			
Nay			
Absent			
<u>MOTION</u>	ADOPTED		

23-LS1051W  
Kurtz  
3/31/04

CS FOR SENATE BILL NO. 366( )  
IN THE LEGISLATURE OF THE STATE OF ALASKA  
TWENTY-THIRD LEGISLATURE - SECOND SESSION

BY

Offered:  
Referred:

Sponsor(s): SENATE FINANCE COMMITTEE BY REQUEST

*"W" was  
discussed but  
not offered  
for adoption*

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to the levy and collection of sales and use taxes, and to the levy,  
2 collection, and expenditure of municipal taxes; and providing for an effective date."

3 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

4 \* Section 1. AS 29 05.210(b) is amended to read:

5 (b) The department shall provide assistance to each borough and unified  
6 municipality incorporated after December 31, 1985, in

7 (1) establishing the initial sales and use tax assessment [AND  
8 COLLECTION DEPARTMENT] if the borough or unified municipality has adopted a  
9 sales or use tax;

10 (2) determining the initial property tax assessment roll if the borough  
11 or unified municipality has adopted a property tax, including contracting for appraisals  
12 of property needed to complete the initial assessment.

13 \* Sec. 2. AS 29.10.200(41) is amended to read:

14 (41) AS 29.35.170 [AS 29.35.170(b)] (assessment and collection of

23-LS1051W  
Kurtz  
3/31/04

CS FOR SENATE BILL NO. 366( )  
IN THE LEGISLATURE OF THE STATE OF ALASKA  
TWENTY-THIRD LEGISLATURE - SECOND SESSION

BY

Offered:  
Referred:

Sponsor(s): SENATE FINANCE COMMITTEE BY REQUEST

"W" WAS  
discussed but  
not offered  
for adoption

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to the levy and collection of sales and use taxes, and to the levy,  
2 collection, and expenditure of municipal taxes; and providing for an effective date."

3 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

4 \* Section 1. AS 29.05.210(b) is amended to read:

5 (b) The department shall provide assistance to each borough and unified  
6 municipality incorporated after December 31, 1985, in

7 (1) establishing the initial sales and use tax assessment [AND  
8 COLLECTION DEPARTMENT] if the borough or unified municipality has adopted a  
9 sales or use tax;

10 (2) determining the initial property tax assessment roll if the borough  
11 or unified municipality has adopted a property tax, including contracting for appraisals  
12 of property needed to complete the initial assessment.

13 \* Sec. 2. AS 29.10.200(41) is amended to read:

14 (41) AS 29.35.170 [AS 29.35.170(b)] (assessment and collection of

1 taxes);

2 \* Sec. 3. AS 29.10.200(51) is amended to read:

3 (51) AS 29.45.650 [AS 29.45.650(c), (d), (e), (f), (i), AND (j)]  
4 (general sales and use tax);

5 \* Sec. 4. AS 29.10.200(52) is amended to read:

6 (52) AS 29.45.700 [AS 29.45.700(d) AND (e)] (general sales and use  
7 tax);

8 \* Sec. 5. AS 29.10.200 is amended by adding new paragraphs to read:

9 (64) AS 29.35.110(a) (expenditure of borough revenues);

10 (65) AS 29.45.660 (notice of sales and use tax);

11 (66) AS 29.45.670 (referendum on adoption, and modification of sales  
12 and use tax).

13 \* Sec. 6. AS 29.35.110(a) is amended to read:

14 (a) Borough revenues received through taxes levied [COLLECTED] on an  
15 areawide basis by the borough may be expended on general administrative costs and  
16 on areawide functions only. Borough revenues received through taxes levied  
17 [COLLECTED] on a nonareawide basis may be expended on general administrative  
18 costs and functions that render service only to the area outside all cities in the  
19 borough. This subsection applies to home rule and general law municipalities.

20 \* Sec. 7. AS 29.35.170 is amended to read:

21 Sec. 29.35.170. Assessment and collection of taxes. (a) A borough shall  
22 assess [AND COLLECT] property [, SALES, AND USE] taxes and collect taxes,  
23 other than general sales and use taxes, that are levied in its boundaries, subject to  
24 AS 29.45.

25 (b) Taxes, other than general sales and use taxes, levied by a city shall be  
26 collected by a borough and returned in full to the levying city. [THIS SUBSECTION  
27 APPLIES TO HOME RULE AND GENERAL LAW MUNICIPALITIES.]

28 \* Sec. 8. AS 29.35.170 is amended by adding a new subsection to read:

29 (c) This section applies to home rule and general law municipalities.

30 \* Sec. 9. AS 29.45.650 is repealed and reenacted to read:

31 Sec. 29.45.650. General sales and use tax. (a) Except as provided in

1 AS 29.45.750, a borough may levy a general sales and use tax. If a borough levies a  
2 general sales and use tax,

3 (1) the borough must conform exactly to the statewide sales and use  
4 tax levied and collected under AS 43.44, except that the municipal general sales and  
5 use tax may be levied at any rate; and

6 (2) the borough's use tax is levied on the privilege of using in the  
7 borough tangible personal property or services.

8 (b) The Department of Revenue shall collect a sales and use tax levied under  
9 this section and remit the proceeds to the municipality. The Department of Revenue  
10 may use its administrative authority under AS 43.05 and its enforcement and  
11 collection authority under AS 43.10 to collect a sales and use tax levied under this  
12 section.

13 \* Sec. 10. AS 29.45 is amended by adding a new section to read:

14 Sec. 29.45.655. Specific taxes on property and services. Unless otherwise  
15 prohibited by law, a municipality may levy and collect specific sales or excise taxes on  
16 single categories of tangible or intangible property or services, such as bed taxes, car  
17 rental taxes, and fish taxes.

18 \* Sec. 11. AS 29.45.660(a) is amended to read:

19 (a) If the borough levies [AND COLLECTS] only a general sales tax and use  
20 tax, the assembly shall provide a notice substantially in the form set out in  
21 AS 29.45.020. In providing notice under this subsection, the assembly shall substitute  
22 for the millage equivalency its estimate of the equivalent sales tax rate for each of the  
23 categories of financial assistance set out in AS 29.45.020. Notice shall be provided

24 (1) by publishing in a newspaper of general circulation in the borough  
25 a copy of the notice once each week for a period of three successive weeks, with  
26 publication to occur not later than 45 days after the final adoption of the borough's  
27 budget; or

28 (2) if there is no newspaper of general circulation in the borough, by  
29 posting a copy of the notice for at least 20 days in at least two public places in the  
30 borough, with posting to occur not later than 45 days after the final adoption of the  
31 borough's budget.

1 \* **Sec. 12.** AS 29.45.660 is amended by adding a new subsection to read:

2 (c) This section applies to home rule and general law municipalities.

3 \* **Sec. 13.** AS 29.45.670 is amended to read:

4 **Sec. 29.45.670. Referendum, adoption, and modification.** A new sales and  
5 use tax or an increase in the rate of levy of a sales tax approved by ordinance does not  
6 take effect until ratified by a majority of the voters at an election. A municipality  
7 may not require that a new sales and use tax or an increase in the rate of levy of a  
8 sales tax approved by ordinance be ratified by more than 50 percent plus one of  
9 the voters voting on the issue. This section applies to home rule and general law  
10 municipalities.

11 \* **Sec. 14.** AS 29.45.700 is repealed and reenacted to read:

12 **Sec. 29.45.700. Power of levy.** A city may levy sales and use taxes in the  
13 manner provided for boroughs under AS 29.45.650 and 29.45.655.

14 \* **Sec. 15.** AS 29.45.750(b) is amended to read:

15 (b) A municipality that levies [AND COLLECTS] a sales tax on mobile  
16 telecommunications services shall do so in accordance with the provisions of 4 U.S.C.  
17 116 - 126 (Mobile Telecommunications Sourcing Act).

18 \* **Sec. 16.** AS 29.45.810(a) is amended to read:

19 (a) A party to a contract approved by the legislature as a result of submission  
20 of a proposed contract developed under AS 43.82 or as a result of acts by the  
21 legislature in implementing the purposes of AS 43.82, and the property, gas, products,  
22 and activities associated with the approved qualified project that is subject to the  
23 contract, are exempt, as specified in the contract, from all taxes identified in the  
24 contract that would be levied [AND COLLECTED] by a municipality under state law  
25 as a consequence of the participation by the party in the approved qualified project.

26 \* **Sec. 17.** AS 43 is amended by adding a new chapter to read:

27 **Chapter 44. Sales and Use Tax.**

28 **Sec. 43.44.010. Levy of sales and use tax; tax rate.** (a) A sales tax is levied  
29 on the sale, lease, or rental of tangible personal property and on the sale of services.

30 (b) A use tax is levied on the privilege of using in the state tangible personal  
31 property or services. The use tax is not levied if the sales tax levied in (a) of this

1 section has been paid, except, if the price on which the tax was calculated did not  
2 represent the value of the property or service purchased, the use tax is imposed on the  
3 difference between the price and the value.

4 (c) The rate of the sales tax is four percent of the sales price. The rate of the  
5 use tax is four percent of the purchase price.

6 (d) The maximum tax on a single sale, lease, or rental is \$60.

7 **Sec. 43.44.020. Exemptions.** The taxes levied in AS 43.44.010 apply to all  
8 sales, leases, rentals, and uses of tangible personal property and all sales and uses of  
9 services in this state except as provided in this section. Transactions described in this  
10 section must be documented on an invoice or receipt to qualify for the exemption.  
11 The tax levied under AS 43.44.010 does not apply to

12 (1) tangible personal property or services that are

13 (A) explicitly exempted from taxation under another provision  
14 of state law; or

15 (B) exempt from taxation under federal law, including sales to  
16 the federal government, and purchases made with

17 (i) food coupons, food stamps, or other types of  
18 certificates issued under 7 U.S.C. 2011 - 2036 (Food Stamp Program);  
19 and

20 (ii) food instruments, food vouchers, or other types of  
21 certificates issued under 42 U.S.C. 1786 (Special Supplemental  
22 Nutrition Program for Women, Infants, and Children);

23 (2) medical care, including

24 (A) health care services provided by a person licensed or  
25 certified to provide those services under AS 08 or a "health care facility" as  
26 that term is defined in AS 08.68.395(g);

27 (B) drugs, durable medical equipment, mobility enhancing  
28 equipment, and prosthetic devices obtained on prescription from a person  
29 licensed to prescribe those goods under AS 08 or from a health care facility, as  
30 that term is defined in AS 08.68.395(g);

31 (3) isolated or occasional sales, leases, or rentals of tangible personal

1 property or sales of services by a person who is not regularly engaged in the business  
2 of selling, leasing, or renting similar personal property or services;

3 (4) sales, leases, or rentals of tangible personal property and sales of  
4 services by or to the state or a political subdivision of the state;

5 (5) the sale of natural gas, coal, diesel fuel to be used for home  
6 heating, heating oil, water, district heat, sewer, electricity, steam, or refuse and  
7 garbage collection service;

8 (6) the sale of property for resale if

9 (A) the purchaser resells the property, by itself or in  
10 combination with other property, in the ordinary course of business; and

11 (B) the property is subject to the sales tax levied under  
12 AS 43.44.010 on resale;

13 (7) the sale of property to a purchaser engaged in the business of  
14 mining or manufacturing if the purchaser incorporates the property as an ingredient or  
15 component part of the product in the business of mining or manufacturing; for  
16 purposes of this paragraph, electrical energy or electricity used or consumed by  
17 electrolytic reduction used in the reduction or refinement of ores is considered a  
18 component part of the product;

19 (8) wages, salaries, commissions, tips, and any other form of  
20 remuneration for personal services if paid by an employer to an employee; the terms  
21 used in this section have the meanings given in 26 U.S.C. 3121 (Internal Revenue  
22 Code);

23 (9) interest;

24 (10) financial services, including

25 (A) fees for services associated with a deposit account;

26 (B) fees for purchases of cashier's checks, money orders,  
27 traveler's checks, currency, and similar products used for payment and transfer  
28 of funds;

29 (C) loan transaction pass-through charges that include sales tax;

30 (D) loan fees; and

31 (E) services related to the sale or purchase of financial

1 instruments including stocks, bonds, and securities;

2 (11) property and services used for exploration, extraction, production,  
3 refinement, or transportation of natural resources, including oil and gas, fish and other  
4 seafood, timber and other forest products, and minerals;

5 (12) transportation of passengers and tangible personal property;

6 (13) the sale, use, or lease of property held for lease.

7 **Sec. 43.44.030. Collection of sales and use tax.** (a) A seller shall add the  
8 amount of the sales tax levied by this chapter and the amount of any municipal general  
9 sales tax levied under AS 29.45 to the sales price of personal property or services  
10 subject to the tax. The tax shall be stated separately on any receipt, invoice, or other  
11 record of the transaction, except for sales from coin-operated or currency-operated  
12 machines, sales of drinks in a bar, sales on the dock, sales from street vending carts,  
13 admission fees, and other sales as determined by regulation by the department.

14 (b) Except as provided in (e) of this section, a seller shall collect the sales tax  
15 levied by this chapter and any general municipal sales tax levied under AS 29.45 from  
16 the buyer, file a return, and remit the tax collected to the department not later than 30  
17 days following the last day of the month in which the tax was collected.

18 (c) A seller remitting the sales tax collected under this chapter to the  
19 department within 30 days as required in this section may retain one percent of the  
20 amount collected to cover expenses associated with collecting and remitting the tax.

21 (d) To the fullest extent permitted under the Constitution of the United States,  
22 a person whose sales are not subject to the sales tax is required to collect the use tax  
23 from the purchaser and pay the tax collected to the department.

24 (e) A seller that collects a total of less than \$250 of taxes levied under this  
25 chapter and AS 29.45 in a month shall file a return and remit the tax not later than 30  
26 days following the last day of the month in which a total of \$250 is reached or, if the  
27 total collected in a calendar year is less than \$250, within 30 days following the last  
28 day of the calendar year.

29 (f) If a seller provides a bundle of personal property or services including both  
30 taxable and tax-exempt property and services, the seller shall collect the tax on the  
31 price of the entire bundle as stated on any receipt, invoice, or other record of the

1 transaction.

2 (g) All taxes payable under this chapter are due and payable immediately  
3 whenever a taxpayer quits business, sells, exchanges, or otherwise disposes of the  
4 business or disposes of the stock of goods. The taxpayer shall make a return and pay  
5 the taxes due within 10 days after the taxpayer quits business, sells, exchanges, or  
6 otherwise disposes of the business or disposes of the stock of goods.

7 **Sec. 43.44.035. Deduction for bad debts.** (a) A person filing a return under  
8 AS 43.44.030(b) may deduct sales found to be worthless. The bad debt may be  
9 deducted when it

10 (1) is written off as uncollectable in the person's books and records;  
11 and

12 (2) qualifies as a deduction for federal income tax purposes under 26  
13 U.S.C. (Internal Revenue Code).

14 (b) If the amount of bad debt exceeds the amount of taxable sales during the  
15 period that the bad debt is written off, a person may file a refund claim with the  
16 department.

17 (c) If a bad debt deducted under (a) of this section is subsequently collected,  
18 the person who claimed the deduction shall pay the tax levied under AS 43.44.010 on  
19 the amount collected. For purposes of this subsection, any payments made on a debt  
20 or account are applied

21 (1) first to the taxable price of the property or service and the tax  
22 levied under AS 43.44.010 on the property or service, then

23 (2) to interest, service charges, and any other charges.

24 **Sec. 43.44.040. Payment of use tax.** A user subject to the use tax shall file a  
25 return and remit the tax levied under this chapter and any municipal use tax levied  
26 under AS 29.45 to the department not later than 30 days following the last day of the  
27 month in which the taxable use occurs.

28 **Sec. 43.44.050. Accounting.** Except as provided in AS 43.44.060, the  
29 department shall deposit the proceeds of the tax levied under this chapter in the  
30 general fund of the state.

31 **Sec. 43.44.060. Relationship to municipal levies.** (a) A municipality may

1 not levy a sales and use tax except as provided in AS 04.21.010(c), AS 29.45.650,  
2 29.45.655, or 29.45.700. The department shall collect sales and use taxes levied under  
3 AS 29.45.650 or 29.45.700. A municipality may not collect a sales and use tax levied  
4 under AS 29.45.650 or 29.45.700.

5 (b) Except as provided in (c) of this section, from the total combined state and  
6 municipal sales and use taxes collected within the boundaries of a municipality, the  
7 department shall remit to the municipality the amount described under this subsection.  
8 If the rate of a sales and use tax levied by a municipality is

9 (1) less than three percent, the department shall remit the amount of  
10 the tax levied by the municipality;

11 (2) at least three percent but less than four percent, the department  
12 shall remit the amount that would have been collected in the municipality if the sales  
13 and use tax levy had been four percent;

14 (3) at least four percent but less than five percent, the department shall  
15 remit the amount that would have been collected in the municipality if the sales and  
16 use tax levy had been five percent;

17 (4) five percent or more, the department shall round up to the next  
18 whole number and remit the amount that would have been collected in the  
19 municipality if the sales and use tax levy had been that whole number; for example, if  
20 a municipality levied a sales and use tax at the rate of five percent, the department  
21 shall remit the amount that would have been collected under a six percent levy.

22 (c) In the case of a city within a borough, if both the city and the borough levy  
23 a sales and use tax, the department shall combine the city and borough tax rates to  
24 determine the amount to remit to the municipalities under (b) of this section. Of that  
25 amount, the department shall remit to the city an amount proportionate to the city's  
26 share of the combined tax rate and remit the remainder to the borough.

27 **Sec. 43.44.070. Computation of tax.** (a) The taxes levied under this chapter  
28 shall be computed on an invoice basis.

29 (b) The tax computation shall be

30 (1) carried to the third decimal place;

31 (2) rounded to a whole cent using a method that rounds up to the next

1 cent whenever the third decimal place is greater than four; and

2 (3) made according to a rounding algorithm prescribed by the  
3 department.

4 **Sec. 43.44.080. Tax credit for sales or use tax paid to another state or a**  
5 **political subdivision.** (a) A buyer liable under this chapter for use tax on tangible  
6 personal property or services is entitled to a full credit for the amount of sales or use  
7 tax paid on the tangible personal property or services to another state.

8 (b) A buyer liable under AS 29.45.650 or 29.45.700 for use tax on tangible  
9 personal property or services is entitled to a full credit for the amount of sales or use  
10 tax paid on the tangible personal property or services to a political subdivision of this  
11 or another state. In the case of a city within a borough, if both the city and the  
12 borough levy a sales and use tax, the credit for taxes paid to a political subdivision of a  
13 state shall be applied against the amount of use tax levied by the city and the borough  
14 in proportion to the respective city and borough tax rates.

15 **Sec. 43.44.090. Liability for tax.** (a) Except as provided in (c) of this  
16 section, a seller is liable for the sales tax on tangible personal property or services sold  
17 by the seller.

18 (b) A buyer is liable for the tax on tangible personal property or services sold  
19 to the buyer if the seller did not collect the tax.

20 (c) A seller that receives and accepts in good faith from a buyer a copy of the  
21 buyer's direct payment permit is not liable for the sales tax on the tangible personal  
22 property or services sold, leased, or rented to the buyer.

23 **Sec. 43.44.100. Registration.** A seller shall register with the department  
24 before making a sale, lease, or rental of tangible personal property or a sale of services  
25 that is taxable under this chapter.

26 **Sec. 43.44.110. Direct pay permit.** (a) The department may issue a direct  
27 pay permit allowing the permit holder to purchase, lease, or rent taxable goods and  
28 services without payment of tax to the seller at the time of purchase.

29 (b) The holder of a direct pay permit shall file a return and remit the tax levied  
30 under this chapter and any municipal taxes levied under AS 29.45.650 and 29.45.700  
31 to the department not later than 30 days following the last day of the month in which

1 the purchase, lease, or rental was made.

2 (c) The department may revoke a direct pay permit held by a person who fails  
3 to comply with the provisions of this chapter. The department shall provide written  
4 notice and an opportunity for a hearing on a proposed revocation. The hearing shall  
5 be conducted informally and is not subject to AS 44.62. A person aggrieved by the  
6 department's final decision to revoke a permit may appeal the decision to the superior  
7 court.

8 (d) The department may require a permit holder whose direct pay permit has  
9 been revoked to provide security in a form and amount satisfactory to the department  
10 to guarantee payment of the permit holder's tax liability under this chapter before  
11 issuing a new permit to that person.

12 **Sec. 43.44.120. Refunds and credits.** The department may credit or refund  
13 overpayments of taxes, taxes erroneously or illegally assessed or collected, penalties  
14 collected without authority, and taxes that are found unjustly assessed or excessive in  
15 amount, or otherwise wrongfully collected. The department shall set limitations,  
16 specify the manner in which claims for credits or refunds are made, and give notice of  
17 allowance or disallowance. When a refund is allowed to a taxpayer, it shall be paid  
18 out of the general fund on a warrant issued under a voucher approved by the  
19 department. If the department credits or refunds a municipal sales tax, it may collect  
20 the amount of the credit or refund from the municipality.

21 **Sec. 43.44.130. Authority to enter streamlined sales and use tax**  
22 **agreement.** (a) The department is authorized to enter into the Streamlined Sales and  
23 Use Tax Agreement with one or more states to simplify and modernize sales and use  
24 tax administration in order to substantially reduce the burden of tax compliance for all  
25 sellers and for all types of commerce. In furtherance of the Streamlined Sales and Use  
26 Tax Agreement, the department is authorized to act jointly with other states that are  
27 members of the Streamlined Sales and Use Tax Agreement to establish standards for  
28 certification of a certified service provider and certified automated system and  
29 establish performance standards for multistate sellers.

30 (b) To the extent possible, the department shall adopt regulations  
31 implementing this chapter consistent with the Streamlined Sales and Use Tax

1 Agreement.

2 (c) The department is authorized to take other actions reasonably required to  
3 implement the provisions set out in this section. Other actions authorized by this  
4 section include the joint procurement, with other member states, of goods and services  
5 in furtherance of the cooperative agreement.

6 (d) The department or the department's designee is authorized to represent this  
7 state before the other states that are signatories to the Streamlined Sales and Use Tax  
8 Agreement.

9 **Sec. 43.44.199. Definitions.** In this chapter,

10 (1) "lease or rental," regardless of whether a transaction is  
11 characterized as a lease or rental under generally accepted accounting principles, the  
12 Internal Revenue Code, AS 45.29, or other provisions of federal, state, or local law,

13 (A) means any transfer of possession or control of tangible  
14 personal property for a fixed or indeterminate term for consideration; a lease or  
15 rental may include future options to purchase or extend;

16 (B) does not include

17 (i) a transfer of possession or control of property under  
18 a security agreement or deferred payment plan that requires the transfer  
19 of title upon completion of the required payments;

20 (ii) a transfer of possession or control of property under  
21 an agreement that requires the transfer of title upon completion of  
22 required payments if payment of an option price does not exceed the  
23 greater of \$100 or one percent of the total required payments; or

24 (iii) providing tangible personal property along with an  
25 operator for a fixed or indeterminate period of time; a condition of this  
26 exclusion is that the operator is necessary for the equipment to perform  
27 as designed; for the purpose of this sub-subparagraph, an operator must  
28 do more than maintain, inspect, or set up the tangible personal property;

29 (C) includes agreements covering motor vehicles and trailers  
30 where the amount of consideration may be increased or decreased by reference  
31 to the amount realized upon sale or disposition of the property as defined in 26

1 U.S.C. 7701(h)(1);

2 (2) "manufacturing" means combining or processing components or  
3 materials, including the processing of ores in a mill, smelter, refinery, or reduction  
4 facility, to increase the value of the components or materials for sale in the ordinary  
5 course of business; "manufacturing" does not include construction;

6 (3) "purchase price" applies to the measure subject to use tax and has  
7 the same meaning as sales price;

8 (4) "sales price"

9 (A) applies to the measure subject to sales tax and means the  
10 total amount of consideration, including cash, credit, property, and services, for  
11 which personal property or services are sold, leased, or rented, valued in  
12 money, whether received in money or otherwise, without any deduction for the  
13 following:

14 (i) the seller's cost of the property sold;

15 (ii) the cost of materials used, labor or service cost,  
16 interest, losses, all costs of transportation to the seller, all taxes  
17 imposed on the seller, and any other expense of the seller;

18 (iii) charges by the seller for any services necessary to  
19 complete the sale, rental, or lease, other than delivery and installation  
20 charges;

21 (iv) delivery charges;

22 (v) installation charges;

23 (vi) the value of exempt personal property given to the  
24 purchaser where taxable and exempt personal property have been  
25 bundled together and sold, leased, or rented by the seller as a single  
26 product or piece of merchandise; and

27 (vii) credit for any trade-in;

28 (B) does not include

29 (i) discounts, including cash, term, or coupons that are  
30 not reimbursed by a third party that are allowed by a seller and taken by  
31 a purchaser on a sale;

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28  
29  
30  
31

(ii) interest, financing, and carrying charges from credit extended on the sale of personal property or services if the amount is separately stated on the invoice, bill of sale, or similar document given to the purchaser; and

(iii) taxes legally imposed directly on a consumer that are separately stated on the invoice, bill of sale, or similar document given to the purchaser;

(5) "seller" means a person making sales, leases, or rentals of tangible personal property or services;

(6) "service" means an activity that is engaged in for another person for consideration and that is distinguished from the sale or lease of property; in determining what a service is, the intended use, principal objective, or ultimate objective of the contracting parties is irrelevant; "service" includes labor; professional services; telephone or other communications service; entertainment, including cable or pay television or other telecommunications service; the supplying of food, lodging, or other accommodations in hotels, restaurants, or elsewhere; and admission to exhibitions;

(7) "tangible personal property" means personal property that can be seen, weighed, measured, felt, or touched, or that is in any other manner perceptible to the senses; "tangible personal property" includes electricity, water, gas, steam, and prewritten computer software;

(8) "tax" means the taxes levied by AS 43.44.010;

(9) "use" or "using" includes use, consumption, or storage, other than storage for resale or for use solely outside this state in the ordinary course of business.

\* **Sec. 18.** AS 43.56.030 is amended to read:

**Sec. 43.56.030. In place of other taxes.** Except for those taxes imposed under AS 43.55, the taxes levied or authorized under AS 43.56.010(b) are in place of

(1) all other ad valorem taxes or other taxes imposed by a municipality on property subject to tax under this chapter or exempted from taxation by AS 43.56.020; and

(2) all other taxes imposed by a municipality on or with respect to the

L

1 property subject to tax under this chapter or exempted from taxation by AS 43.56.020,  
2 including, but not limited to,

3 (A) taxes on the retail sale or use of the property except for the  
4 retail sales tax levied under AS 29.45.650 or 29.45.700 on the first \$1,000 of  
5 each sale;

6 (B) taxes on the sale or use of gas or unrefined oil;

7 (C) taxes on the sale or use of services used in or associated  
8 with the property or in its maintenance or operation except for the sales tax  
9 levied under AS 29.45.650 or 29.45.700 on the first \$1,000 of each sale;

10 (D) taxes on or measured by gross or net income from the  
11 property, including income from the exploration for, production of, or pipeline  
12 transportation of gas or unrefined oil or property; and

13 (E) any license, excise, fee, charge or other tax on or pertaining  
14 to the property or services.

15 \* **Sec. 19.** Section 4, ch. 100, SLA 2002, as amended by sec. 9, ch. 117, SLA 2003, is  
16 repealed and reenacted to read:

17 Sec. 4. AS 29.45.650(a) is amended to read:

18 (a) A [EXCEPT AS PROVIDED IN AS 29.45.750, A] borough may levy a  
19 general sales and use tax. If a borough levies a general sales and use tax,

20 (1) the borough must conform exactly to the statewide sales and use  
21 tax levied and collected under AS 43.44, except that the municipal general sales and  
22 use tax may be levied at any rate;

23 (2) the borough's use tax is levied on the privilege of using in the  
24 borough tangible personal property or services.

25 \* **Sec. 20.** The uncodified law of the State of Alaska is amended by adding a new section to  
26 read:

27 REGULATIONS. The Department of Revenue may proceed to adopt regulations  
28 necessary to implement the provisions of this Act. The regulations take effect under AS 44.62  
29 (Administrative Procedure Act), but not before the effective date of the provision being  
30 implemented.

31 \* **Sec. 21.** The uncodified law of the State of Alaska is amended by adding a new section to

1 read:

2 TRANSITIONAL PROVISIONS. (a) Notwithstanding AS 43.44.060(b)(1), added by  
3 sec. 17 of this Act, for one year after the effective date of sec. 17 of this Act, the department  
4 shall remit to a municipality that levies a sales and use tax at a rate of less than three percent  
5 the amount that would have been collected if the sales and use tax levy had been the actual  
6 rate plus a fraction corresponding to the actual rate divided by three.

7 (b) The use tax imposed in AS 43.44.010(b), added by sec. 17 of this Act, does not  
8 apply to the use of tangible personal property acquired before the effective date of sec. 17 of  
9 this Act.

10 (c) Services under a contract executed and paid in full before the effective date of sec.  
11 17 of this Act and performed within 12 months after the effective date of sec. 17 of this Act  
12 are exempt from the sales tax and use tax.

13 \* Sec. 22. Section 20 of this Act takes effect immediately under AS 01.10.070(c).

14 \* Sec. 23. Except as provided in sec. 22 of this Act, this Act takes effect July 1, 2005.

23-LS1051\V  
Kurtz  
3/24/04

**CS FOR SENATE BILL NO. 366( )**  
**IN THE LEGISLATURE OF THE STATE OF ALASKA**  
**TWENTY-THIRD LEGISLATURE - SECOND SESSION**

**BY**

**Offered:**  
**Referred:**

**Sponsor(s): SENATE FINANCE COMMITTEE BY REQUEST**

**A BILL**  
**FOR AN ACT ENTITLED**

1 **"An Act relating to the levy and collection of sales and use taxes, and to the levy,**  
2 **collection, and expenditure of municipal taxes; and providing for an effective date."**

3 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

4 **\* Section 1.** AS 29.05.210(b) is amended to read:

5 (b) The department shall provide assistance to each borough and unified  
6 municipality incorporated after December 31, 1985, in

7 (1) establishing the initial sales and use tax assessment [AND  
8 COLLECTION DEPARTMENT] if the borough or unified municipality has adopted a  
9 sales or use tax;

10 (2) determining the initial property tax assessment roll if the borough  
11 or unified municipality has adopted a property tax, including contracting for appraisals  
12 of property needed to complete the initial assessment.

13 **\* Sec. 2.** AS 29.10.200(41) is amended to read:

14 (41) AS 29.35.170 [AS 29.35.170(b)] (assessment and collection of

1 taxes);

2 \* **Sec. 3.** AS 29.10.200(51) is amended to read:

3 (51) AS 29.45.650 [AS 29.45.650(c), (d), (e), (f), (i), AND (j)]

4 (general sales and use tax);

5 \* **Sec. 4.** AS 29.10.200(52) is amended to read:

6 (52) AS 29.45.700 [AS 29.45.700(d) AND (e)] (general sales and use

7 tax);

8 \* **Sec. 5.** AS 29.10.200 is amended by adding new paragraphs to read:

9 (64) AS 29.35.110(a) (expenditure of borough revenues);

10 (65) AS 29.45.660 (notice of sales and use tax);

11 (66) AS 29.45.670 (referendum on adoption, and modification of sales

12 and use tax).

13 \* **Sec. 6.** AS 29.35.110(a) is amended to read:

14 (a) Borough revenues received through taxes levied [COLLECTED] on an  
15 areawide basis by the borough may be expended on general administrative costs and  
16 on areawide functions only. Borough revenues received through taxes levied  
17 [COLLECTED] on a nonareawide basis may be expended on general administrative  
18 costs and functions that render service only to the area outside all cities in the  
19 borough. This subsection applies to home rule and general law municipalities.

20 \* **Sec. 7.** AS 29.35.170 is amended to read:

21 **Sec. 29.35.170. Assessment and collection of taxes.** (a) A borough shall  
22 assess [AND COLLECT] property [, SALES, AND USE] taxes and collect taxes,  
23 other than general sales and use taxes, that are levied in its boundaries, subject to  
24 AS 29.45.

25 (b) Taxes, other than general sales and use taxes, levied by a city shall be  
26 collected by a borough and returned in full to the levying city. [THIS SUBSECTION  
27 APPLIES TO HOME RULE AND GENERAL LAW MUNICIPALITIES.]

28 \* **Sec. 8.** AS 29.35.170 is amended by adding a new subsection to read:

29 (c) This section applies to home rule and general law municipalities.

30 \* **Sec. 9.** AS 29.45.650 is repealed and reenacted to read:

31 **Sec. 29.45.650. General sales and use tax.** (a) Except as provided in

1 AS 29.45.750, a borough may levy a general sales and use tax. If a borough levies a  
2 general sales and use tax,

3 (1) the borough must conform exactly to the statewide sales and use  
4 tax levied and collected under AS 43.44, except that the municipal general sales and  
5 use tax may be levied at any rate; and

6 (2) the borough's use tax is levied on the privilege of using in the  
7 borough tangible personal property or services.

8 (b) The Department of Revenue shall collect a sales and use tax levied under  
9 this section and remit the proceeds to the municipality. The Department of Revenue  
10 may use its administrative authority under AS 43.05 and its enforcement and  
11 collection authority under AS 43.10 to collect a sales and use tax levied under this  
12 section.

13 \* Sec. 10. AS 29.45 is amended by adding a new section to read:

14 **Sec. 29.45.655. Specific taxes on property and services.** Unless otherwise  
15 prohibited by law, a municipality may levy and collect specific sales or excise taxes on  
16 single categories of tangible or intangible property or services, such as bed taxes, car  
17 rental taxes, and fish taxes.

18 \* Sec. 11. AS 29.45.660(a) is amended to read:

19 (a) If the borough levies [AND COLLECTS] only a general sales tax and use  
20 tax, the assembly shall provide a notice substantially in the form set out in  
21 AS 29.45.020. In providing notice under this subsection, the assembly shall substitute  
22 for the millage equivalency its estimate of the equivalent sales tax rate for each of the  
23 categories of financial assistance set out in AS 29.45.020. Notice shall be provided

24 (1) by publishing in a newspaper of general circulation in the borough  
25 a copy of the notice once each week for a period of three successive weeks, with  
26 publication to occur not later than 45 days after the final adoption of the borough's  
27 budget; or

28 (2) if there is no newspaper of general circulation in the borough, by  
29 posting a copy of the notice for at least 20 days in at least two public places in the  
30 borough, with posting to occur not later than 45 days after the final adoption of the  
31 borough's budget.

1 \* Sec. 12. AS 29.45.660 is amended by adding a new subsection to read:

2 (c) This section applies to home rule and general law municipalities.

3 \* Sec. 13. AS 29.45.670 is amended to read:

4 **Sec. 29.45.670. Referendum, adoption, and modification.** A new sales and  
5 use tax or an increase in the rate of levy of a sales tax approved by ordinance does not  
6 take effect until ratified by a majority of the voters at an election. A municipality  
7 may not require that a new sales and use tax or an increase in the rate of levy of a  
8 sales tax approved by ordinance be ratified by more than 50 percent plus one of  
9 the voters voting on the issue. This section applies to home rule and general law  
10 municipalities.

11 \* Sec. 14. AS 29.45.700 is repealed and reenacted to read:

12 **Sec. 29.45.700. Power of levy.** A city may levy sales and use taxes in the  
13 manner provided for boroughs under AS 29.45.650 and 29.45.655.

14 \* Sec. 15. AS 29.45.750(b) is amended to read:

15 (b) A municipality that levies [AND COLLECTS] a sales tax on mobile  
16 telecommunications services shall do so in accordance with the provisions of 4 U.S.C.  
17 116 - 126 (Mobile Telecommunications Sourcing Act).

18 \* Sec. 16. AS 29.45.810(a) is amended to read:

19 (a) A party to a contract approved by the legislature as a result of submission  
20 of a proposed contract developed under AS 43.82 or as a result of acts by the  
21 legislature in implementing the purposes of AS 43.82, and the property, gas, products,  
22 and activities associated with the approved qualified project that is subject to the  
23 contract, are exempt, as specified in the contract, from all taxes identified in the  
24 contract that would be levied [AND COLLECTED] by a municipality under state law  
25 as a consequence of the participation by the party in the approved qualified project.

26 \* Sec. 17. AS 43 is amended by adding a new chapter to read:

27 **Chapter 44. Sales and Use Tax.**

28 **Sec. 43.44.010. Levy of sales and use tax; tax rate.** (a) A sales tax is levied  
29 on the sale, lease, or rental of tangible personal property and on the sale of services.

30 (b) A use tax is levied on the privilege of using in the state tangible personal  
31 property or services. The use tax is not levied if the sales tax levied in (a) of this

1 section has been paid.

2 (c) The rate of the sales tax is four percent of the sales price. The rate of the  
3 use tax is four percent of the purchase price.

4 (d) The maximum tax on a single sale, lease, or rental is \$60.

5 **Sec. 43.44.020. Exemptions.** The tax levied under AS 43.44.010 does not  
6 apply to

7 (1) tangible personal property or services that are

8 (A) explicitly exempted from taxation under another provision  
9 of state law; or

10 (B) exempt from taxation under federal law, including sales to  
11 the federal government, and purchases made with

12 (i) food coupons, food stamps, or other types of  
13 certificates issued under 7 U.S.C. 2011 - 2036 (Food Stamp Program);  
14 and

15 (ii) food instruments, food vouchers, or other types of  
16 certificates issued under 42 U.S.C. 1786 (Special Supplemental  
17 Nutrition Program for Women, Infants, and Children);

18 (2) medical care, including

19 (A) health care services provided by a person licensed or  
20 certified to provide those services under AS 08 or a "health care facility" as  
21 that term is defined in AS 08.68.395(g);

22 (B) drugs, durable medical equipment, mobility enhancing  
23 equipment, and prosthetic devices obtained on prescription from a person  
24 licensed to prescribe those goods under AS 08 or from a health care facility, as  
25 that term is defined in AS 08.68.395(g);

26 (3) isolated or occasional sales, leases, or rentals of tangible personal  
27 property or sales of services by a person who is not regularly engaged in the business  
28 of selling, leasing, or renting similar personal property or services;

29 (4) sales, leases, or rentals of tangible personal property and sales of  
30 services by or to the state or a political subdivision of the state;

31 (5) the sale of natural gas, diesel fuel to be used for home heating,

1 heating oil, water, sewer, electricity, steam, or refuse and garbage collection service;

2 (6) the sale of property for resale if

3 (A) the purchaser resells the property, by itself or in  
4 combination with other property, in the ordinary course of business; and

5 (B) the property is subject to the sales tax levied under  
6 AS 43.44.010 on resale;

7 (7) the sale of property to a purchaser engaged in the business of  
8 mining or manufacturing if the purchaser incorporates the property as an ingredient or  
9 component part of the product in the business of mining or manufacturing; for  
10 purposes of this paragraph, electrical energy or electricity used or consumed by  
11 electrolytic reduction used in the reduction or refinement of ores is considered a  
12 component part of the product;

13 (8) wages, as that term is defined in 26 U.S.C. 3401;

14 (9) interest;

15 (10) financial services, including

16 (A) fees for services associated with a deposit account;

17 (B) fees for purchases of cashier's checks, money orders,  
18 traveler's checks, currency, and similar products used for payment and transfer  
19 of funds;

20 (C) loan transaction pass-through charges that include sales tax;

21 (D) loan fees; and

22 (E) services related to the sale or purchase of financial  
23 instruments including stocks, bonds, and securities;

24 (11) property and services used for exploration, extraction, production,  
25 refinement, or transportation of natural resources, including oil and gas, fish and other  
26 seafood, timber and other forest products, and minerals;

27 (12) transportation of passengers and tangible personal property;

28 (13) the sale, use, or lease of property held for lease.

29 **Sec. 43.44.030. Collection of sales and use tax.** (a) A seller shall add the  
30 amount of the sales tax levied by this chapter and the amount of any municipal general  
31 sales tax levied under AS 29.45 to the sales price of personal property or services

1 subject to the tax. The tax shall be stated separately on any receipt, invoice, or other  
2 record of the transaction.

3 (b) Except as provided in (e) of this section, a seller shall collect the sales tax  
4 levied by this chapter and any general municipal sales tax levied under AS 29.45 from  
5 the buyer, file a return, and remit the tax collected to the department not later than 30  
6 days following the last day of the month in which the tax was collected.

7 (c) A seller remitting the sales tax collected under this chapter to the  
8 department within 30 days as required in this section may retain one percent of the  
9 amount collected to cover expenses associated with collecting and remitting the tax.

10 (d) To the fullest extent permitted under the Constitution of the United States,  
11 a person whose sales are not subject to the sales tax is required to collect the use tax  
12 from the purchaser and pay the tax collected to the department.

13 (e) A seller that collects a total of less than \$250 of taxes levied under this  
14 chapter and AS 29.45 in a month shall file a return and remit the tax not later than 30  
15 days following the last day of the month in which a total of \$250 is reached or, if the  
16 total collected in a calendar year is less than \$250, within 30 days following the last  
17 day of the calendar year.

18 (f) If a seller provides a bundle of personal property or services including both  
19 taxable and tax-exempt property and services, the seller shall collect the tax on the  
20 price of the entire bundle as stated on any receipt, invoice, or other record of the  
21 transaction.

22 **Sec. 43.44.040. Payment of use tax.** A user subject to the use tax shall file a  
23 return and remit the tax levied under this chapter and any municipal use tax levied  
24 under AS 29.45 to the department not later than 30 days following the last day of the  
25 month in which the taxable use occurs.

26 **Sec. 43.44.050. Accounting.** Except as provided in AS 43.44.060, the  
27 department shall deposit the proceeds of the tax levied under this chapter in the  
28 general fund of the state.

29 **Sec. 43.44.060. Relationship to municipal levies.** (a) A municipality may  
30 not levy a sales and use tax except as provided in AS 04.21.010(c), AS 29.45.650,  
31 29.45.655, or 29.45.700. The department shall collect sales and use taxes levied under

1 AS 29.45.650 or 29.45.700. A municipality may not collect a sales and use tax levied  
2 under AS 29.45.650 or 29.45.700.

3 (b) Except as provided in (c) of this section, from the total combined state and  
4 municipal sales and use taxes collected within the boundaries of a municipality, the  
5 department shall remit to the municipality the amount described under this subsection.  
6 If the rate of a sales and use tax levied by a municipality is

7 (1) less than three percent, the department shall remit the amount of  
8 the tax levied by the municipality;

9 (2) at least three percent but less than four percent, the department  
10 shall remit the amount that would have been collected in the municipality if the sales  
11 and use tax levy had been four percent;

12 (3) at least four percent but less than five percent, the department shall  
13 remit the amount that would have been collected in the municipality if the sales and  
14 use tax levy had been five percent;

15 (4) five percent or more, the department shall round up to the next  
16 whole number and remit the amount that would have been collected in the  
17 municipality if the sales and use tax levy had been that whole number; for example, if  
18 a municipality levied a sales and use tax at the rate of five percent, the department  
19 shall remit the amount that would have been collected under a six percent levy.

20 (c) In the case of a city within a borough, if both the city and the borough levy  
21 a sales and use tax, the department shall combine the city and borough tax rates to  
22 determine the amount to remit to the municipalities under (b) of this section. Of that  
23 amount, the department shall remit to the city an amount proportionate to the city's  
24 share of the combined tax rate and remit the remainder to the borough.

25 **Sec. 43.44.070. Computation of tax.** (a) The taxes levied under this chapter  
26 may be computed on an item or an invoice basis.

27 (b) The tax computation shall be

28 (1) carried to the third decimal place;

29 (2) rounded to a whole cent using a method that rounds up to the next  
30 cent whenever the third decimal place is greater than four; and

31 (3) made according to a rounding algorithm prescribed by the

1 department.

2 **Sec. 43.44.080. Tax credit for sales or use tax paid to another state or a**  
3 **political subdivision.** (a) A buyer liable under this chapter for use tax on tangible  
4 personal property or services is entitled to a full credit for the amount of sales or use  
5 tax paid on the tangible personal property or services to another state.

6 (b) A buyer liable under AS 29.45.650 or 29.45.700 for use tax on tangible  
7 personal property or services is entitled to a full credit for the amount of sales or use  
8 tax paid on the tangible personal property or services to a political subdivision of this  
9 or another state. In the case of a city within a borough, if both the city and the  
10 borough levy a sales and use tax, the credit for taxes paid to a political subdivision of a  
11 state shall be applied against the amount of use tax levied by the city and the borough  
12 in proportion to the respective city and borough tax rates.

13 **Sec. 43.44.090. Liability for tax.** (a) Except as provided in (c) and (d) of this  
14 section, a seller is liable for the sales tax on tangible personal property or services sold  
15 by the seller.

16 (b) A buyer is liable for the tax on tangible personal property or services sold  
17 to the buyer if the seller did not collect the tax.

18 (c) A seller that receives and accepts in good faith from a buyer a prescription  
19 for medical care-related tangible personal property or services exempt from the tax  
20 under AS 43.44.020 is not liable for the sales tax on the tangible personal property or  
21 services prescribed.

22 (d) A seller that receives and accepts in good faith from a buyer a copy of the  
23 buyer's direct payment permit is not liable for the sales tax on the tangible personal  
24 property or services sold, leased, or rented to the buyer.

25 **Sec. 43.44.100. Registration.** A seller shall register with the department  
26 before making a sale, lease, or rental of tangible personal property or a sale of services  
27 that is taxable under this chapter.

28 **Sec. 43.44.110. Direct pay permit.** (a) The department may issue a direct  
29 pay permit allowing the permit holder to purchase, lease, or rent taxable goods and  
30 services without payment of tax to the seller at the time of purchase.

31 (b) The holder of a direct pay permit shall file a return and remit the tax levied

1 under this chapter and any municipal taxes levied under AS 29.45.650 and 29.45.700  
2 to the department not later than 30 days following the last day of the month in which  
3 the purchase, lease, or rental was made.

4 **Sec. 43.44.120. Refunds and credits.** The department may credit or refund  
5 overpayments of taxes, taxes erroneously or illegally assessed or collected, penalties  
6 collected without authority, and taxes that are found unjustly assessed or excessive in  
7 amount, or otherwise wrongfully collected. The department shall set limitations,  
8 specify the manner in which claims for credits or refunds are made, and give notice of  
9 allowance or disallowance. When a refund is allowed to a taxpayer, it shall be paid  
10 out of the general fund on a warrant issued under a voucher approved by the  
11 department.

12 **Sec. 43.44.130. Authority to enter streamlined sales and use tax**  
13 **agreement.** (a) The department is authorized to enter into the Streamlined Sales and  
14 Use Tax Agreement with one or more states to simplify and modernize sales and use  
15 tax administration in order to substantially reduce the burden of tax compliance for all  
16 sellers and for all types of commerce. In furtherance of the Streamlined Sales and Use  
17 Tax Agreement, the department is authorized to act jointly with other states that are  
18 members of the Streamlined Sales and Use Tax Agreement to establish standards for  
19 certification of a certified service provider and certified automated system and  
20 establish performance standards for multistate sellers.

21 (b) To the extent possible, the department shall adopt regulations  
22 implementing this chapter consistent with the Streamlined Sales and Use Tax  
23 Agreement.

24 (c) The department is authorized to take other actions reasonably required to  
25 implement the provisions set out in this section. Other actions authorized by this  
26 section include the joint procurement, with other member states, of goods and services  
27 in furtherance of the cooperative agreement.

28 (d) The department or the department's designee is authorized to represent this  
29 state before the other states that are signatories to the Streamlined Sales and Use Tax  
30 Agreement.

31 **Sec. 43.44.199. Definitions.** In this chapter,

1 (1) "lease or rental," regardless of whether a transaction is  
2 characterized as a lease or rental under generally accepted accounting principles, the  
3 Internal Revenue Code, AS 45.29, or other provisions of federal, state, or local law,

4 (A) means any transfer of possession or control of tangible  
5 personal property for a fixed or indeterminate term for consideration; a lease or  
6 rental may include future options to purchase or extend;

7 (B) does not include

8 (i) a transfer of possession or control of property under  
9 a security agreement or deferred payment plan that requires the transfer  
10 of title upon completion of the required payments;

11 (ii) a transfer of possession or control of property under  
12 an agreement that requires the transfer of title upon completion of  
13 required payments if payment of an option price does not exceed the  
14 greater of \$100 or one percent of the total required payments; or

15 (iii) providing tangible personal property along with an  
16 operator for a fixed or indeterminate period of time; a condition of this  
17 exclusion is that the operator is necessary for the equipment to perform  
18 as designed; for the purpose of this sub-subparagraph, an operator must  
19 do more than maintain, inspect, or set up the tangible personal property;

20 (C) includes agreements covering motor vehicles and trailers  
21 where the amount of consideration may be increased or decreased by reference  
22 to the amount realized upon sale or disposition of the property as defined in 26  
23 U.S.C. 7701(h)(1);

24 (2) "purchase price" applies to the measure subject to use tax and has  
25 the same meaning as sales price;

26 (3) "sales price"

27 (A) applies to the measure subject to sales tax and means the  
28 total amount of consideration, including cash, credit, property, and services, for  
29 which personal property or services are sold, leased, or rented, valued in  
30 money, whether received in money or otherwise, without any deduction for the  
31 following:

- 1 (i) the seller's cost of the property sold;
- 2 (ii) the cost of materials used, labor or service cost,  
3 interest, losses, all costs of transportation to the seller, all taxes  
4 imposed on the seller, and any other expense of the seller;
- 5 (iii) charges by the seller for any services necessary to  
6 complete the sale, rental, or lease, other than delivery and installation  
7 charges;
- 8 (iv) delivery charges;
- 9 (v) installation charges;
- 10 (vi) the value of exempt personal property given to the  
11 purchaser where taxable and exempt personal property have been  
12 bundled together and sold, leased, or rented by the seller as a single  
13 product or piece of merchandise; and
- 14 (vii) credit for any trade-in;
- 15 (B) does not include
- 16 (i) discounts, including cash, term, or coupons that are  
17 not reimbursed by a third party that are allowed by a seller and taken by  
18 a purchaser on a sale;
- 19 (ii) interest, financing, and carrying charges from credit  
20 extended on the sale of personal property or services if the amount is  
21 separately stated on the invoice, bill of sale, or similar document given  
22 to the purchaser; and
- 23 (iii) taxes legally imposed directly on a consumer that  
24 are separately stated on the invoice, bill of sale, or similar document  
25 given to the purchaser;
- 26 (4) "seller" means a person making sales, leases, or rentals of tangible  
27 personal property or services;
- 28 (5) "service" means an activity that is engaged in for another person  
29 for consideration and that is distinguished from the sale or lease of property; in  
30 determining what a service is, the intended use, principal objective, or ultimate  
31 objective of the contracting parties is irrelevant; "service" includes labor; professional

1 services; telephone or other communications service; entertainment, including cable or  
2 pay television or other telecommunications service; the supplying of food, lodging, or  
3 other accommodations in hotels, restaurants, or elsewhere; and admission to  
4 exhibitions;

5 (6) "tangible personal property" means personal property that can be  
6 seen, weighed, measured, felt, or touched, or that is in any other manner perceptible to  
7 the senses; "tangible personal property" includes electricity, water, gas, steam, and  
8 prewritten computer software;

9 (7) "tax" means the taxes levied by AS 43.44.010;

10 (8) "use" or "using" includes use, consumption, or storage, other than  
11 storage for resale or for use solely outside this state in the ordinary course of business.

12 \* Sec. 18. AS 43.56.030 is amended to read:

13 **Sec. 43.56.030. In place of other taxes.** Except for those taxes imposed  
14 under AS 43.55, the taxes levied or authorized under AS 43.56.010(b) are in place of

15 (1) all other ad valorem taxes or other taxes imposed by a municipality  
16 on property subject to tax under this chapter or exempted from taxation by  
17 AS 43.56.020; and

18 (2) all other taxes imposed by a municipality on or with respect to the  
19 property subject to tax under this chapter or exempted from taxation by AS 43.56.020,  
20 including, but not limited to,

21 (A) taxes on the retail sale or use of the property except for the  
22 retail sales tax levied under AS 29.45.650 or 29.45.700 on the first \$1,000 of  
23 each sale;

24 (B) taxes on the sale or use of gas or unrefined oil;

25 (C) taxes on the sale or use of services used in or associated  
26 with the property or in its maintenance or operation except for the sales tax  
27 levied under AS 29.45.650 or 29.45.700 on the first \$1,000 of each sale;

28 (D) taxes on or measured by gross or net income from the  
29 property, including income from the exploration for, production of, or pipeline  
30 transportation of gas or unrefined oil or property; and

31 (E) any license, excise, fee, charge or other tax on or pertaining

1 to the property or services.

2 \* **Sec. 19.** Section 4, ch. 100, SLA 2002, as amended by sec. 9, ch. 117, SLA 2003, is  
3 repealed and reenacted to read:

4 Sec. 4. AS 29.45.650(a) is amended to read:

5 (a) A [EXCEPT AS PROVIDED IN AS 29.45.750, A] borough may levy a  
6 general sales and use tax. If a borough levies a general sales and use tax,

7 (1) the borough must conform exactly to the statewide sales and use  
8 tax levied and collected under AS 43.44, except that the municipal general sales and  
9 use tax may be levied at any rate;

10 (2) the borough's use tax is levied on the privilege of using in the  
11 borough tangible personal property or services.

12 \* **Sec. 20.** The uncodified law of the State of Alaska is amended by adding a new section to  
13 read:

14 REGULATIONS. The Department of Revenue may proceed to adopt regulations  
15 necessary to implement the provisions of this Act. The regulations take effect under AS 44.62  
16 (Administrative Procedure Act), but not before the effective date of the provision being  
17 implemented.

18 \* **Sec. 21.** The uncodified law of the State of Alaska is amended by adding a new section to  
19 read:

20 TRANSITIONAL PROVISIONS. (a) Notwithstanding AS 43.44.060(b)(1), added by  
21 sec. 17 of this Act, for one year after the effective date of sec. 17 of this Act, the department  
22 shall remit to a municipality that levies a sales and use tax at a rate of less than three percent  
23 the amount that would have been collected if the sales and use tax levy had been the actual  
24 rate plus a fraction corresponding to the actual rate divided by three.

25 (b) The use tax imposed in AS 43.44.010(b), added by sec. 17 of this Act, does not  
26 apply to the use of tangible personal property acquired before the effective date of sec. 17 of  
27 this Act.

28 (c) Services under a contract executed and paid in full before the effective date of sec.  
29 17 of this Act and performed within 12 months after the effective date of sec. 17 of this Act  
30 are exempt from the sales tax and use tax.

31 \* **Sec. 22.** Section 20 of this Act takes effect immediately under AS 01.10.070(c).

1

\* Sec. 23. Except as provided in sec. 22 of this Act, this Act takes effect July 1, 2005.

ADOPTED 3/24/04

WORK DRAFT

WORK DRAFT

WORK DRAFT

23-LS1051U  
Kurtz  
3/23/04

CS FOR SENATE BILL NO. 366( )

IN THE LEGISLATURE OF THE STATE OF ALASKA  
TWENTY-THIRD LEGISLATURE - SECOND SESSION

BY

Offered:  
Referred:

Sponsor(s): SENATE FINANCE COMMITTEE BY REQUEST

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to the levy and collection of sales and use taxes, to the levy, collection,  
2 and expenditure of municipal taxes; and providing for an effective date."

3 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

4 \* Section 1. AS 29.05.210(b) is amended to read:

5 (b) The department shall provide assistance to each borough and unified  
6 municipality incorporated after December 31, 1985, in

7 (1) establishing the initial sales and use tax assessment [AND  
8 COLLECTION DEPARTMENT] if the borough or unified municipality has adopted a  
9 sales or use tax;

10 (2) determining the initial property tax assessment roll if the borough  
11 or unified municipality has adopted a property tax, including contracting for appraisals  
12 of property needed to complete the initial assessment.

13 \* Sec. 2. AS 29.10.200(41) is amended to read:

14 (41) AS 29.35.170 [AS 29.35.170(b)] (assessment and collection of

L

1 taxes);

2 \* **Sec. 3.** AS 29.10.200(51) is amended to read:

3 (51) AS 29.45.650 [AS 29.45.650(c), (d), (e), (f), (i), AND (j)] (sales  
4 and use tax);

5 \* **Sec. 4.** AS 29.10.200(52) is amended to read:

6 (52) AS 29.45.700 [AS 29.45.700(d) AND (e)] (sales and use tax);

7 \* **Sec. 5.** AS 29.10.200 is amended by adding new paragraphs to read:

8 (64) AS 29.35.110(a) (expenditure of borough revenues);

9 (65) AS 29.45.660 (notice of sales and use tax);

10 (66) AS 29.45.670 (referendum on adoption, and modification of sales  
11 and use tax).

12 \* **Sec. 6.** AS 29.35.110(a) is amended to read:

13 (a) Borough revenues received through taxes levied [COLLECTED] on an  
14 areawide basis by the borough may be expended on general administrative costs and  
15 on areawide functions only. Borough revenues received through taxes levied  
16 [COLLECTED] on a nonareawide basis may be expended on general administrative  
17 costs and functions that render service only to the area outside all cities in the  
18 borough. This subsection applies to home rule and general law municipalities.

19 \* **Sec. 7.** AS 29.35.170 is amended to read:

20 **Sec. 29.35.170. Assessment and collection of taxes.** (a) A borough shall  
21 assess [AND COLLECT] property [, SALES, AND USE] taxes and collect taxes,  
22 other than sales and use taxes, that are levied in its boundaries, subject to AS 29.45.

23 (b) Taxes, other than sales and use taxes, levied by a city shall be collected  
24 by a borough and returned in full to the levying city. [THIS SUBSECTION APPLIES  
25 TO HOME RULE AND GENERAL LAW MUNICIPALITIES.]

26 \* **Sec. 8.** AS 29.35.170 is amended by adding a new subsection to read:

27 (c) This section applies to home rule and general law municipalities.

28 \* **Sec. 9.** AS 29.45.650 is repealed and reenacted to read:

29 **Sec. 29.45.650. Sales and use tax.** (a) Except as provided in AS 29.45.750, a  
30 borough may levy a sales and use tax. If a borough levies a sales and use tax,

31 (1) the borough must conform exactly to the statewide sales and use

1 tax levied and collected under AS 43.44, except that the municipal sales and use tax  
2 may be levied at any rate; and

3 (2) the borough's use tax is levied on the privilege of using in the  
4 borough tangible personal property or services.

5 (b) The Department of Revenue shall collect a sales and use tax levied under  
6 this section and remit the proceeds to the municipality. The Department of Revenue  
7 may use its administrative authority under AS 43.05 and its enforcement and  
8 collection authority under AS 43.10 to collect a sales and use tax levied under this  
9 section.

10 \* **Sec. 10.** AS 29.45.660(a) is amended to read:

11 (a) If the borough levies [AND COLLECTS] only a sales tax and use tax, the  
12 assembly shall provide a notice substantially in the form set out in AS 29.45.020. In  
13 providing notice under this subsection, the assembly shall substitute for the millage  
14 equivalency its estimate of the equivalent sales tax rate for each of the categories of  
15 financial assistance set out in AS 29.45.020. Notice shall be provided

16 (1) by publishing in a newspaper of general circulation in the borough  
17 a copy of the notice once each week for a period of three successive weeks, with  
18 publication to occur not later than 45 days after the final adoption of the borough's  
19 budget; or

20 (2) if there is no newspaper of general circulation in the borough, by  
21 posting a copy of the notice for at least 20 days in at least two public places in the  
22 borough, with posting to occur not later than 45 days after the final adoption of the  
23 borough's budget.

24 \* **Sec. 11.** AS 29.45.660 is amended by adding a new subsection to read:

25 (c) This section applies to home rule and general law municipalities.

26 \* **Sec. 12.** AS 29.45.670 is amended to read:

27 **Sec. 29.45.670. Referendum, adoption, and modification.** A new sales and  
28 use tax or an increase in the rate of levy of a sales tax approved by ordinance does not  
29 take effect until ratified by a majority of the voters at an election. A municipality  
30 may not require that a new sales and use tax or an increase in the rate of levy of a  
31 sales tax approved by ordinance be ratified by more than 50 percent plus one of

1 the voters voting on the issue. This section applies to home rule and general law  
2 municipalities.

3 \* Sec. 13. AS 29.45.700 is repealed and reenacted to read:

4 **Sec. 29.45.700. Power of levy.** A city may levy a sales and use tax in the  
5 manner provided for boroughs under AS 29.45.650.

6 \* Sec. 14. AS 29.45.750(b) is amended to read:

7 (b) A municipality that levies [AND COLLECTS] a sales tax on mobile  
8 telecommunications services shall do so in accordance with the provisions of 4 U.S.C.  
9 116 - 126 (Mobile Telecommunications Sourcing Act).

10 \* Sec. 15. AS 29.45.810(a) is amended to read:

11 (a) A party to a contract approved by the legislature as a result of submission  
12 of a proposed contract developed under AS 43.82 or as a result of acts by the  
13 legislature in implementing the purposes of AS 43.82, and the property, gas, products,  
14 and activities associated with the approved qualified project that is subject to the  
15 contract, are exempt, as specified in the contract, from all taxes identified in the  
16 contract that would be levied [AND COLLECTED] by a municipality under state law  
17 as a consequence of the participation by the party in the approved qualified project.

18 \* Sec. 16. AS 43 is amended by adding a new chapter to read:

19 **Chapter 44. Sales and Use Tax.**

20 **Sec. 43.44.010. Levy of sales and use tax; tax rate.** (a) A sales tax is levied  
21 on the sale, lease, or rental of tangible personal property and on the sale of services.

22 (b) A use tax is levied on the privilege of using in the state tangible personal  
23 property or services. The use tax is not levied if the sales tax levied in (a) of this  
24 section has been paid.

25 (c) The rate of the sales tax is four percent of the sales price. The rate of the  
26 use tax is four percent of the purchase price.

27 **Sec. 43.44.020. Exemptions.** The tax levied under AS 43.44.010 does not  
28 apply to

29 (1) tangible personal property or services that are

30 (A) explicitly exempted from taxation under another provision  
31 of state law; or

1 (B) exempt from taxation under federal law, including sales to  
2 the federal government, and purchases made with

3 (i) food coupons, food stamps, or other types of  
4 certificates issued under 7 U.S.C. 2011 - 2036 (Food Stamp Program);  
5 and

6 (ii) food instruments, food vouchers, or other types of  
7 certificates issued under 42 U.S.C. 1786 (Special Supplemental  
8 Nutrition Program for Women, Infants, and Children);

9 (2) medical care, including

10 (A) health care services provided by a person licensed or  
11 certified to provide those services under AS 08 or a "health care facility" as  
12 that term is defined in AS 08.68.395(g);

13 (B) drugs, durable medical equipment, mobility enhancing  
14 equipment, and prosthetic devices obtained on prescription from a person  
15 licensed to prescribe those goods under AS 08 or from a health care facility, as  
16 that term is defined in AS 08.68.395(g);

17 (3) isolated or occasional sales, leases, or rentals of tangible personal  
18 property or sales of services by a person who is not regularly engaged in the business  
19 of selling, leasing, or renting similar personal property or services;

20 (4) sales, leases, or rentals of tangible personal property and sales of  
21 services by or to the state or a political subdivision of the state;

22 (5) the sale of natural gas, diesel fuel, heating oil, water, electricity,  
23 steam, or refuse and garbage collection service;

24 (6) the sale of property for resale if

25 (A) the purchaser resells the property, by itself or in  
26 combination with other property, in the ordinary course of business; and

27 (B) the property is subject to the sales tax levied under  
28 AS 43.44.010 on resale;

29 (7) the sale of property to a purchaser engaged in the business of  
30 mining or manufacturing if the purchaser incorporates the property as an ingredient or  
31 component part of the product in the business of mining or manufacturing; for

1 purposes of this paragraph, electrical energy or electricity used or consumed by  
2 electrolytic reduction used in the reduction or refinement of ores is considered a  
3 component part of the product.

4 **Sec. 43.44.030. Collection of sales and use tax.** (a) A seller shall add the  
5 amount of the sales tax levied by this chapter and the amount of any municipal sales  
6 tax levied under AS 29.45 to the sales price of personal property or services subject to  
7 the tax. The tax shall be stated separately on any receipt, invoice, or other record of  
8 the transaction.

9 (b) A seller shall collect the sales tax levied by this chapter and any municipal  
10 sales tax levied under AS 29.45 from the buyer, file a return, and remit the tax  
11 collected to the department not later than 30 days following the last day of the month  
12 in which the tax was collected.

13 (c) A seller remitting the sales tax collected under this chapter to the  
14 department within 30 days following the last day of the month in which the tax was  
15 collected may retain one percent of the amount collected to cover expenses associated  
16 with collecting and remitting the tax.

17 (d) To the fullest extent permitted under the Constitution of the United States,  
18 a person whose sales are not subject to the sales tax is required to collect the use tax  
19 from the purchaser and pay the tax collected to the department.

20 **Sec. 43.44.040. Payment of use tax.** A user subject to the use tax shall file a  
21 return and remit the tax levied under this chapter and any municipal use tax levied  
22 under AS 29.45 to the department not later than 30 days following the last day of the  
23 month in which the taxable use occurs.

24 **Sec. 43.44.050. Accounting.** Except as provided in AS 43.44.060, the  
25 department shall deposit the proceeds of the tax levied under this chapter in the  
26 general fund of the state.

27 **Sec. 43.44.060. Relationship to municipal levies.** (a) A municipality may  
28 not levy a sales and use tax except as provided in AS 04.21.010(c), AS 29.45.650, or  
29 29.45.700. The department shall collect sales and use taxes levied under  
30 AS 29.45.650 or 29.45.700. A municipality may not collect a sales and use tax levied  
31 under AS 29.45.650 or 29.45.700.

1 (b) Except as provided in (c) of this section, from the total combined state and  
2 municipal sales and use taxes collected within the boundaries of a municipality, the  
3 department shall remit to the municipality the amount described under this subsection.  
4 If the rate of a sales and use tax levied by a municipality is

5 (1) less than three percent, the department shall remit the amount of  
6 the tax levied by the municipality;

7 (2) at least three percent but less than four percent, the department  
8 shall remit the amount that would have been collected in the municipality if the sales  
9 and use tax levy had been four percent;

10 (3) at least four percent but less than five percent, the department shall  
11 remit the amount that would have been collected in the municipality if the sales and  
12 use tax levy had been five percent;

13 (4) five percent or more, the department shall round up to the next  
14 whole number and remit the amount that would have been collected in the  
15 municipality if the sales and use tax levy had been that whole number; for example, if  
16 a municipality levied a sales and use tax at the rate of five percent, the department  
17 shall remit the amount that would have been collected under a six percent levy.

18 (c) In the case of a city within a borough, if both the city and the borough levy  
19 a sales and use tax, the department shall combine the city and borough tax rates to  
20 determine the amount to remit to the municipalities under (b) of this section. Of that  
21 amount, the department shall remit to the city an amount proportionate to the city's  
22 share of the combined tax rate and remit the remainder to the borough.

23 **Sec. 43.44.070. Computation of tax.** (a) The taxes levied under this chapter  
24 may be computed on an item or an invoice basis.

25 (b) The tax computation shall be

26 (1) carried to the third decimal place;

27 (2) rounded to a whole cent using a method that rounds up to the next  
28 cent whenever the third decimal place is greater than four; and

29 (3) made according to a rounding algorithm prescribed by the  
30 department.

31 **Sec. 43.44.080. Tax credit for sales or use tax paid to another state or a**

1        **political subdivision.** (a) A buyer liable under this chapter for use tax on tangible  
2        personal property or services is entitled to a full credit for the amount of sales or use  
3        tax paid on the tangible personal property or services to another state.

4                (b) A buyer liable under AS 29.45.650 or 29.45.700 for use tax on tangible  
5        personal property or services is entitled to a full credit for the amount of sales or use  
6        tax paid on the tangible personal property or services to a political subdivision of this  
7        or another state. In the case of a city within a borough, if both the city and the  
8        borough levy a sales and use tax, the credit for taxes paid to a political subdivision of a  
9        state shall be applied against the amount of use tax levied by the city and the borough  
10       in proportion to the respective city and borough tax rates.

11               **Sec. 43.44.090. Liability for tax.** (a) Except as provided in (c) and (d) of this  
12       section, a seller is liable for the sales tax on tangible personal property or services sold  
13       by the seller.

14               (b) A buyer is liable for the tax on tangible personal property or services sold  
15       to the buyer if the seller did not collect the tax.

16               (c) A seller that receives and accepts in good faith from a buyer a prescription  
17       for medical care-related tangible personal property or services exempt from the tax  
18       under AS 43.44.020 is not liable for the sales tax on the tangible personal property or  
19       services prescribed.

20               (d) A seller that receives and accepts in good faith from a buyer a copy of the  
21       buyer's direct payment permit is not liable for the sales tax on the tangible personal  
22       property or services sold, leased, or rented to the buyer.

23               **Sec. 43.44.100. Registration.** A seller shall register with the department  
24       before making a sale, lease, or rental of tangible personal property or a sale of services  
25       that is taxable under this chapter.

26               **Sec. 43.44.110. Direct pay permit.** (a) The department may issue a direct  
27       pay permit allowing the permit holder to purchase, lease, or rent taxable goods and  
28       services without payment of tax to the seller at the time of purchase.

29               (b) The holder of a direct pay permit shall determine the tax due under this  
30       chapter, file a return, and pay the tax directly to the department on a form and in a  
31       format prescribed by the department.

1           **Sec. 43.44.120. Refunds and credits.** The department may credit or refund  
2 overpayments of taxes, taxes erroneously or illegally assessed or collected, penalties  
3 collected without authority, and taxes that are found unjustly assessed or excessive in  
4 amount, or otherwise wrongfully collected. The department shall set limitations,  
5 specify the manner in which claims for credits or refunds are made, and give notice of  
6 allowance or disallowance. When a refund is allowed to a taxpayer, it shall be paid  
7 out of the general fund on a warrant issued under a voucher approved by the  
8 department.

9           **Sec. 43.44.130. Authority to enter streamlined sales and use tax**  
10 **agreement.** (a) The department is authorized and directed to enter into the  
11 Streamlined Sales and Use Tax Agreement with one or more states to simplify and  
12 modernize sales and use tax administration in order to substantially reduce the burden  
13 of tax compliance for all sellers and for all types of commerce. In furtherance of the  
14 Streamlined Sales and Use Tax Agreement, the department is authorized to act jointly  
15 with other states that are members of the Streamlined Sales and Use Tax Agreement to  
16 establish standards for certification of a certified service provider and certified  
17 automated system and establish performance standards for multistate sellers.

18           (b) The department shall adopt regulations implementing this chapter  
19 consistent with the Streamlined Sales and Use Tax Agreement.

20           (c) The department is authorized to take other actions reasonably required to  
21 implement the provisions set out in this section. Other actions authorized by this  
22 section include the joint procurement, with other member states, of goods and services  
23 in furtherance of the cooperative agreement.

24           (d) The department or the department's designee is authorized to represent this  
25 state before the other states that are signatories to the Streamlined Sales and Use Tax  
26 Agreement.

27           **Sec. 43.44.199. Definitions.** In this chapter,

28           (1) "lease or rental," regardless of whether a transaction is  
29 characterized as a lease or rental under generally accepted accounting principles, the  
30 Internal Revenue Code, AS 45.29, or other provisions of federal, state, or local law,

31           (A) means any transfer of possession or control of tangible

1 personal property for a fixed or indeterminate term for consideration; a lease or  
2 rental may include future options to purchase or extend;

3 (B) does not include

4 (i) a transfer of possession or control of property under  
5 a security agreement or deferred payment plan that requires the transfer  
6 of title upon completion of the required payments;

7 (ii) a transfer of possession or control of property under  
8 an agreement that requires the transfer of title upon completion of  
9 required payments if payment of an option price does not exceed the  
10 greater of \$100 or one percent of the total required payments; or

11 (iii) providing tangible personal property along with an  
12 operator for a fixed or indeterminate period of time; a condition of this  
13 exclusion is that the operator is necessary for the equipment to perform  
14 as designed; for the purpose of this sub-subparagraph, an operator must  
15 do more than maintain, inspect, or set up the tangible personal property;

16 (C) includes agreements covering motor vehicles and trailers  
17 where the amount of consideration may be increased or decreased by reference  
18 to the amount realized upon sale or disposition of the property as defined in 26  
19 U.S.C. 7701(h)(1);

20 (2) "purchase price" applies to the measure subject to use tax and has  
21 the same meaning as sales price;

22 (3) "sales price"

23 (A) applies to the measure subject to sales tax and means the  
24 total amount of consideration, including cash, credit, property, and services, for  
25 which personal property or services are sold, leased, or rented, valued in  
26 money, whether received in money or otherwise, without any deduction for the  
27 following:

28 (i) the seller's cost of the property sold;

29 (ii) the cost of materials used, labor or service cost,  
30 interest, losses, all costs of transportation to the seller, all taxes  
31 imposed on the seller, and any other expense of the seller;

1 (iii) charges by the seller for any services necessary to  
2 complete the sale, rental, or lease, other than delivery and installation  
3 charges;

4 (iv) delivery charges;

5 (v) installation charges;

6 (vi) the value of exempt personal property given to the  
7 purchaser where taxable and exempt personal property have been  
8 bundled together and sold, leased, or rented by the seller as a single  
9 product or piece of merchandise; and

10 (vii) credit for any trade-in;

11 (B) does not include

12 (i) discounts, including cash, term, or coupons that are  
13 not reimbursed by a third party that are allowed by a seller and taken by  
14 a purchaser on a sale;

15 (ii) interest, financing, and carrying charges from credit  
16 extended on the sale of personal property or services if the amount is  
17 separately stated on the invoice, bill of sale, or similar document given  
18 to the purchaser; and

19 (iii) taxes legally imposed directly on a consumer that  
20 are separately stated on the invoice, bill of sale, or similar document  
21 given to the purchaser;

22 (4) "seller" means a person making sales, leases, or rentals of tangible  
23 personal property or services;

24 (5) "service" means an activity that is engaged in for another person  
25 for consideration and that is distinguished from the sale or lease of property; in  
26 determining what a service is, the intended use, principal objective, or ultimate  
27 objective of the contracting parties is irrelevant; "service" includes

28 (A) activities performed by a person for its members or  
29 shareholders;

30 (B) construction activities and all tangible personal property  
31 that will become an ingredient or component part of a construction project; and

1 (C) labor; professional services; transportation; telephone or  
2 other communications service; entertainment, including cable, subscription, or  
3 pay television or other telecommunications service; the supplying of food,  
4 lodging, or other accommodations in hotels, restaurants, or elsewhere;  
5 admission to exhibitions; the use of a computer, computer time, a computer  
6 system, a computer program, a computer network, or any part of a computer  
7 system or network; and the supplying of equipment for use;

8 (6) "tangible personal property" means personal property that can be  
9 seen, weighed, measured, felt, or touched, or that is in any other manner perceptible to  
10 the senses; "tangible personal property" includes electricity, water, gas, steam, and  
11 prewritten computer software;

12 (7) "tax" means the taxes levied by AS 43.44.010;

13 (8) "use" or "using" includes use, consumption, or storage, other than  
14 storage for resale or for use solely outside this state in the ordinary course of business.

15 \* Sec. 17. AS 43.56.030 is amended to read:

16 **Sec. 43.56.030. In place of other taxes.** Except for those taxes imposed  
17 under AS 43.55, the taxes levied or authorized under AS 43.56.010(b) are in place of

18 (1) all other ad valorem taxes or other taxes imposed by a municipality  
19 on property subject to tax under this chapter or exempted from taxation by  
20 AS 43.56.020; and

21 (2) all other taxes imposed by a municipality on or with respect to the  
22 property subject to tax under this chapter or exempted from taxation by AS 43.56.020,  
23 including, but not limited to,

24 (A) taxes on the retail sale or use of the property except for the  
25 retail sales tax levied under AS 29.45.650 or 29.45.700 on the first \$1,000 of  
26 each sale;

27 (B) taxes on the sale or use of gas or unrefined oil;

28 (C) taxes on the sale or use of services used in or associated  
29 with the property or in its maintenance or operation except for the sales tax  
30 levied under AS 29.45.650 or 29.45.700 on the first \$1,000 of each sale;

31 (D) taxes on or measured by gross or net income from the

1 property, including income from the exploration for, production of, or pipeline  
2 transportation of gas or unrefined oil or property; and

3 (E) any license, excise, fee, charge or other tax on or pertaining  
4 to the property or services.

5 \* Sec. 18. Section 4, ch. 100, SLA 2002, as amended by sec. 9, ch. 117, SLA 2003, is  
6 repealed and reenacted to read:

7 Sec. 4. AS 29.45.650(a) is amended to read:

8 (a) A [EXCEPT AS PROVIDED IN AS 29.45.750, A] borough may levy a  
9 sales and use tax. If a borough levies a sales and use tax,

10 (1) the borough must conform exactly to the statewide sales and use  
11 tax levied and collected under AS 43.44, except that the municipal sales and use tax  
12 may be levied at any rate;

13 (2) the borough's use tax is levied on the privilege of using in the  
14 borough tangible personal property or services.

15 \* Sec. 19. The uncodified law of the State of Alaska is amended by adding a new section to  
16 read:

17 REGULATIONS. The Department of Revenue may proceed to adopt regulations  
18 necessary to implement the provisions of this Act. The regulations take effect under AS 44.62  
19 (Administrative Procedure Act), but not before the effective date of the provision being  
20 implemented.

21 \* Sec. 20. The uncodified law of the State of Alaska is amended by adding a new section to  
22 read:

23 TRANSITION PROVISIONS. (a) A municipal sales and use tax rate ratified before  
24 the effective date of the amendments to AS 29.45.650 and 29.45.700 made in this Act remains  
25 in effect despite the amendments to AS 29.45 made by this Act. To the extent the provisions  
26 of a municipal ordinance are inconsistent with the provisions of this Act, the provisions of the  
27 municipal ordinance are superseded by this Act.

28 (b) A specific sales and use tax levied by a municipality that was in effect before the  
29 effective date of the statewide sales and use tax levied in this Act and that applies only to one  
30 group of products or services, including bed taxes and alcohol taxes, may continue in effect,  
31 notwithstanding the provisions of this Act, subject to the provisions of AS 29.45 as they

1 existed immediately before the effective date of this Act.

2 (c) The use tax imposed in AS 43.44.010(b), added by sec. 16 of this Act, does not  
3 apply to the use of tangible personal property acquired before the effective date of this Act.

4 (d) Services under a contract executed and paid in full before the effective date of sec.  
5 16 of this Act and performed within 12 months after the effective date of sec. 16 of this Act  
6 are exempt from the sales tax and use tax.

7 \* **Sec. 21.** Section 19 of this Act takes effect immediately under AS 01.10.070(c).

8 \* **Sec. 22.** Except as provided in sec. 21 of this Act, this Act takes effect July 1, 2005.

Senator Ben Stevens  
Senate Majority Leader



## Sponsor Statement

---

### SB 366 – Statewide Sales and Use Tax /version 'Z'

The State of Alaska's revenue structure is heavily dependent on the production and price of oil. The production of oil in Alaska has steadily declined over the years, and with national and local environmentalists' opposition to exploration and development of oil and gas in the Arctic National Wildlife Refuge and the National Petroleum Reserve, experts predict an irreversible decline in production.

Over the last decade, the State of Alaska has closed its budget deficit by borrowing funds from the Constitutional Budget Reserve (CBR). Office of Management and Budget (OMB) forecasts predict that under current budget levels, oil production, and oil prices, the CBR will no longer have funds available to transfer to the General Fund within the next several years. OMB's forecast assumes no major rise in state expenditures and predictable oil prices. A major dip in world oil prices or major increases in the cost of education or formula-driven programs will undoubtedly turn a general fund budget deficit into a true fiscal crisis.

Unless other sources of revenue are enacted, it is only a matter of time before the Governor and the State Legislature will be forced to enact draconian taxes – which may ravage the state's economy and overburden taxpayers – or will be forced to enact draconian cuts that will devastate Alaska's schools, leave infrastructure to deteriorate, and leave the most vulnerable Alaskans out in the cold.

Recognizing the current and future budget realities, SB 366 is proposed for consideration.

SB 366 as proposed would institute a statewide 3% tax on the sale, lease, rental, or use of tangible personal property and services within the state. The tax is capped at \$60 per purchase.

Senator Ben Stevens  
State Capitol  
Juneau, Alaska 99801  
907-465-4993  
Fax: 907-465-3872

This proposal also includes a revenue sharing component for communities that currently have a local sales tax. Communities with a local sales tax at 3% or above would be remitted a portion of the state's 3% sales and use tax. A transition period for communities with less than a 3% sales and use tax is provided.

Local Sales Tax	State's Share of Sales & Use Tax	Percent of State Tax Remitted
< 3%	3%	0
3% - 4%	2% - 2.99%	.01% - 1%
4% - 5%	2% - 2.99%	.01% - 1%
5% - 6%	2% - 2.99%	.01% - 1%

In jurisdictions with two taxing authorities (i.e. Kenai Peninsula Borough and the City of Soldotna), the sales tax would be combined for the purposes of calculating the remittance of the state's share. Each taxing authority would receive a proportional amount of the state's 1% remittance.

Exemptions from the sales and use tax include:

- Government agencies
- Purchases with food stamps or WIC program benefits
- Isolated or occasional sales, leases, rents, and services
- Healthcare services by licensed providers
- Prescription drugs and medical equipment prescribed by licensed providers
- Utilities
- Sale for resale
- Goods used for the purposes of manufacturing & industrial materials
- Transportation of persons and goods
- Property and services used in the development of natural resources
- Wages, salaries, and tips
- Financial services
- Sale, lease, or rental of Real Property and construction of Real Property
- Sale, lease, or rentals made in communities with a population of less than 500.

SB 366 would streamline the administration of all sales and use taxes under the responsibility of the state, resulting in cost savings to local communities and predictable administration for businesses. This legislation allows the state to contract with local communities for field offices, thereby working with local communities in the collection of the tax.

SB 366 becomes effective July 1, 2005 and is repealed June 30, 2013.

I would appreciate your support.

Senator Ben Stevens  
 State Capitol  
 Juneau, Alaska 99801  
 907-465-4993  
 Fax: 907-465-3872

**Senator Ben Stevens**  
Senate Majority Leader



## Sponsor Statement

### **SB 366 – Statewide Sales and Use Tax**

The State of Alaska's revenue structure is heavily dependent on the production and price of oil. The production of oil in Alaska has steadily declined over the years, and with national and local environmentalists' opposition to exploration and development of oil and gas in the Arctic National Wildlife Refuge and the National Petroleum Reserve, experts predict an irreversible decline in production.

Over the last decade, the State of Alaska has closed its budget deficit by borrowing funds from the Constitutional Budget Reserve (CBR). Office of Management and Budget (OMB) forecasts predict that under current budget levels, oil production, and oil prices, the CBR will no longer have funds available to transfer to the General Fund within the next few years. OMB's forecast assumes no major rise in state expenditures and predictable oil prices. A major dip in world oil prices or major increases in the cost of education or formula-driven programs will undoubtedly turn a general fund budget deficit into a true fiscal crisis.

Unless other sources of revenue are enacted, it is only a matter of time before the Governor and the State Legislature will be forced to enact draconian taxes – which may ravage the state's economy and overburden taxpayers – or will be forced to enact draconian cuts that will devastate Alaska's schools, leave infrastructure to deteriorate, and leave the most vulnerable Alaskans out in the cold.

Recognizing the current and future budget realities, SB 366 is proposed for consideration. Furthermore, recognizing the complexities and unforeseen effects of a sales and use tax, this revenue measure is proposed as a starting point for discussion – not an end product. The effect on Alaska families, communities, businesses, and the state's budget will need further consideration.

SB 366 as proposed would institute a statewide 4% tax on the sale, lease, rental, or use of tangible personal property and services within the state.

Senator Ben Stevens  
State Capitol  
Juneau, Alaska 99801  
907-465-4993  
Fax: 907-465-3872

This proposal also includes a revenue sharing component for communities that currently have a local sales tax. Communities with a local sales tax at 3% or above would be remitted a portion of the state's 4% sales and use tax.

Local Sales Tax	State's Share of Sales & Use Tax	Percent of State Tax Remitted
< 3%	4%	0
3% - 4%	3% - 3.99%	.01% - 1%
4% - 5%	3% - 3.99%	.01% - 1%
5% - 6%	3% - 3.99%	.01% - 1%

In jurisdictions with two taxing authorities (i.e. Kenai Peninsula Borough and the City of Soldotna), the sales tax would be combined for the purposes of calculating the remittance of the state's share. Each taxing authority would receive a proportional amount of the state's 1% remittance.

Exemptions from the sales and use tax include:

- Government agencies
- Purchases with food stamps or WIC program benefits
- Isolated or occasional sales, leases, rents, and services
- Healthcare services by licensed providers
- Prescription drugs and medical equipment prescribed by licensed providers
- Sale of natural gas, water, electricity, steam, diesel fuel, heating oil, or refuse and garbage collection services
- Sale for resale
- Goods used for the purposes of manufacturing & industrial materials
- Transportation of persons and goods
- Property and services used in the development of natural resources

SB 366 would streamline the administration of all sales and use taxes under the responsibility of the state, resulting in cost savings to local communities and predictable administration for businesses.

SB 366 caps the sales tax at sixty dollars per purchase.

I would appreciate your support.

Senator Ben Stevens  
 State Capitol  
 Juneau, Alaska 99801  
 907-465-4993  
 Fax: 907-465-3872

# LEGAL SERVICES

DIVISION OF LEGAL AND RESEARCH SERVICES  
LEGISLATIVE AFFAIRS AGENCY  
STATE OF ALASKA

(907) 465-3867 or 465-2450  
FAX (907) 465-2029  
Mail Stop 3101


State Capitol  
Juneau, Alaska 99801-1182  
Deliveries to: 129 6th St., Rm. 329

## MEMORANDUM

March 24, 2004

**SUBJECT:** Sectional Analysis of CSSB 366( )  
(Work Order No. 23-LS1051\U)

**TO:** Senator Ben Stevens  
Attn: Phelan Straube

**FROM:** Kathryn L. Kurtz   
Legislative Counsel

You have requested a sectional summary of the above-described bill.

As a preliminary matter, note that a sectional summary of a bill should not be considered an authoritative interpretation of the bill and the bill itself is the best statement of its contents. If you would like an interpretation of the bill as it may apply to a particular set of circumstances, please advise.

**Section 1.** Removes reference to collection of sales and use tax by municipalities to conform with changes made later in the bill.

**Section 2.** Adds AS 29.35.170(a) to the list of limitations on the powers of home rule municipalities.

**Section 3.** Changes reference to AS 29.45.650 to reflect repeal and reenactment of that section later in the bill.

**Section 4.** Changes reference to AS 29.45.700 to reflect repeal and reenactment of that section later in the bill.

**Section 5.** Adds three new sections to the list of limitations on the powers of home rule municipalities.

**Section 6.** Removes reference to collection of sales and use tax by municipalities to conform with changes made later in the bill, and makes AS 29.35.100(a) applicable to home rule municipalities.

**Section 7.** Removes authority of municipalities to collect sales and use taxes.

**Section 8.** Makes AS 29.35.170(a) applicable to home rule municipalities.

**Section 9.** Repeals and reenacts the statute authorizing boroughs to impose sales and use taxes. Permits boroughs to levy sales and use taxes only if the borough tax conforms exactly to the statewide sales and use tax, except in rate. Provides that the Department of Revenue will collect borough sales and use taxes.

**Section 10.** Removes reference to collection of sales and use tax by boroughs.

**Section 11.** Makes AS 29.45.660 applicable to home rule municipalities.

**Section 12.** Prohibits municipalities from requiring more than a majority vote to impose a sales and use tax or increase the rate of levy of a sales and use tax. Makes AS 29.45.670 applicable to home rule municipalities.

**Section 13.** Repeals and reenacts the provision authorizing cities to impose sales and use taxes; authorizes cities to impose sales and use taxes in the manner provided for boroughs.

**Section 14.** Removes reference to collection of sales and use tax by municipalities.

**Section 15.** Removes reference to collection of sales and use tax by municipalities.

**Section 16.** Creates a new statewide sales and use tax at a rate of four percent. Provides exemptions for goods and services exempt under other provisions of law, medical care, isolated or occasional sales, sales by or to the state or a political subdivision of the state, the sale of certain utility services, sales for resale, and sales to purchasers engaged in the business of mining or manufacturing where the property sold is incorporated into the mined or manufactured product.

Requires sellers to state the tax separately on any record of the transaction, to collect the tax, and to remit the tax to the department; permits sellers that timely remit the tax to the department to retain one percent of the amount collected. Requires users subject to the use tax to remit the tax within one month of the date the use occurs.

Requires the department to remit the proceeds of municipal sales and use taxes to the municipalities, plus an additional amount if the municipal levy is not a round percent.

Permits computation of the tax on an item or invoice basis, and provides rules for computation.

Provides use tax credits for sales and use taxes paid to other states or political subdivisions of this or other states.

Holds buyers and sellers liable for the tax, with certain exceptions.

Requires sellers to register with the department before making a taxable sale.

Provides for issuance to and use by buyers of direct pay permits.

Authorizes the department to give credits and refunds in case of overpayment and certain other circumstances.

Authorizes the department to enter into the Streamlined Sales and Use Tax Agreement, and to act jointly with other states that are members of that agreement to establish standards pertaining to the agreement. Requires the department to adopt regulations to implement the sales and use tax that are consistent with the Streamlined Sales and Use Tax Agreement. Authorizes the department to take other actions required to further the Streamlined Sales and Use Tax Agreement, and to represent the state before other states that have signed the agreement.

Defines terms.

**Section 17.** Conforming reference change to oil and gas tax statute.

**Section 18.** Amends conditional amendment to AS 29.45.650(a) that has not yet taken effect to correspond to changes made earlier in the bill to the existing statute.

**Section 19.** Authorizes the commissioner to adopt regulations necessary to implement the tax.

**Section 20.** Transition provisions permitting continuance of pre-existing municipal sales tax rates and specific sales and use taxes, and specifying that use taxes do not apply to personal property acquired before the effective date of the Act.

**Section 21.** Provides an immediate effective date for the provision authorizing the Department of Revenue to adopt regulations.

**Section 22.** Provides an effective date of July 1, 2005, for the remainder of the bill.

# Alaska Community Database Custom Data Queries

State of Alaska > DCED > Community Advocacy > Community Database Online > Custom Data Queries > Results



Department of  
Community and  
Economic Development

## Quick Link

- Local Government
- Local Boundary
- Rural Utility Bus
- Alaska Coastal
- Land Management
- State Assessor
- Floodplain Management
- VISTA Program
- Division Grants
- Small Business
- Office of Fisheries
- Community Development
- Alaska Regional Development Office

## Of Interest

- Alaska Economic
- Alaska Community
- RAPIDS Capital
- Economic Development Guide
- Publications
- Related Links
- Local Government
- Calendar of Events
- Funding Summaries
- Community Fundraising

COMMUNITY	PROPERTY TAX	SALES TAX	SPECIAL TAXES
Adak	None	3%	\$.02/gallon Fuel Transfer Tax
Afognak	9.25 mills (Borough)	None	5% Accommodations Tax (Borough); 0.925% Severance Tax (Borough)
Akhiok	9.25 mills (Borough)	None	5% Accommodations Tax (Borough); 0.925% Severance Tax (Borough)
Akiachak	N/A	No taxing authority	N/A
Akiak	None	None	None
Akutan	None	None	1% Raw Fish Tax (City); 2% Raw Fish Tax (Borough)
Alakanuk	None	4%	None
Alatna	N/A	No taxing authority	N/A
Alcan Border	N/A	No taxing authority	N/A
Aleknagik	None	5%	5% Accommodations Tax
Aleneva	9.25 mills (Borough)	None	5% Accommodations Tax (Borough); 0.925% Severance Tax (Borough)
Aleutians East Borough	None	None	2% Raw Fish Tax
Allakaket	None	None	None
Alpine	18.5 mills (Borough)	None	None
Ambler	None	3%	None
Anaktuvuk Pass	18.5 mills (Borough)	None	None
Anchor Point	6.5 mills (Borough)	2% (Borough)	None
Anchorage	16.37 mills (avg. of 44 service areas)	None	8% Bed; 8% Rental Car; 15% Tobacco
Anderson	None	None	8% Utility Tax (City); 7% Accommodation Tax (Borough); Severance \$.05/Yard (Borough)
Andreafsky	None (St. Mary's)	3% (St. Mary's)	None (St. Mary's)

Angoon	None	3%	3% Accommodations Tax
Aniak	None	2%	None
Anvik	None	None	None
Arctic Village	N/A	No taxing authority	N/A
Atka	None	None	2% Raw Fish Tax; 10% Accommodations Tax
Atmautluak	N/A	No taxing authority	N/A
Atkasuk	18.5 mills (Borough)	None	None
Attu Station	N/A	No taxing authority	N/A
Barrow	18.5 mills (Borough)	None	None
Bear Creek	6.5 mills (Borough)	2% (Borough)	None
Beaver	N/A	No taxing authority	N/A
Belkofski	None	None	2% Raw Fish Tax (Borough)
Beluga	6.5 mills (Borough)	2% (Borough)	None
Bethel	None	5%	5% Alcohol Tax; 3% Hotel/B&I Tax; 6% Gaming Tax; Fuel Tax; Vehicle Registration Tax
Bettles	None	None	\$.02/Gallon Fuel Transfer Tax
Big Delta	N/A	No taxing authority	N/A
Big Lake	11.483 mills (Borough)	None	5% Accommodations Tax (Borough)
Bill Moore's Slough	N/A	No taxing authority	N/A
Birch Creek	N/A	No taxing authority	N/A
Brevig Mission	None	3%	None
Bristol Bay Borough	13.0 mills	None	3% Raw Fish Tax; 10% Accommodations Tax May-Oct.
Buckland	None	2%	None
Buffalo Soapstone	11.483 mills (Borough)	None	5% Accommodations Tax (Borough)
Butte	11.483 mills (Borough)	None	5% Accommodations Tax (Borough)
Cantwell	None	None	7% Accommodations Tax; Severance Tax \$.05/Yard (all Borough)
Central	N/A	No taxing authority	N/A
		No taxing authority	

Chalkyitsik	N/A	authority	N/A
Chase			
Chefornak	None	2%	None
Cheneg Bay	N/A	No taxing authority	N/A
Chevak	None	3%	None
Chickaloon	11.483 mills (Borough)	None	5% Accommodations Tax (Borough)
Chicken	N/A	No taxing authority	N/A
Chignik	None	None	1% Salmon/2% Other Seafood Landing Tax (City); 2% Raw Fish Tax (Borough)
Chignik Lagoon	None	None	2% Raw Fish Tax; 6% Accommodations Tax (all Borough)
Chignik Lake	None	None	2% Raw Fish Tax; 6% Accommodations Tax (all Borough)
Chiniak	9.25 mills (Borough)	None	5% Accommodations Tax (Borough); 0.925% Severance Tax (Borough)
Chisana	N/A	No taxing authority	N/A
Chistochina	N/A	No taxing authority	N/A
Chitina	N/A	No taxing authority	N/A
Chuathbaluk	None	None	None
Chuloonawick	N/A	No taxing authority	N/A
Circle	N/A	No taxing authority	N/A
Central	N/A	No taxing authority	N/A
Clam Gulch	6.5 mills (Borough)	2% (Borough)	None
Clark's Point	None	5%	None
Coffman Cove	None	None	None
Cohoe	6.5 mills (Borough)	2% (Borough)	None
Cold Bay	None	None	\$.04/gallon Fuel Transfer Tax; 10% Accommodations Tax; 2% Raw Fish Tax (Borough)
Coldfoot	N/A	No taxing authority	N/A
College	15.403 mills (Borough)	None	8% Accommodations Tax (Borough); 5% Liquor Tax (Borough)
	6.5 mills		

Cooper Landing	(Borough)	2% (Borough)	None
Copper Center	N/A	No taxing authority	N/A
Copperville	N/A	No taxing authority	N/A
Cordova	12.5 to 13.5 mills	6%	6% Accommodations Tax; 6% Car Rental Tax
Council	N/A	No taxing authority	N/A
Covenant Life	6.56 mills (Borough)	1.5% (Borough)	4% Bed Tax (Borough)
Craig	6.0 mills	5%	6% Liquor Tax
Crooked Creek	N/A	No taxing authority	N/A
Crown Point	6.5 mills (Borough)	2% (Borough)	None
Cube Cove	N/A	No taxing authority	N/A
Prudhoe Bay	18.5 mills (Borough)	None	None
Deering	None	3%	None
Delta Junction	None	None	None
Deltana	N/A	No taxing authority	N/A
Denali Borough	None	None	7% Accommodations Tax; Severance Tax \$.05/Yard
Diamond Ridge	6.5 mills (Borough)	2% (Borough)	None
Dillingham	11.0 mills	6%	10% Liquor Tax; 6% Gaming Tax; 10% Accommodations Tax
Diomedes	None	3%	None
Dot Lake	N/A	No taxing authority	N/A
Dot Lake Village	N/A	No taxing authority	N/A
Douglas	11.47 mills (Borough)	5%	7% Accommodations Tax; 3% Liquor Tax; 6% Tobacco Tax (all Borough)
Dry Creek	N/A	No taxing authority	N/A
Unalaska	11.78 mills	3%	5% Accommodations Tax; 2% Raw Fish Tax
Eagle	None	None	None
Eagle River-Chuglak	17.17 mills (Borough)	None	8% Bed; 8% Rental Car; 15% Tobacco (all Borough)
Eagle Village	N/A	No taxing authority	N/A
Edna Bay	N/A	No taxing authority	N/A

<b>Eek</b>	None	2%	None
<b>Egegik</b>	None	None	2% Raw Fish Tax (City); 2% Raw Fish Tax (Borough); 6% Accommodations Tax (Borough)
<b>Eielson AFB</b>	15.403 mills (Borough)	None	8% Accommodations Tax (Borough); 5% Liquor Tax (Borough)
<b>Eklutna</b>	17.17 mills (Borough)	None	8% Bed; 8% Rental Car; 15% Tobacco (all Borough)
<b>Ekuk</b>	N/A	No taxing authority	N/A
<b>Ekwok</b>	None	None	None
<b>Elfin Cove</b>	N/A	No taxing authority	N/A
<b>Elim</b>	None	2%	None
<b>Emmonak</b>	None	3%	Raw Fish Tax
<b>Ester</b>	15.403 mills (Borough)	None	8% Accommodations Tax (Borough); 5% Liquor Tax (Borough)
<b>Evansville</b>	N/A	No taxing authority	N/A
<b>Excursion Inlet</b>	6.56 mills (Borough)	1.5% (Borough)	None
<b>Eyak</b>	13.25 mills (Cordova)	None (Cordova)	None (Cordova)
<b>Fairbanks</b>	6.511 mills (City); 15.403 mills (Borough)	None	10% Liquor (5% City/5% Borough); 8% Tobacco (City); 8% Accommodations (Borough)
<b>Fairbanks North Star Borough</b>	15.403 mills (not including 122 service areas)	None	8% Accommodations Tax; 5% Liquor Tax
<b>False Pass</b>	None	2%	2% Raw Fish Tax (City); 2% Raw Fish Tax (Borough)
<b>Farm Loop</b>	11.483 mills (Borough)	None	5% Accommodations Tax (Borough)
<b>Ferry</b>	None	None	7% Accommodations Tax; Severance Tax \$.05/Yard (all Borough)
<b>Fishhook</b>	11.483 mills (Borough)	None	5% Accommodations Tax (Borough)
<b>Flat</b>	N/A	No taxing authority	N/A
<b>Fort Greely</b>	N/A	No taxing authority	N/A
<b>Fort Yukon</b>	None	3%	None
<b>Four Mile Road</b>	N/A	No taxing authority	N/A
<b>Fox</b>	15.403 mills	None	8% Accommodations Tax (Borough); 5% Liquor Tax

	(Borough)		(Borough)
Fox River	6.5 mills (Borough)	2% (Borough)	None
Fritz Creek	6.5 mills (Borough)	2% (Borough)	None
Funny River	6.5 mills (Borough)	2% (Borough)	None
Gakona	N/A	No taxing authority	N/A
Galena	None	3%	None
Gambell	None	3%	None
Game Creek	N/A	No taxing authority	N/A
Gateway	11.483 mills (Borough)	None	5% Accommodations Tax (Borough)
Georgetown	N/A	No taxing authority	N/A
Girdwood	17.17 mills (Borough)	None	8% Bed; 8% Rental Car; 15% Tobacco (all Borough)
Glacier View	11.483 mills (Borough)	None	5% Accommodations Tax (Borough)
Glennalien	N/A	No taxing authority	N/A
Golovin	None	None	None
Goodnews Bay	None	None	None
Grayling	None	None	None
Guikana	N/A	No taxing authority	N/A
Gustavus	N/A	No taxing authority	N/A
Haines	12.08 mills (Borough)	5.5% (Borough)	4% Bed Tax (Borough)
Haines Borough	6.56 mills (12.08 mills in Haines)	1.5% (5.5% in Haines)	4% Bed Tax
Halibut Cove	6.5 mills (Borough)	2% (Borough)	None
Hamilton	N/A	No taxing authority	N/A
Happy Valley	6.5 mills (Borough)	2% (Borough)	None
Harding-Birch Lakes	15.403 mills (Borough)	None	8% Accommodations Tax (Borough); 5% Liquor Tax (Borough)
Healy	None	None	7% Accommodations Tax; Severance Tax \$.05/Yard (all Borough)
Healy Lake	N/A	No taxing authority	N/A
Hobart Bay	N/A	No taxing authority	N/A

Hollis	N/A	No taxing authority	N/A
Holy Cross	None	None	None
Homer	5.0 mills (City); 6.5 mills (Borough)	3.5% (City); 2% (Borough)	None
Hoonah	None	5%	None
Hooper Bay	None	4%	None
Hope	6.5 mills (Borough)	2% (Borough)	None
Houston	2.557 mills (City); 11.483 mills (Borough)	2%	5% Accommodations Tax (Borough)
Hughes	None	None	None
Huslia	None	None	None
Hydaburg	None	4%	None
Hyder	N/A	No taxing authority	N/A
Igiugig	None	None	2% Raw Fish Tax; 6% Accommodations Tax (all Borough)
Iliamna	None	None	2% Raw Fish Tax; 6% Accommodations Tax (all Borough)
Ivanof Bay	None	None	2% Raw Fish Tax; 6% Accommodations Tax (all Borough)
Jakolof Bay	6.5 mills (Borough)	2% (Borough)	None
Juneau	11.47 mills (3 service areas)	5%	7% Bed; 3% Liquor; 6% Tobacco; \$5/Marine Passenger
Kachemak	1.0 mill (City); 6.5 mills (Borough)	2% (Borough)	None
Kaguyak	9.25 mills (Borough)	None	5% Accommodations Tax (Borough); 0.925% Severance Tax (Borough)
Kake	None	5%	None
Kaktovik	18.5 mills (Borough)	None	None
Kalifornsky	6.5 mills (Borough)	2% (Borough)	None
Kaltag	None	None	None
Kanatak	9.25 mills (Borough)	None	5% Accommodations Tax (Borough); 0.925% Severance Tax (Borough)
Karluk	9.25 mills (Borough)	None	5% Accommodations Tax (Borough); 0.925% Severance Tax (Borough)
Kasaan	None	None	None

Kasigluk	N/A	No taxing authority	N/A
Kasilof	6.5 mills (Borough)	2% (Borough)	None
Kenai	5.0 mills (City); 7.5 mills (Borough)	3% (City); 2% (Borough)	None
Kenai Peninsula Borough	6.5 mills (15 service areas)	2%	None
Kenny Lake	N/A	No taxing authority	N/A
Ketchikan	5.35 mills (City); 8.0 mills (Borough)	3.5% (City); 2% (Borough)	6% Accommodations Tax (City/Borough)
Ketchikan Gateway Borough	8.0 mills (10 service areas)	2%	4% Accommodations Tax
Kiana	None	2%	None
King Cove	None	3%	2% Raw Fish Tax (City); 2% Raw Fish Tax (Borough)
King Island	N/A	No taxing authority	N/A
King Salmon	13.0 mills (Borough)	None	3% Raw Fish Tax; 10% Accommodations Tax May-Oct. (all Borough)
Kipnuk	N/A	No taxing authority	N/A
Kivalina	None	2%	None
Klawock	None	5.5%	None
Klukwan	N/A	No taxing authority	N/A
Knik-Fairview	11.483 mills (Borough)	None	5% Accommodations Tax (Borough)
Knik River	11.483 mills (Borough)	None	5% Accommodations Tax (Borough)
Kobuk	None	None	None
Kodiak	2.0 mills (City); 9.25 mills (Borough)	6% (max. \$30 per transaction)	5% Accommodations Tax (City/Borough)
Kodiak Island Borough	9.25 mills (8 service areas)	None	5% Accommodations Tax; 0.925% Severance Tax
Kodiak Station	9.25 mills (Borough)	None	5% Accommodations Tax (Borough); 0.925% Severance Tax (Borough)
Kokhanok	None	None	2% Raw Fish Tax; 6% Accommodations Tax (all Borough)
Koliganek	N/A	No taxing authority	N/A
Kongiganak	N/A	No taxing authority	N/A

Kotlik	None	3%	None
Kotzebue	None	6%	6% Accommodations Tax; 6% Liquor Tax
Koyuk	None	2%	None
Koyukuk	None	None	None
Kupreanof	None	None	None
Kwethluk	None	5%	None
Kwigillingok	N/A	No taxing authority	N/A
Lake & Peninsula Borough	None	None	2% Raw Fish Tax; 6% Accommodations Tax
Lake Louise	11.483 mills (Borough)	None	5% Accommodations Tax (Borough)
Lake Minchumina	N/A	No taxing authority	N/A
Lakes	11.483 mills (Borough)	None	5% Accommodations Tax (Borough)
Larsen Bay	9.25 mills (Borough)	3%	5% Accommodations Tax (Borough); 0.925% Severance Tax (Borough)
Lazy Mountain	11.483 mills (Borough)	None	5% Accommodations Tax (Borough)
Levelock	None	None	2% Raw Fish Tax; 6% Accommodations Tax (all Borough)
Lime Village	N/A	No taxing authority	N/A
Livengood	N/A	No taxing authority	N/A
Lowell Point	6.5 mills (Borough)	2% (Borough)	None
Lower Kalskag	None	None	None
Lutak	6.56 mills (Borough)	1.5% (Borough)	4% Bed Tax (Borough)
Manley Hot Springs	N/A	No taxing authority	N/A
Manokotak	None	2%	None
Marshall	None	4%	None
Mary's Igloo	N/A	No taxing authority	N/A
Matanuska-Susitna Borough	11.483 mills (27 service areas)	None	5% Accommodations Tax
McCarthy	N/A	No taxing authority	N/A
McGrath	None	None	10% Accommodations Tax
McKinley Park	None	None	7% Accommodations Tax; Severance Tax \$.05/Yard (all Borough)

Meadow Lakes	11.483 mills (Borough)	None	5% Accommodations Tax (Borough)
Mekoryuk	None	2%	None
Mendeltna	N/A	No taxing authority	N/A
Mentasta Lake	N/A	No taxing authority	N/A
Metlakatla	N/A	No taxing authority	N/A
Meyers Chuck	N/A	No taxing authority	N/A
Miller Landing	6.5 mills (Borough)	2% (Borough)	None
Minto	N/A	No taxing authority	N/A
Moose Creek	15.403 mills (Borough)	None	8% Accommodations Tax (Borough); 5% Liquor Tax (Borough)
Moose Pass	6.5 mills (Borough)	2% (Borough)	None
Mosquito Lake	6.56 mills (Borough)	1.5% (Borough)	4% Bed Tax (Borough)
Mountain Village	None	3%	None
Mud Bay	6.56 mills (Borough)	1.5% (Borough)	4% Bed Tax (Borough)
Naknek	13.0 mills (Borough)	None	3% Raw Fish Tax; 10% Accommodations Tax May- Oct. (all Borough)
Nanwalek	6.5 mills (Borough)	2% (Borough)	None
Napaimute	N/A	No taxing authority	N/A
Napakiak	None	3%	None
Napaskiak	None	None	None
Naukati Bay	N/A	No taxing authority	N/A
Nelchlna	N/A	No taxing authority	N/A
Nelson Lagoon	None	None	2% Raw Fish Tax (Borough)
Nenana	12.0 mills	4%	None
New Allakaket	N/A	No taxing authority	N/A
New Stuyahok	None	None	None
Newhalen	None	2%	2% Raw Fish Tax; 6% Accommodations Tax (all Borough)
Newtok	N/A	No taxing authority	N/A
Nightmute	None	2%	None

Nikiski	6.5 mills (Borough)	2% (Borough)	None
Nikolaevsk	6.5 mills (Borough)	2% (Borough)	None
Nikolai	None	None	None
Nikolski	N/A	No taxing authority	N/A
Ninilchik	6.5 mills (Borough)	2% (Borough)	None
Noatak	None	None	None
Nome	13.0 mills	5%	4% Accommodations Tax
Nondalton	None	3%	2% Raw Fish Tax; 6% Accommodations Tax (all Borough)
Noorvik	None	3%	None
North Pole	3.0 mills (City); 15.403 mills (Borough)	3%	8% Accommodations Tax (Borough); 5% Liquor Tax (Borough)
North Slope Borough	18.5 mills (areawide)	None	None
Northway	N/A	No taxing authority	N/A
Northway Junction	N/A	No taxing authority	N/A
Northway Village	N/A	No taxing authority	N/A
Northwest Arctic Borough	None	None	None
Nuiqsut	18.5 mills (Borough)	None	None
Nulato	None	None	None
Nunam Iqua	None	2%	None
Nunapitchuk	None	3%	None
Ohogamiut	N/A	No taxing authority	N/A
Old Harbor	9.25 mills (Borough)	3%	5% Accommodations Tax (Borough); 0.925% Severance Tax (Borough)
Oscarville	N/A	No taxing authority	N/A
Ouzinkie	9.25 mills (Borough)	3%	5% Accommodations Tax (Borough); 0.925% Severance Tax (Borough)
Paimiut	N/A	No taxing authority	N/A
Palmer	2.557 mills (City); 11.483 mills (Borough)	3%	5% Accommodations Tax (Borough)
Pauloff Harbor	None	None	2% Raw Fish Tax (Borough)
		No taxing	

Paxson	N/A	authority	N/A
Pedro Bay	None	None	2% Raw Fish Tax; 6% Accommodations Tax (all Borough)
Pelican	6.0 mills	4%	10% Accommodations Tax
Perryville	None	None	2% Raw Fish Tax; 6% Accommodations Tax (all Borough)
Petersburg	10.17 mills	6%	4% Accommodations Tax
Petersville	11.483 mills (Borough)	None	5% Accommodations Tax (Borough)
Pilot Point	None	None	3% Raw Fish Tax (City); 2% Raw Fish Tax (Borough); 6% Accommodations Tax (Borough)
Pilot Station	None	4%	None
Pitka's Point	N/A	No taxing authority	N/A
Platinum	None	None	None
Pleasant Valley	15.403 mills (Borough)	None	8% Accommodations Tax (Borough); 5% Liquor Tax (Borough)
Point Baker	N/A	No taxing authority	N/A
Point Hope	10.5 mills (Borough)	None	None
Point Lay	18.5 mills (Borough)	None	None
Point MacKenzie	11.483 mills (Borough)	None	5% Accommodations Tax (Borough)
Pope-Vannoy Landing	None	None	None
Port Alexander	None	4%	6% Accommodations Tax
Port Alsworth	None	None	2% Raw Fish Tax; 6% Accommodations Tax (all Borough)
Port Clarence	N/A	No taxing authority	N/A
Port Graham	6.5 mills (Borough)	2% (Borough)	None
Port Heiden	None	None	2% Raw Fish Tax; 6% Accommodations Tax (all Borough)
Port Lions	9.25 mills (Borough)	None	5% Accommodations Tax (Borough); 0.925% Severance Tax (Borough)
Port Protection	N/A	No taxing authority	N/A
Port William	9.25 mills (Borough)	None	5% Accommodations Tax (Borough); 0.925% Severance Tax (Borough)

Portage Creek	N/A	No taxing authority	N/A
Primrose	6.5 mills (Borough)	2% (Borough)	None
Prudhoe Bay	18.5 mills (Borough)	None	None
Quinhagak	None	3%	None
Rampart	N/A	No taxing authority	N/A
Red Devil	N/A	No taxing authority	N/A
Red Dog Mine	None	None	None
Ridgeway	6.5 mills (Borough)	2% (Borough)	None
Ruby	None	None	None
Russian Mission	None	None	None
Saint George	None	None	3% Fish & Marine Products Tax; \$.03/gallon Fuel Transfer Tax
Saint Mary's	None	3%	None
Saint Michael	None	4%	None
Saint Paul	None	3%	None
Salamatof	6.5 mills (Borough)	2% (Borough)	None
Salcha	15.403 mills (Borough)	None	8% Accommodations Tax (Borough); 5% Liquor Tax (Borough)
Sand Point	None	3%	2% Raw Fish Tax (City); 2% Raw Fish Tax (Borough)
Savoonga	None	3%	None
Saxman	6.8 mills (Borough)	3.5% (City); 2% (Borough)	4% Accommodations Tax (Borough)
Scammon Bay	None	2%	None
Selawik	None	3%	None
Seldovia	7.35 mills (City); 6.5 mills (Borough)	2%-4.5% (City); 2% (Borough)	None
Seldovia Village	6.25 mills (Borough)	2% (Borough)	None
Seward	3.22 mills (City); 6.5 mills (Borough)	1% (City); 2% (Borough)	4% Accommodations Tax
Shageluk	None	None	None
Shaktolik	None	2%	None
Nunam Iqua	None	2%	None
Shemya Station	N/A	No taxing authority	N/A
Shishmaref	None	2%	None

Shungnak	None	2%	None
Silver Springs	N/A	No taxing authority	N/A
Sitka	6.0 mills	5% Oct-March; 6% Apr-Sept	6% Accommodations Tax; 2 cents/gal. Fuel Tax
Skagway	8.27 mills	4%	8% Accommodations Tax
Skwentna	11.483 mills (Borough)	None	5% Accommodations Tax (Borough)
Slana	N/A	No taxing authority	N/A
Sleetmute	N/A	No taxing authority	N/A
Soldotna	4.75 mills (City); 6.5 mills (Borough)	3% (City); 2% (Borough)	None
Solomon	N/A	No taxing authority	N/A
South Naknek	13.0 mills (Borough)	None	3% Raw Fish Tax; 10% Accommodations Tax May- Oct. (all Borough)
Stebbins	None	3%	None
Sterling	6.5 mills (Borough)	2% (Borough)	None
Stevens Village	N/A	No taxing authority	N/A
Stony River	N/A	No taxing authority	N/A
Sunrise	6.5 mills (Borough)	2% (Borough)	None
Susitna	11.483 mills (Borough)	None	5% Accommodations Tax (Borough)
Sutton-Alpine	11.483 mills (Borough)	None	5% Accommodations Tax (Borough)
Takotna	N/A	No taxing authority	N/A
Talkeetna	11.483 mills (Borough)	None	5% Accommodations Tax (Borough)
Tanacross	N/A	No taxing authority	N/A
Tanaina	11.483 mills (Borough)	None	5% Accommodations Tax (Borough)
Tanana	None	2%	None
Tatitlek	N/A	No taxing authority	N/A
Tazlina	N/A	No taxing authority	N/A
Telida	N/A	No taxing authority	N/A
Teller	None	3%	None
Tenakee Springs	None	1%	6% Accommodations Tax

Tetlin	N/A	No taxing authority	N/A
Thom's Place	N/A	No taxing authority	N/A
Thorne Bay	None	5%	None
Togiak	None	2%	2% Raw Fish Tax
Tok	N/A	No taxing authority	N/A
Toksook Bay	None	2%	None
Tolsona	N/A	No taxing authority	N/A
Tonsina	N/A	No taxing authority	N/A
Trapper Creek	11.483 mills (Borough)	None	5% Accommodations Tax (Borough)
Tuluksak	N/A	No taxing authority	N/A
Tuntutuliak	N/A	No taxing authority	N/A
Tununak	N/A	No taxing authority	N/A
Twin Hills	N/A	No taxing authority	N/A
Two Rivers	15.403 mills (Borough)	None	8% Accommodations Tax (Borough); 5% Liquor Tax (Borough)
Tyonek	6.5 mills (Borough)	2% (Borough)	None
Uganik			
Ugashik	None	None	2% Raw Fish Tax; 6% Accommodations Tax (all Borough)
Umkumiute	N/A	No taxing authority	N/A
Unalakleet	None	5%	5% Accommodations Tax; Alcohol Tax
Unalaska	11.78 mills	3%	5% Accommodations Tax; 2% Raw Fish Tax
Unga	None	None	2% Raw Fish Tax (Borough)
Upper Kalskag	None	None	None
Valdez	20.0 mills	None	6% Accommodations Tax
Venetie	N/A	No taxing authority	N/A
Wainwright	18.5 mills (Borough)	3%	None
Wales	None	2%	None
Wasilla	0.5 mills (City); 11.483 mills (Borough)	2.5%	5% Accommodations Tax (Borough)

Whale Pass	N/A	No taxing authority	N/A
White Mountain	None	1%	None
Whitestone Logging Camp	N/A	No taxing authority	N/A
Whittier	5.0 mills	3% April - Sept.	None
Willow	11.483 mills (Borough)	None	5% Accommodations Tax (Borough)
Willow Creek	N/A	No taxing authority	N/A
Wiseman	N/A	No taxing authority	N/A
Woody Island	9.25 mills (Borough)	None	5% Accommodations Tax (Borough); 0.925% Severance Tax (Borough)
Womens Bay	9.25 mills (Borough)	None	5% Accommodations Tax (Borough); 0.925% Severance Tax (Borough)
Wrangell	12.0 mills	7%	\$4/Night Accommodations Tax
Y	11.483 mills (Borough)	None	5% Accommodations Tax (Borough)
Yakutat	9.0 mills	4%	1% Salmon; 8% Bed; 8% Car Rental

A MS Excel version of this table has been e-mailed to:

**[phelan\\_straube@legis.state.ak.us](mailto:phelan_straube@legis.state.ak.us)**

If this is not the correct spelling for your e-mail address, please click your browser's back button, make corrections, and re-submit.

Services Webmaster

Appendix B. State Sales Tax Rates as of January 1, 2003				
State/Jurisdiction	Tax Rates	Exceptions		
		Food	Prescription Drugs	Non-Prescription Drugs
Alabama	4¢		✓	
Alaska	None			
Arizona	5.6	✓	✓	
Arkansas	5.125		✓	
California (3)	7.25 (2)	✓	✓	
Colorado	2.9	✓	✓	
Connecticut	6	✓	✓	✓
Delaware	None			
Florida	6	✓	✓	✓
Georgia	4	✓	✓	
Hawaii	4		✓	
Idaho	5		✓	
Illinois (2)	6.25	1%	1%	1%
Indiana	6	✓	✓	
Iowa	5	✓	✓	
Kansas (6)	5.3		✓	
Kentucky	6	✓	✓	
Louisiana	4	2% (4)	✓	
Maine	5	✓	✓	
Maryland	5	✓	✓	✓
Massachusetts	5	✓	✓	
Michigan	6	✓	✓	
Minnesota	6.5	✓	✓	✓
Mississippi	7		✓	
Missouri	4.225	1.225	✓	
Montana	None			
Nebraska (7)	5.5	✓	✓	
Nevada	6.5	✓	✓	
New Hampshire	None			
New Jersey	6	✓	✓	✓
New Mexico	5		✓	
New York	4¢	✓	✓	✓
North Carolina	4.5	✓ (4)	✓	
North Dakota	5	✓	✓	
Ohio	5	✓	✓	
Oklahoma	4.5		✓	
Oregon	None			
Pennsylvania	6	✓	✓	✓
Rhode Island	7	✓	✓	✓
South Carolina	5		✓	
South Dakota	4		✓	
Tennessee	7	6%	✓	
Texas	6.25	✓	✓	✓

Appendix B. State Sales Tax Rates as of January 1, 2003 (continued)				
State/Jurisdiction	Tax Rates	Exceptions		
		Food	Prescription Drugs	Non-Prescription Drugs
Utah	4.75¢		✓	
Vermont	5	✓	✓	✓
Virginia	4.5 (2)	4.0% (5)	✓	✓
Washington	6.5	✓	✓	
West Virginia	6		✓	
Wisconsin	5	✓	✓	
Wyoming (3)	4		✓	
District of Columbia	5.75	✓	✓	✓
Puerto Rico	Jewelry 5% Room Tax 9% Hotel with Casino 11%			

**Key:**  
✓ = Indicates exempt from tax, blank indicates subject to general sales tax rate.

**Notes:**

1. Some states tax food, but allow an (income) tax credit to compensate poor households. They are Idaho, Kansas, South Dakota and Wyoming.
2. Includes statewide local tax of 1.25% in California and 1% in Virginia.
3. Tax rate may be adjusted annually, according to a formula based on balances in the unappropriated general fund and the school foundation fund.
4. Food sales are subject to local sales taxes. In Louisiana, food sales scheduled to be exempt on July 1, 2003.
5. Tax rate on food is scheduled to decrease to 3.5% on April 1, 2003. Statewide local tax is included.
6. Tax rate is scheduled to decrease to 5.2% on July 1, 2003.
7. Tax rate is scheduled to decrease to 5% on Oct. 1, 2003.

**Source:** Compiled by the Federation of Tax Administrators from various sources, 2003. (For future updates, this information is available at [www.taxadmin.org](http://www.taxadmin.org).)

**Property, Sales and Special Tax Rates in  
Alaska Communities and Boroughs**

COMMUNITY/BOROUGH	BOROUGH	PROPERTY TAX	SALES TAX	SPECIAL TAXES
Adak	Unorganized	None	3%	\$0.02/gallon Fuel Transfer Tax
Akhlok	Kodiak Island Borough	9.25 mills (Borough)	None	5% Accommodations Tax (Borough); 0.925% Severance Tax (Borough)
Akiachak	Unorganized	N/A	No taxing authority	N/A
Akiak	Unorganized	None	None	None
Akutan	Aleutians East Borough	None	None	1% Raw Fish Tax (City); 2% Raw Fish Tax (Borough)
Alakanuk	Unorganized	None	4%	None
Alaina	Unorganized	N/A	No taxing authority	N/A
Alcan Bordor	Unorganized	N/A	No taxing authority	N/A
Aleknagik	Unorganized	None	5%	5% Accommodations Tax
Aleneva	Kodiak Island Borough	9.25 mills (Borough)	None	5% Accommodations Tax (Borough); 0.925% Severance Tax (Borough)
Aleutians East Borough	Aleutians East Borough	None	None	2% Raw Fish Tax
Allakaket	Unorganized	None	None	None
Ambler	Northwest Arctic Borough	None	3%	None
Anaktuvuk Pass	North Slope Borough	18.5 mills (Borough)	None	None
Anchor Point	Kenai Peninsula Borough	6.5 mills (Borough)	2% (Borough)	None
Anchorage, Municipality of	Municipality of Anchorage	16.37 mills (avg. of 44 service areas)	None	8% Bed; 8% Rental Car; 15% Tobacco 8% Utility Tax (City); 7% Accommodation Tax (Borough); Severance \$0.05/Yard (Borough)
Anderson	Denali Borough	None	None	None (St. Mary's)
Andreasky	Unorganized	None (St. Mary's)	3% (St. Mary's)	None (St. Mary's)
Angeon	Unorganized	None	3%	3% Accommodations Tax
Aniak	Unorganized	None	2%	None
Anvik	Unorganized	None	None	None
Arctic Village	Unorganized	N/A	No taxing authority	N/A
Atka	Unorganized	None	None	2% Raw Fish Tax; 10% Accommodations Tax
Atmautluak	Unorganized	N/A	No taxing authority	N/A
Atkasuk	North Slope Borough	18.5 mills (Borough)	None	None
Attu Station	Unorganized	N/A	No taxing authority	N/A
Barrow	North Slope Borough	18.5 mills (Borough)	None	None
Bear Creek	Kenai Peninsula Borough	6.5 mills (Borough)	2% (Borough)	None
Beaver	Unorganized	N/A	No taxing authority	N/A
Belkolski	Aleutians East Borough	None	None	2% Raw Fish Tax (Borough)
Beluga	Kenai Peninsula Borough	6.5 mills (Borough)	2% (Borough)	None
Bethel	Unorganized	None	5%	5% Alcohol Tax; 3% Hotel/B&B Tax; 6% Gaming Tax; Fuel Tax; Vehicle Registration Tax
Bettles	Unorganized	None	None	\$0.02/Gallon Fuel Transfer Tax
Big Delta	Unorganized	N/A	No taxing authority	N/A
Big Lake	Matanuska-Susitna Borough	11.483 mills (Borough)	None	5% Accommodations Tax (Borough)
Birch Creek	Unorganized	N/A	No taxing authority	N/A
Brevig Mission	Unorganized	None	3%	None
Bristol Bay Borough	Bristol Bay Borough	13.0 mills	None	3% Raw Fish Tax; 10% Accommodations Tax May-Oct.
Buckland	Northwest Arctic Borough	None	2%	None
Buffalo Soapstone	Matanuska-Susitna Borough	11.483 mills (Borough)	None	5% Accommodations Tax (Borough)
Butte	Matanuska-Susitna Borough	11.483 mills (Borough)	None	5% Accommodations Tax (Borough)
Cantwell	Denali Borough	None	None	7% Accommodations Tax; Severance Tax \$0.05/Yard (all Borough)
Central	Unorganized	N/A	No taxing authority	N/A

Provided by Sen. Stevens

4/10/10

**Property, Sales and Special Tax Rates in  
Alaska Communities and Boroughs**

COMMUNITY/BOROUGH	BOROUGH	PROPERTY TAX	SALES TAX	SPECIAL TAXES
Chalkyitsik	Unorganized	N/A	No taxing authority	N/A
Chase CDP	Matanuska-Susitna Borough	11.483 mills (Borough)	None	5% Accommodations Tax (Borough)
Chefornak	Unorganized	None	2%	None
Cheneqa Bay	Unorganized	N/A	No taxing authority	N/A
Chevak	Unorganized	None	3%	None
Chickaloon	Matanuska-Susitna Borough	11.483 mills (Borough)	None	5% Accommodations Tax (Borough)
Chicken	Unorganized	N/A	No taxing authority	N/A
Chignik	Lake & Peninsula Borough	None	None	1% Salmon/2% Other Seafood Landing Tax (City); 2% Raw Fish Tax (Borough)
Chignik Lagoon	Lake & Peninsula Borough	None	None	2% Raw Fish Tax; 6% Accommodations Tax (all Borough)
Chignik Lake	Lake & Peninsula Borough	None	None	2% Raw Fish Tax; 6% Accommodations Tax (all Borough)
Chiniak	Kodiak Island Borough	9.25 mills (Borough)	None	5% Accommodations Tax (Borough); 0.925% Severance Tax (Borough)
Chisana	Unorganized	N/A	No taxing authority	N/A
Chistochina	Unorganized	N/A	No taxing authority	N/A
Chitina	Unorganized	N/A	No taxing authority	N/A
Chuathbaluk	Unorganized	None	None	None
Circle	Unorganized	N/A	No taxing authority	N/A
Clam Gulch	Kenai Peninsula Borough	6.5 mills (Borough)	2% (Borough)	None
Clark's Point	Unorganized	None	5%	None
Coffman Cove	Unorganized	None	None	None
Cohoo	Kenai Peninsula Borough	6.5 mills (Borough)	2% (Borough)	None
Cold Bay	Aleutians East Borough	None	None	\$.04/gallon Fuel Transfer Tax; 10% Accommodations Tax; 2% Raw Fish Tax (Borough)
Coldfoot	Unorganized	N/A	No taxing authority	N/A
College	Fairbanks North Star Borough	15.403 mills (Borough)	None	8% Accommodations Tax (Borough); 5% Liquor Tax (Borough)
Cooper Landing	Kenai Peninsula Borough	6.5 mills (Borough)	2% (Borough)	None
Copper Center	Unorganized	N/A	No taxing authority	N/A
Copperville	Unorganized	N/A	No taxing authority	N/A
Cordova	Unorganized	12.5 to 13.5 mills	6%	6% Accommodations Tax; 6% Car Rental Tax
Covenant Life	Haines Borough	6.56 mills (Borough)	1.5% (Borough)	4% Bed Tax (Borough)
Craig	Unorganized	6.0 mills	5%	6% Liquor Tax
Crooked Creek	Unorganized	N/A	No taxing authority	N/A
Crown Point	Kenai Peninsula Borough	6.5 mills (Borough)	2% (Borough)	None
Deering	Northwest Arctic Borough	None	3%	None
Delta Junction	Unorganized	None	None	None
Deltana	Unorganized	N/A	No taxing authority	N/A
Denali Borough	Denali Borough	None	None	7% Accommodations Tax; Severance Tax \$ .05/Yard
Diamond Ridge	Kenai Peninsula Borough	6.5 mills (Borough)	2% (Borough)	None
Dillingham	Unorganized	11.0 mills	6%	10% Liquor Tax; 6% Gaming Tax; 10% Accommodations Tax
Diomedes	Unorganized	None	3%	None
Dot Lake	Unorganized	N/A	No taxing authority	N/A
Dot Lake Village	Unorganized	N/A	No taxing authority	N/A
Dry Creek	Unorganized	N/A	No taxing authority	N/A
Eagle	Unorganized	None	None	None
Eagle Village	Unorganized	N/A	No taxing authority	N/A

**Property, Sales and Special Tax Rates in  
Alaska Communities and Boroughs**

COMMUNITY/BOROUGH	BOROUGH	PROPERTY TAX	SALES TAX	SPECIAL TAXES
Edna Bay	Unorganized	N/A	No taxing authority	N/A
Eek	Unorganized	None	2%	None
Egegik	Lake & Peninsula Borough	None	None	2% Raw Fish Tax (City); 2% Raw Fish Tax (Borough); 6% Accommodations Tax (Borough)
Eielson AFB	Fairbanks North Star Borough	15.403 mills (Borough)	None	8% Accommodations Tax (Borough); 5% Liquor Tax (Borough)
Ekwok	Unorganized	None	None	None
Elfin Cove	Unorganized	N/A	No taxing authority	N/A
Elim	Unorganized	None	2%	None
Ermonak	Unorganized	None	3%	Raw Fish Tax
Ester	Fairbanks North Star Borough	15.403 mills (Borough)	None	8% Accommodations Tax (Borough); 5% Liquor Tax (Borough)
Evansville	Unorganized	N/A	No taxing authority	N/A
Excursion Inlet	Haines Borough	6.56 mills (Borough)	1.5% (Borough)	None
Fairbanks	Fairbanks North Star Borough	6.511 mills (City); 15.403 mills (Borough)	None	10% Liquor (5% City/5% Borough); 8% Tobacco (City); 8% Accommodations (Borough)
Fairbanks North Star Borough	Fairbanks North Star Borough	15.403 mills (not including 122 service areas)	None	8% Accommodations Tax; 5% Liquor Tax
False Pass	Aleutians East Borough	None	2%	2% Raw Fish Tax (City); 2% Raw Fish Tax (Borough)
Farm Loop	Matanuska-Susitna Borough	11.483 mills (Borough)	None	5% Accommodations Tax (Borough)
Ferry	Denali Borough	None	None	7% Accommodations Tax; Severance Tax \$0.05/Yard (all Borough)
Fishhook	Matanuska-Susitna Borough	11.483 mills (Borough)	None	5% Accommodations Tax (Borough)
Fort Greely	Unorganized	N/A	No taxing authority	N/A
Fort Yukon	Unorganized	None	3%	None
Four Mile Road	Unorganized	N/A	No taxing authority	N/A
Fox	Fairbanks North Star Borough	15.403 mills (Borough)	None	8% Accommodations Tax (Borough); 5% Liquor Tax (Borough)
Fox River	Kenai Peninsula Borough	6.5 mills (Borough)	2% (Borough)	None
Fritz Creek	Kenai Peninsula Borough	6.5 mills (Borough)	2% (Borough)	None
Funny River	Kenai Peninsula Borough	6.5 mills (Borough)	2% (Borough)	None
Gakona	Unorganized	N/A	No taxing authority	N/A
Galena	Unorganized	None	3%	None
Gambell	Unorganized	None	3%	None
Game Creek	Unorganized	N/A	No taxing authority	N/A
Gateway	Matanuska-Susitna Borough	11.483 mills (Borough)	None	5% Accommodations Tax (Borough)
Georgetown	Unorganized	N/A	No taxing authority	N/A
Girdwood	Municipality of Anchorage	17.17 mills (Borough)	None	8% Bed; 8% Rental Car; 15% Tobacco (all Borough)
Glacier View	Matanuska-Susitna Borough	11.483 mills (Borough)	None	5% Accommodations Tax (Borough)
Glennallen	Unorganized	N/A	No taxing authority	N/A
Golovin	Unorganized	None	None	None
Goodnows Bay	Unorganized	None	None	None
Grayling	Unorganized	None	None	None
Gulkana	Unorganized	N/A	No taxing authority	N/A
Gustavus	Unorganized	N/A	No taxing authority	N/A
Haines	Haines Borough	12.08 mills (Borough)	5.5% (Borough)	4% Bed Tax (Borough)
Haines Borough	Haines Borough	6.56 mills (12.08 mills in Haines)	1.5% (5.5% in Haines)	4% Bed Tax
Halibut Cove	Kenai Peninsula Borough	6.5 mills (Borough)	2% (Borough)	None

**Property, Sales and Special Tax Rates in  
Alaska Communities and Boroughs**

COMMUNITY/BOROUGH	BOROUGH	PROPERTY TAX	SALES TAX	SPECIAL TAXES
Hamilton	Unorganized	N/A	No taxing authority	N/A
Happy Valley	Kenai Peninsula Borough	6.5 mills (Borough)	2% (Borough)	None
Harding-Birch Lakes	Fairbanks North Star Borough	15.403 mills (Borough)	None	8% Accommodations Tax (Borough); 5% Liquor Tax (Borough)
Healy	Denali Borough	None	None	7% Accommodations Tax; Severance Tax \$.05/Yard (all Borough)
Healy Lake	Unorganized	N/A	No taxing authority	N/A
Hobart Bay	Unorganized	N/A	No taxing authority	N/A
Hollis	Unorganized	N/A	No taxing authority	N/A
Holy Cross	Unorganized	None	None	None
Homer	Kenai Peninsula Borough	5.0 mills (City); 6.5 mills (Borough)	3.5% (City); 2% (Borough)	None
Hoonah	Unorganized	None	5%	None
Hooper Bay	Unorganized	None	4%	None
Hope	Kenai Peninsula Borough	6.5 mills (Borough)	2% (Borough)	None
Houston	Matanuska-Susitna Borough	2.557 mills (City); 11.483 mills (Borough)	2%	5% Accommodations Tax (Borough)
Hughes	Unorganized	None	None	None
Huslia	Unorganized	None	None	None
Hydaburg	Unorganized	None	4%	None
Hyder	Unorganized	N/A	No taxing authority	N/A
Igiugig	Lake & Peninsula Borough	None	None	2% Raw Fish Tax; 6% Accommodations Tax (all Borough)
Iliamna	Lake & Peninsula Borough	None	None	2% Raw Fish Tax; 6% Accommodations Tax (all Borough)
Ivanof Bay	Lake & Peninsula Borough	None	None	2% Raw Fish Tax; 6% Accommodations Tax (all Borough)
Jakolof Bay	Kenai Peninsula Borough	6.5 mills (Borough)	2% (Borough)	None
Juneau, City & Borough of	City & Borough of Juneau	11.47 mills (3 service areas)	5%	7% Bed; 3% Liquor; 6% Tobacco; \$5/Marine Passenger
Kachemak	Kenai Peninsula Borough	1.0 mill (City); 6.5 mills (Borough)	2% (Borough)	None
Kake	Unorganized	None	5%	None
Kaktovik	North Slope Borough	18.5 mills (Borough)	None	None
Kalifornsky	Kenai Peninsula Borough	6.5 mills (Borough)	2% (Borough)	None
Kallag	Unorganized	None	None	None
Karluk	Kodiak Island Borough	9.25 mills (Borough)	None	5% Accommodations Tax (Borough); 0.925% Severance Tax (Borough)
Kasaan	Unorganized	None	None	None
Kasigluk	Unorganized	N/A	No taxing authority	N/A
Kasilof	Kenai Peninsula Borough	6.5 mills (Borough)	2% (Borough)	None
Kenai	Kenai Peninsula Borough	5.0 mills (City); 7.5 mills (Borough)	3% (City); 2% (Borough)	None
Kenai Peninsula Borough	Kenai Peninsula Borough	6.5 mills (15 service areas)	2%	None
Kenny Lake	Unorganized	N/A	No taxing authority	N/A
Ketchikan	Ketchikan Gateway Borough	5.35 mills (City); 8.0 mills (Borough)	3.5% (City); 2% (Borough)	6% Accommodations Tax (City/Borough)
Ketchikan Gateway Borough	Ketchikan Gateway Borough	8.0 mills (10 service areas)	2%	4% Accommodations Tax
Kiana	Northwest Arctic Borough	None	2%	None
King Cove	Aleutians East Borough	None	3%	2% Raw Fish Tax (City); 2% Raw Fish Tax (Borough)
King Salmon	Bristol Bay Borough	13.0 mills (Borough)	None	3% Raw Fish Tax; 10% Accommodations Tax May-Oct. (all Borough)

**Property, Sales and Special Tax Rates in  
Alaska Communities and Boroughs**

COMMUNITY/BOROUGH	BOROUGH	PROPERTY TAX	SALES TAX	SPECIAL TAXES
Kipnuk	Unorganized	N/A	No taxing authority	N/A
Kivalina	Northwest Arctic Borough	None	2%	None
Klawock	Unorganized	None	5.5%	None
Klukwan	Unorganized	N/A	No taxing authority	N/A
Knik River	Matanuska-Susitna Borough	11.483 mills (Borough)	None	5% Accommodations Tax (Borough)
Knik-Fairview	Matanuska-Susitna Borough	11.483 mills (Borough)	None	5% Accommodations Tax (Borough)
Kobuk	Northwest Arctic Borough	None	None	None
Kodiak	Kodiak Island Borough	2.0 mills (City); 9.25 mills (Borough)	6% (max. \$30 per transaction)	5% Accommodations Tax (City/Borough)
Kodiak Island Borough	Kodiak Island Borough	9.25 mills (8 service areas)	None	5% Accommodations Tax; 0.925% Severance Tax
Kodiak Station	Kodiak Island Borough	9.25 mills (Borough)	None	5% Accommodations Tax (Borough); 0.925% Severance Tax (Borough)
Kokhanok	Lake & Peninsula Borough	None	None	2% Raw Fish Tax; 6% Accommodations Tax (all Borough)
Koliganek	Unorganized	N/A	No taxing authority	N/A
Kongiganak	Unorganized	N/A	No taxing authority	N/A
Kotlik	Unorganized	None	3%	None
Kotzebue	Northwest Arctic Borough	None	6%	6% Accommodations Tax; 6% Liquor Tax
Koyuk	Unorganized	None	2%	None
Koyukuk	Unorganized	None	None	None
Kupreanof	Unorganized	None	None	None
Kwethluk	Unorganized	None	5%	None
Kwigillingok	Unorganized	N/A	No taxing authority	N/A
Lake & Peninsula Borough	Lake & Peninsula Borough	None	None	2% Raw Fish Tax; 6% Accommodations Tax
Lake Louise	Matanuska-Susitna Borough	11.483 mills (Borough)	None	5% Accommodations Tax (Borough)
Lake Minchumina	Unorganized	N/A	No taxing authority	N/A
Lakes	Matanuska-Susitna Borough	11.483 mills (Borough)	None	5% Accommodations Tax (Borough)
Larsen Bay	Kodiak Island Borough	9.25 mills (Borough)	3%	5% Accommodations Tax (Borough); 0.925% Severance Tax (Borough)
Lazy Mountain	Matanuska-Susitna Borough	11.483 mills (Borough)	None	5% Accommodations Tax (Borough)
Levelock	Lake & Peninsula Borough	None	None	2% Raw Fish Tax; 6% Accommodations Tax (all Borough)
Limo Village	Unorganized	N/A	No taxing authority	N/A
Livengood	Unorganized	N/A	No taxing authority	N/A
Lowell Point	Kenai Peninsula Borough	6.5 mills (Borough)	2% (Borough)	None
Lower Kalskag	Unorganized	None	None	None
Lutak	Haines Borough	6.56 mills (Borough)	1.5% (Borough)	4% Bed Tax (Borough)
Manley Hot Springs	Unorganized	N/A	No taxing authority	N/A
Manokotak	Unorganized	None	2%	None
Marshall	Unorganized	None	4%	None
Matanuska-Susitna Borough	Matanuska-Susitna Borough	11.483 mills (27 service areas)	None	5% Accommodations Tax
McCarthy	Unorganized	N/A	No taxing authority	N/A
McGrath	Unorganized	None	None	10% Accommodations Tax
McKinley Park	Denali Borough	None	None	7% Accommodations Tax; Severance Tax \$0.05/Yard (all Borough)
Meadow Lakes	Matanuska-Susitna Borough	11.483 mills (Borough)	None	5% Accommodations Tax (Borough)
Mokoryuk	Unorganized	None	2%	None
Mondoltna	Unorganized	N/A	No taxing authority	N/A
Montasla Lake	Unorganized	N/A	No taxing authority	N/A
Mottakatta	Unorganized	N/A	No taxing authority	N/A
Meyers Chuck	Unorganized	N/A	No taxing authority	N/A

Property, Sales and Special Tax Rates in  
Alaska Communities and Boroughs

COMMUNITY/BOROUGH	BOROUGH	PROPERTY TAX	SALES TAX	SPECIAL TAXES
Minlo	Unorganized	N/A	No taxing authority	N/A
Moose Creek	Fairbanks North Star Borough	15.403 mills (Borough)	None	8% Accommodations Tax (Borough); 5% Liquor Tax (Borough)
Moose Pass	Kenai Peninsula Borough	6.5 mills (Borough)	2% (Borough)	None
Mosquito Lake	Haines Borough	6.56 mills (Borough)	1.5% (Borough)	4% Bed Tax (Borough)
Mountain Village	Unorganized	None	3%	None
Mud Bay	Haines Borough	6.56 mills (Borough)	1.5% (Borough)	4% Bed Tax (Borough)
Naknek	Bristol Bay Borough	13.0 mills (Borough)	None	3% Raw Fish Tax; 10% Accommodations Tax May-Oct. (all Borough)
Nanwalek	Kenai Peninsula Borough	6.5 mills (Borough)	2% (Borough)	None
Napakiak	Unorganized	None	3%	None
Napaskiak	Unorganized	None	None	None
Naukati Bay	Unorganized	N/A	No taxing authority	N/A
Nelchina	Unorganized	N/A	No taxing authority	N/A
Nelson Lagoon	Aleutians East Borough	None	None	2% Raw Fish Tax (Borough)
Nenana	Unorganized	12.0 mills	4%	None
New Allakaket	Unorganized	N/A	No taxing authority	N/A
New Stuyahok	Unorganized	None	None	None
Newhalen	Lake & Peninsula Borough	None	2%	2% Raw Fish Tax; 6% Accommodations Tax (all Borough)
Newtok	Unorganized	N/A	No taxing authority	N/A
Nightmute	Unorganized	None	2%	None
Nikiski	Kenai Peninsula Borough	6.5 mills (Borough)	2% (Borough)	None
Nikolaevsk	Kenai Peninsula Borough	6.5 mills (Borough)	2% (Borough)	None
Nikolai	Unorganized	None	None	None
Nikolski	Unorganized	N/A	No taxing authority	N/A
Ninilchik	Kenai Peninsula Borough	6.5 mills (Borough)	2% (Borough)	None
Noatak	Northwest Arctic Borough	None	None	None
Nome	Unorganized	13.0 mills	5%	4% Accommodations Tax 2% Raw Fish Tax; 6% Accommodations Tax (all Borough)
Nondalton	Lake & Peninsula Borough	None	3%	None
Noorvik	Northwest Arctic Borough	None	3%	None
North Pole	Fairbanks North Star Borough	3.0 mills (City); 15.403 mills (Borough)	3%	8% Accommodations Tax (Borough); 5% Liquor Tax (Borough)
North Slope Borough	North Slope Borough	18.5 mills (areawide)	None	None
Northway	Unorganized	N/A	No taxing authority	N/A
Northway Junction	Unorganized	N/A	No taxing authority	N/A
Northway Village	Unorganized	N/A	No taxing authority	N/A
Northwest Arctic Borough	Northwest Arctic Borough	None	None	None
Nuiqsut	North Slope Borough	18.5 mills (Borough)	None	None
Nulato	Unorganized	None	None	None
Nunam Iqua	Unorganized	None	2%	None
Nunapitchuk	Unorganized	None	3%	None
Old Harbor	Kodiak Island Borough	9.25 mills (Borough)	3%	5% Accommodations Tax (Borough); 0.925% Severance Tax (Borough)
Oscarville	Unorganized	N/A	No taxing authority	N/A
Ouzinkie	Kodiak Island Borough	9.25 mills (Borough)	3%	5% Accommodations Tax (Borough); 0.925% Severance Tax (Borough)
Palmer	Matanuska-Susitna Borough	2.557 mills (City); 11.483 mills (Borough)	3%	5% Accommodations Tax (Borough)
Paxson	Unorganized	N/A	No taxing authority	N/A
Pedro Bay	Lake & Peninsula Borough	None	None	2% Raw Fish Tax; 6% Accommodations Tax (all Borough)

Property, Sales and Special Tax Rates In  
Alaska Communities and Boroughs

COMMUNITY/BOROUGH	BOROUGH	PROPERTY TAX	SALES TAX	SPECIAL TAXES
Pelican	Unorganized	6.0 mills	4%	10% Accommodations Tax
Perryville	Lake & Peninsula Borough	None	None	2% Raw Fish Tax; 6% Accommodations Tax (all Borough)
Petersburg	Unorganized	10.17 mills	6%	4% Accommodations Tax
Potterville	Matanuska-Susitna Borough	11.483 mills (Borough)	None	5% Accommodations Tax (Borough)
Pilot Point	Lake & Peninsula Borough	None	None	3% Raw Fish Tax (City); 2% Raw Fish Tax (Borough); 6% Accommodations Tax (Borough)
Pilot Station	Unorganized	None	4%	None
Pitka's Point	Unorganized	N/A	No taxing authority	N/A
Platinum	Unorganized	None	None	None
Pleasant Valley	Fairbanks North Star Borough	15.403 mills (Borough)	None	8% Accommodations Tax (Borough); 5% Liquor Tax (Borough)
Point Baker	Unorganized	N/A	No taxing authority	N/A
Point Hope	North Slope Borough	10.5 mills (Borough)	None	None
Point Lay	North Slope Borough	18.5 mills (Borough)	None	None
Point MacKenzie	Matanuska-Susitna Borough	11.483 mills (Borough)	None	5% Accommodations Tax (Borough)
Pope-Vannoy Landing	Lake & Peninsula Borough	None	None	None
Port Alexander	Unorganized	None	4%	6% Accommodations Tax
Port A'sworth	Lake & Peninsula Borough	None	None	2% Raw Fish Tax; 6% Accommodations Tax (all Borough)
Port Clarence	Unorganized	N/A	No taxing authority	N/A
Port Graham	Kenai Peninsula Borough	6.5 mills (Borough)	2% (Borough)	None
Port Heiden	Lake & Peninsula Borough	None	None	2% Raw Fish Tax; 6% Accommodations Tax (all Borough)
Port Lions	Kodiak Island Borough	9.25 mills (Borough)	None	5% Accommodations Tax (Borough); 0.925% Severance Tax (Borough)
Port Protection	Unorganized	N/A	No taxing authority	N/A
Portage Creek	Unorganized	N/A	No taxing authority	N/A
Primrose	Kenai Peninsula Borough	6.5 mills (Borough)	2% (Borough)	None
Prudhoe Bay	North Slope Borough	18.5 mills (Borough)	None	None
Quinhagak	Unorganized	None	3%	None
Rampart	Unorganized	N/A	No taxing authority	N/A
Red Devil	Unorganized	N/A	No taxing authority	N/A
Red Dog Mine	Northwest Arctic Borough	None	None	None
Ridgeway	Kenai Peninsula Borough	6.5 mills (Borough)	2% (Borough)	None
Ruby	Unorganized	None	None	None
Russian Mission	Unorganized	None	None	None
Saint George	Unorganized	None	None	3% Fish & Marine Products Tax; \$.03/gallon Fuel Transfer Tax
Saint Mary's	Unorganized	None	3%	None
Saint Michael	Unorganized	None	4%	None
Saint Paul	Unorganized	None	3%	None
Salamatof	Kenai Peninsula Borough	6.5 mills (Borough)	2% (Borough)	None
Salcha	Fairbanks North Star Borough	15.403 mills (Borough)	None	8% Accommodations Tax (Borough); 5% Liquor Tax (Borough)
Sand Point	Aleutians East Borough	None	3%	2% Raw Fish Tax (City); 2% Raw Fish Tax (Borough)
Savoonga	Unorganized	None	3%	None
Saxman	Ketchikan Gateway Borough	6.8 mills (Borough)	3.5% (City); 2% (Borough)	4% Accommodations Tax (Borough)
Scammon Bay	Unorganized	None	2%	None
Selawik	Northwest Arctic Borough	None	3%	None

**Property, Sales and Special Tax Rates in  
Alaska Communities and Boroughs**

COMMUNITY/BOROUGH	BOROUGH	PROPERTY TAX	SALES TAX	SPECIAL TAXES
Seldovia	Kenai Peninsula Borough	7.35 mills (City); 6.5 mills (Borough)	2%-4.5% (City); 2% (Borough)	None
Seldovia Village	Kenai Peninsula Borough	6.25 mills (Borough)	2% (Borough)	None
Seward	Kenai Peninsula Borough	3.22 mills (City); 6.5 mills (Borough)	4% (City); 2% (Borough)	4% Accommodations Tax
Shageluk	Unorganized	None	None	None
Shaktolik	Unorganized	None	2%	None
Sherya Station	Unorganized	N/A	No taxing authority	N/A
Shishmaref	Unorganized	None	2%	None
Shungnak	Northwest Arctic Borough	None	2%	None
Silver Springs	Unorganized	N/A	No taxing authority	N/A
Sitka, City & Borough of	City & Borough of Sitka	6.0 mills	5% Oct-March; 6% Apr-Sept	6% Accommodations Tax; 2 cents/gal. Fuel Tax
Skagway	Unorganized	8.27 mills	4%	8% Accommodations Tax
Skwentna	Matanuska-Susitna Borough	11.483 mills (Borough)	None	5% Accommodations Tax (Borough)
Slana	Unorganized	N/A	No taxing authority	N/A
Sleetmute	Unorganized	N/A	No taxing authority	N/A
Soldotna	Kenai Peninsula Borough	4.75 mills (City); 6.5 mills (Borough)	3% (City); 2% (Borough)	None
Solomon	Unorganized	N/A	No taxing authority	N/A
South Naknek	Bristol Bay Borough	13.0 mills (Borough)	None	3% Raw Fish Tax; 10% Accommodations Tax May-Oct. (all Borough)
Stebbins	Unorganized	None	3%	None
Sterling	Kenai Peninsula Borough	6.5 mills (Borough)	2% (Borough)	None
Stevens Village	Unorganized	N/A	No taxing authority	N/A
Stony River	Unorganized	N/A	No taxing authority	N/A
Sunrise	Kenai Peninsula Borough	6.5 mills (Borough)	2% (Borough)	None
Susitna	Matanuska-Susitna Borough	11.483 mills (Borough)	None	5% Accommodations Tax (Borough)
Sutton-Alpine	Matanuska-Susitna Borough	11.483 mills (Borough)	None	5% Accommodations Tax (Borough)
Takotna	Unorganized	N/A	No taxing authority	N/A
Talkeetna	Matanuska-Susitna Borough	11.483 mills (Borough)	None	5% Accommodations Tax (Borough)
Tanacross	Unorganized	N/A	No taxing authority	N/A
Tanaina	Matanuska-Susitna Borough	11.483 mills (Borough)	None	5% Accommodations Tax (Borough)
Tanana	Unorganized	None	2%	None
Talitluk	Unorganized	N/A	No taxing authority	N/A
Tazlina	Unorganized	N/A	No taxing authority	N/A
Telida	Unorganized	N/A	No taxing authority	N/A
Teller	Unorganized	None	3%	None
Tenakee Springs	Unorganized	None	1%	6% Accommodations Tax
Tellin	Unorganized	N/A	No taxing authority	N/A
Thom's Place	Unorganized	N/A	No taxing authority	N/A
Thorne Bay	Unorganized	None	5%	None
Togiak	Unorganized	None	2%	2% Raw Fish Tax
Tok	Unorganized	N/A	No taxing authority	N/A
Toksook Bay	Unorganized	None	2%	None
Tolsona	Unorganized	N/A	No taxing authority	N/A
Tonsina	Unorganized	N/A	No taxing authority	N/A
Trapper Creek	Matanuska-Susitna Borough	11.483 mills (Borough)	None	5% Accommodations Tax (Borough)
Tuluksak	Unorganized	N/A	No taxing authority	N/A
Tuntutuliak	Unorganized	N/A	No taxing authority	N/A
Tununak	Unorganized	N/A	No taxing authority	N/A
Twin Hills	Unorganized	N/A	No taxing authority	N/A

**Property, Sales and Special Tax Rates in  
Alaska Communities and Boroughs**

COMMUNITY/BOROUGH	BOROUGH	PROPERTY TAX	SALES TAX	SPECIAL TAXES
Two Rivers	Fairbanks North Star Borough	15.403 mills (Borough)	None	8% Accommodations Tax (Borough); 5% Liquor Tax (Borough)
Tyonok	Kenai Peninsula Borough	6.5 mills (Borough)	2% (Borough)	None
Ugashik	Lake & Peninsula Borough	None	None	2% Raw Fish Tax; 6% Accommodations Tax (all Borough)
Unalakleet	Unorganized	None	5%	5% Accommodations Tax; Alcohol Tax
Unalaska	Unorganized	11.78 mills	3%	5% Accommodations Tax; 2% Raw Fish Tax
Upper Kalskag	Unorganized	None	None	None
Valdez	Unorganized	20.0 mills	None	6% Accommodations Tax
Venette	Unorganized	N/A	No taxing authority	N/A
Wainwright	North Slope Borough	18.5 mills (Borough)	3%	None
Wales	Unorganized	None	2%	None
Wasilla	Matanuska-Susitna Borough	0.5 mills (City); 11.483 mills (Borough)	2.5%	5% Accommodations Tax (Borough)
Whale Pass	Unorganized	N/A	No taxing authority	N/A
White Mountain	Unorganized	None	1%	None
Whitestone Logging Camp	Unorganized	N/A	No taxing authority	N/A
Whittier	Unorganized	5.0 mills	3% April - Sept.	None
Willow	Matanuska-Susitna Borough	11.483 mills (Borough)	None	5% Accommodations Tax (Borough)
Willow Creek	Unorganized	N/A	No taxing authority	N/A
Wiseman	Unorganized	N/A	No taxing authority	N/A
Womens Bay	Kodiak Island Borough	9.25 mills (Borough)	None	5% Accommodations Tax (Borough); 0.925% Severance Tax (Borough)
Wrangell	Unorganized	12.0 mills	7%	\$4/Night Accommodations Tax
Y	Matanuska-Susitna Borough	11.483 mills (Borough)	None	5% Accommodations Tax (Borough)
Yakutat, City & Borough of	City & Borough of Yakutat	9.0 mills	4%	1% Salmon; 8% Bed; 8% Car Rental

**Provided by: Sen. Ben Stevens**

Proposition approved by the Anchorage Assembly to be placed on the April 6 ballot.

---

**PROPOSITION 2**

**AN ADVISORY VOTE URGING THE ALASKA LEGISLATURE  
TO ADOPT A COMPREHENSIVE LONG RANGE FISCAL PLAN  
FOR THE STATE OF ALASKA IN OPEN SESSION**

Shall the citizens of Anchorage urge the Alaska Legislature to adopt a comprehensive long-range fiscal plan for the State of Alaska this year in open session?

**To be voted upon by all qualified voters residing within the Municipality of Anchorage.**

(AO 2004-58 as amended)

# STATE OF ALASKA

## DEPARTMENT OF REVENUE

OFFICE OF THE COMMISSIONER

FRANK H. MURKOWSKI, GOVERNOR

P.O. BOX 110400  
JUNEAU, ALASKA 99811-0400  
TELEPHONE: (907) 465-2300  
FACSIMILE: (907) 465-2389

March 19, 2004

The Honorable Ben Stevens  
Alaska State Senate  
Alaska State Capitol  
Juneau, Alaska 99801-1182

Re: SB 366 Sales Tax

Dear Senator Stevens:

We have reviewed the language of the sales tax bill, SB 366, and have identified several aspects of the bill needing attention. While the bill creates a framework for a state sales tax, it is necessary to include a number of provisions to clarify requirements for taxpayers, and direction for administration by the Department of Revenue. We understand the bill is intended to be of broad scope. However, we are not certain the scope of the present language is sufficiently defined to preclude taxation of perhaps unintended sources, such as wages.

The Department of Revenue makes the following recommendations:

### Administration of tax

1. Insert a provision for filing requirements to complement the language pertaining to direct pay permit holders. We suggest that explicit language be added to require the filing of tax returns by sellers, and those liable for use tax.
2. Insert a provision for sourcing to make clear where the sale takes place. If this is not included in statute, it would be difficult to establish by regulation, unless the statute contained explicit language directing the department to write regulations consistent with the Streamlined Sales Tax Agreement.
3. Insert provisions for the revocation of seller permits or direct pay permits, and include methods to safeguard due process rights. We suggest the addition of language to allow revocation by the department for non-compliance with the sales tax law, and to provide for a process of appeal.
4. To complement the provision that requires a seller to be registered before making a sale, include enforcement provisions. We suggest the addition of penalty provisions to allow effective tax administration.

5. Section 43.44.070 states the tax may be computed on an "item or an invoice basis." It appears this language has been taken from the Streamlined Sales Tax Agreement, but the Agreement allows a state to establish a rounding rule on either basis. We suggest the bill specify either by-item, or by-invoice, but should not offer a choice.

6. Section 43.44.020(1)(A) exempts property or services "exempted from taxation under another provision of state law." It is not clear how this would apply and should be clarified. For example, under 43.40.100, residual fuel oil used in watercraft is exempt from the state motor fuel tax. It is not clear whether the sales tax would apply to this product.

7. Include a provision authorizing the department to issue refunds when the tax is overpaid. We suggest that the bill include explicit language to allow refunds of overpayments.

8. Include a provision pertaining to bundling provisions to address tax effects of selling a bundle of goods, some of which are taxable and some of which are not, for one price. It is common tax practice to tax the entire bundle when taxable and non-taxable items are included in the bundle.

9. Section 43.44.080 allows a credit against state and local taxes for state taxes paid to another state, but does not mention local taxes paid to another city. The more common approach would be to credit state taxes against state taxes, and city taxes against city taxes.

10. Include specific definitions for "service" and "use". Some of these definitions may be available from the Streamlined Sales Tax Agreement.

11. Section 43.44.090(b) and (c) are not clear with respect to the incidence of tax. Subsection (b) makes the buyer "secondarily liable". This suggests that the buyer would be liable for the tax if the seller collects the tax but does not pay it over to the department. Subsection (c) makes the user liable for the use tax, but the liability of an out-of-state seller, who must collect use tax, is not clear. We would encourage further study to be certain that the incidence of tax is consistent and clear throughout the bill.

12. Section 43.44.090(d) shifts liability from a seller to a buyer where a "prescription" is received from the buyer. We presume this should refer to a "certificate of use." However, there is no provision in the statute establishing the requirements of a certificate of use.

13. Clarify section 43.44.060 regarding the amount of tax to be remitted to a municipality if that municipality levies a sales tax, but does not levy a use tax.

#### Scope of tax

1. The current language does not provide for exemption for sale for resale. This means that retail products will be taxed at least once at the wholesale level and once at the retail level. This also means that a seller importing a car for resale, shall be liable for the use tax on the car imported, and liable for the sales tax when it is sold.

Senator Ben Stevens  
March 19, 2004  
Page 3

2. There is no exemption for ingredients. This has the same effect as a lack of a sale for resale, as discussed in Item 1 above.
3. There is no exemption for industrial equipment. This is clearly a policy call. We would only point out that this may have far-reaching effects on investment in the state.
4. There is no exemption for certain intangibles such as wages and interest.
5. There is no transition rule. This means that use tax will be due on all tangible personal property owned at the date the law is effective.

Please note that this list is not exhaustive, but reflects the broad-impact issues.

Our department specialist in sales tax, Robynn Wilson, would be pleased to work with you, your staff, and the Senate Finance Committee in crafting language to meet your objectives. She is available to discuss this matter and may be reached at 269-6634. Please also contact Landa Baily at 465-2302 if you need further information or assistance.

Sincerely,



Steve Porter  
Deputy Commissioner  
Department of Revenue

cc: Senator Gary Wilkens, Chair  
Senate Finance Committee

Public Testimony

SB 366

State Sales Tax

Introduced By: Mayor/Council  
Date: April 14, 2004  
Action: Amended, Adopted  
Vote: 6 Yes, 0 No

CITY OF SOLDOTNA  
RESOLUTION 2004-19

A RESOLUTION OPPOSING A STATEWIDE SALES TAX

WHEREAS, a bill is pending in the State Legislature, which proposes to institute a statewide tax on the sale, lease, rental, or use of tangible personal property and services within the state; and

WHEREAS, a state sales tax would be a statutory mandate, while almost all municipalities must seek voter approval for sales tax; and

WHEREAS, local voters have already set their sales tax at the highest rate acceptable to the community and the local economy; and

WHEREAS, an additional mandated state sales tax without voter approval would likely force communities to reduce their local sales tax rates to avoid excessive tax rates on local purchases; and

WHEREAS, many communities must have access to both a property and sales tax to provide needed services and infrastructure now and in the future; and

WHEREAS, many rural areas lack a property tax base and sales tax is their only viable option to avoid being fully dependent on the state for revenue; and

WHEREAS, state sales tax exemptions would replace local exemptions specifically crafted to encourage local business, which could cause significant loss of local revenue or disadvantage local businesses; and

WHEREAS, mandating a state sales tax on top of voter approved local sales taxes could cause potential commerce and accompanying jobs to move to the lower 48, cutting local government revenue; and

WHEREAS, additional state mandated sales tax will hurt the economic recovery of the nearly 75% of communities facing local economic downturns; and

WHEREAS, if the state adds a state sales tax, it is likely that no municipality will be able to successfully ask for a voter approved sales tax increase in the future and many communities will have no revenue options for schools and growing local needs.

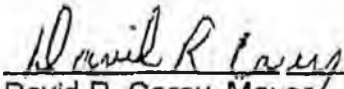
NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF SOLDOTNA, ALASKA:

Section 1. That the City Council of the City of Soldotna, Alaska hereby opposes, in the strongest terms possible, the establishment of a statewide sales tax.

Section 2. That copies of this Resolution be sent to the Senate and House Finance Committees; Senators Gary Stevens, Gene Therriault, and Thomas Wagoner; Representatives Pete Kott, Paul Seaton, and Kelly Wolf; and the Honorable Governor Frank Murkowski upon its adoption.

Section 3. That this resolution becomes effective immediately upon its adoption.

ADOPTED BY THE CITY COUNCIL this 14<sup>th</sup> day of April 2004.

  
\_\_\_\_\_  
David R. Carey, Mayor

ATTEST:

  
\_\_\_\_\_  
Teresa Fahning, City Clerk



# Alaska State Legislature

Please enter into the record my testimony to the Senate Finance  
committee name

Committee on SB 366 State Sales Tax, dated 4-22-04  
bill # / subject public hearing date

A statewide sales tax is the worst possible choice for more state revenue. It is regressive and would hit resident Alaskans the hardest. Furthermore since many boroughs and cities already have sales taxes in place, it would place an even greater burden on resident Alaskans. The only more regressive proposal is the \$100 "education" tax.

An income tax is the best way to go. Currently the legions of out-of-state workers take the money and run. They use state services and pay nothing in return. This includes oil field workers, commercial fishers (including guides), tourism workers, legions of consultants and others.

An income tax could be tailored to give credits and exemptions to either Alaskan residents or out-of-state workers who could legally take advantage of the available credits and exemptions.

The biggest problem facing Alaska is the inability of the Legislature and the Governor to come up with an honest orderly plan to downsize state government and state funded entities and programs. Any tax implemented now without honest orderly downsizing merely guarantees that when the budget crash and burn occurs it will be far worse.

If more money is available to spend it will be spent. Legions of beneficiaries of state funds will have legions of lobbyists in Juneau and in your home districts hounding you for more. Are they not already doing this? Even when we're running deficits?

Anyone who claims spending has been effectively cut has no real understanding of bureaucracies and how and why they grow and grew. Anyone who expects across the board percentage budget cuts to reduce government definitely does not understand bureaucracies.

Anyone who expects any state agency to honestly and orderly downsize itself does not understand the rational of the state salary system.

One agency did try to downsize. It was done in an orderly manner. The public screamed in some locations. Their Legislators loudly complained to the Governor. The Governor issued a wishy-washy statement and ordered the proposed downsizing stopped and issued a patronizing statement about the head of that agency. After that do you really expect anyone else to stick out their necks to get them chopped off?

The non-oil economy of Alaska cannot support the state government, state funded entities and state funded programs that plentiful oil moneys built. We're not even meeting current spending levels. In the near future, even if you used all the earnings of the Fund, it would still require a crushing tax burden to finance steadily expanding state expenditures. Of course, it will happen on somebody else's watch so who cares about the future?

Signed: William J Phillips  
Testifier

Self and future Alaskans  
Representing (optional)

35555 Spur Hwy. #294 Soldotna, AK 99669  
Address

907-283-2733  
Phone number

## 2004 FEDERAL LEGISLATIVE PRIORITIES

**1 Strong advocacy for Alaska resource development:** The key to Alaska's long-term fiscal health is a strong resource industry base. AML continues its strong advocacy for ANWR, the natural gas line, and development of the fisheries, timber, mining, and tourism industries. AML also supports the development of **stronger regional economic development organizations** to ensure that the regional infrastructure, capital, and other support are available to nurture local entrepreneurs and regional development plans.

**2 Federal Highway Funding:** AML supports continued and enhanced federal funding for the improvement of Alaska's highways, transit, trails, and sidewalks to improve quality of life, cheaper cost of living and enhanced economic development opportunities.

**3 Denali Commission:** AML supports continued and enhanced funding for the Denali Commission to provide a reasonable standard of sustainable rural community infrastructure and better economic opportunities for Alaskans.

**4 Federal Payment in Lieu of Taxes (PILT):** AML supports this program to partially offset the cost of supplying services to tax exempt federal lands and facilities. With recent state cuts to revenue sharing and municipal capital matching grants, this program has become critical to communities.

**5 Homeland security:** AML supports continued efforts to provide direct federal support of local public safety services, technical improvements to allow federal, state, and local public safety agencies to communicate during an emergency, and improving TSA services in Alaska, especially local hire and training.

**6 Unfunded Federal Mandates:** AML opposes unfunded federal mandates, such as the unfunded "No Child Left Behind" education program.



**ALASKA MUNICIPAL  
LEAGUE**

**ALASKA CONFERENCE  
OF MAYORS**

**2004  
LEGISLATIVE  
PRIORITIES**



217 Second Street, Suite 200  
Juneau, AK 99801  
(907) 586-1325  
[www.akml.org](http://www.akml.org)

SB 366

Provided 3/29/04

# 2004 STATE LEGISLATIVE PRIORITIES

**1** **Adopt a long-range fiscal plan this year to avoid negative impacts on Alaska's economy and communities.** In light of deep state budget cuts impacting communities and state budget discipline, the AML supports a full public discussion of all potential state government revenue options to provide an adequate, reasonable and stable revenue base for Alaska, including:

**a.** **The use of some earnings of the Permanent Fund to pay for public services while maintaining a growing PFD.** AML supports consideration of a Percent of Market Value (POMV) management of the Fund as advocated by the Permanent Fund Trustees. This approach can protect and inflation-proof the Fund, maintain a growing PFD, and help balance the state budget.

**b.** **The AML urges the Legislature to explore a Community Dividend** to be funded by a portion of the earnings of the Permanent Fund (in addition to the individual PFD) and controlled by communities/local voters to provide needed local infrastructure and public services such as education and public safety. This concept can be used in conjunction with the POMV management of the Permanent Fund.

**c.** **If needed, consideration of a low state income tax while maintaining local control of sales tax:** AML continues its opposition since statehood to State pre-emption of local sales tax rates, administration, and exemptions due to the long-term negative impacts on communities, local taxpayers, and businesses.

**d.** **Other revenue:** Alaska, like other states, should also debate and implement a variety of other reasonable state excise and industry taxes and user fees to provide a more stable and broad-based revenue plan for Alaska.

**2** **Continued strong advocacy for Alaska resource development:** The key to Alaska's long-term fiscal health is a strong resource industry base. AML continues its strong advocacy for ANWR, the natural gas pipeline, and development of the fisheries, timber, mining, and tourism industries. AML also supports the development of strong **regional economic development organizations** to ensure that the regional infrastructure, capital, and other support are available to nurture local entrepreneurs and regional development plans.

**3** **Opposition to State unfunded mandates on local taxpayers:** AML supports legislation prohibiting unfunded state mandates on local taxpayers, and the adoption of a **municipal fiscal note** for all legislative and administrative actions. State budget cuts that directly or indirectly shift state services and revenue problems to local taxpayers are a rapidly accelerating problem. Currently, Alaska is one of only eight states that do not protect local taxpayers with a **municipal fiscal note** to allow the identification and debate of the impact of legislative and administrative actions on communities and local taxpayers.

## **Strong Cities and Boroughs The Foundation of Alaska**

*The League of Alaskan Cities was organized in 1950 at the advent of statehood and became the Alaska Municipal League in 1962 when boroughs joined the League.*

*The Alaska Municipal League (AML) is a voluntary, nonprofit, nonpartisan, statewide organization of over 140 cities, boroughs, and unified municipalities in Alaska, representing over 98 percent of Alaskan residents. AML is committed to maintaining and supporting Alaska's local governments and local government leaders. The League provides technical assistance, training, legislative advocacy and information to its members.*



# State Sales Tax

## Issue Primer

### Contents

Pages 2-3	Executive Summary
Pages 4-5	Alaskan Sales Tax Issues Background
Pages 6-7	A 4% State Sales Tax could take millions away from municipalities, send more local business to lower 48
Page 8	Municipal Taxpayers Must Be Considered in A Balanced State Fiscal Plan
Page 9	Sales Tax is the only local tax option for small communities without a significant property tax base
Page 10	A State Sales Tax is Not Fair to Alaskans
Page 11	Comparison of State Sales Tax and State Income Tax
Page 12	Estimated Economic Impacts of Budget Balancing Options
Page 13	Is a State Sales Tax or Income Tax best for Alaskans? Who Pays? Which best captures non-resident & out of state revenue?
Pages 14-15	National Comparison of State and Local Retail Sales Taxes
Pages 16-17	Alaska Municipal Sales Tax Exemptions Definitions
Appendices	
	<ul style="list-style-type: none"><li>• Detail of Alaska Municipal Sales Tax Exemptions</li><li>• 2003 "Alaska Taxable" Municipal Sales Tax, Special Tax and Revenues</li></ul>

Alaska Municipal League  
March, 2004

## Executive Summary

### **1. Many states have state sales tax, but at statehood Alaska gave sales tax authority to its communities because: (See pages 4-5)**

- Alaska's constitution designed the strongest communities in the U.S., **but without a major revenue source, local control guarantees are meaningless.** Most mid-size to larger communities, like Juneau, Ketchikan, Kodiak, Kenai, etc. must have access to both a property and sales tax to provide needed services and infrastructure now and in the future.
- Alaska's vast rural areas lack a property tax base because much of the land is federal or state owned. Therefore, **sales tax is the only viable local option to avoid making Alaska's rural communities fully dependent on the state for revenue;** (See page 9)
- **Variations in Alaska's cost of living** are far greater than any other state, therefore a state sales tax is unfair because it requires paying higher state sales taxes depending on where an item is purchased; (See page 10)

### **2. Mandating a State Sales Tax on top of voter approved local sales taxes will push additional commerce and jobs to the lower 48 states, and cut local government revenue:**

- Out of state and internet purchases will become a greater problem for Alaska business as sales taxes increase to the highest levels in the U.S. for many communities in Alaska. **Note:** Even though the maximum sales tax rate in the U.S. is 11% in Alabama, the average sales tax rate in Alabama is 7% to 8% according to Alabama officials. (See pages 6-7 and 14-15)
- **Additional state mandated sales tax will hurt the economic recovery of the nearly 75% of communities facing local economic downturns.** (Alaska Municipal League Municipal Fiscal Conditions Survey, March 2004).
- Local sales tax exemptions and rules have been carefully developed since statehood in each community to encourage local commerce and industry. They are **complex and different** because Alaska's communities and economies are different. Mandated statewide "one size fits all" rules and exemptions will further hurt local economies and revenues. (See pages 16-24)

**3. A legislatively mandated state sales tax will out-compete voter approved local sales taxes – Many communities will have no revenue options for schools and other growing local needs:**

- Voters in Alaska's communities have already set local sales tax rates as high as the economy and voters feel is appropriate. It is likely that voters in many communities will reduce local sales taxes because they cannot reduce the state sales tax. (See pages 6-7)
- If the state adds a state sales tax, it is likely that no municipality will be able to successfully ask for a voter approved sales tax increase in the future for capital projects or other local needs.
- The state sales tax is likely to rise in the future. According to the National Conference of State Legislatures, "The sales tax has been a stable state revenue source, although rate increases have been necessary to preserve its share of the state revenue mix." (See page 11)
- Local sales and property taxes are already high – nearly One Billion Dollars in 2003. To have a balanced fiscal plan for Alaska, the State should focus on untapped revenues – use of some Permanent Fund earnings, or a state income tax. (See page 8). The average sales tax rate in the U.S. is 6.25%, if a 4% state sales tax is added, 68 municipalities that now have sales tax would be above the national average and Wrangell would have the highest sales tax in the U.S. (See pages 6-7, 14-15)

**4. If Alaska needs a broad-based tax, and state income tax simply beats a state sales tax:**

- The University of Alaska estimates that a \$250 million state sales tax would cost Alaska at least an additional 2,325 jobs in the private sector, many more than an income tax. Use of Permanent Fund earnings under a "percent of market value approach" while maintaining a PFD would cost no jobs. (See page 12)
- 7% to 10% of a state sales tax would be paid by out of state residents, while 22% to 25% of a state income tax would be paid by out of state residents and the federal IRS in tax deductions, according to the University of Alaska and Department of Revenue (2002). (See page 13)
- According to the National Conference of State Legislatures, "The personal income tax is a reliable and stable source of state revenue...The responsiveness of the income tax to economic growth also helps explain why state income tax reliance has increased over time." (See page 11)

## Alaskan Sales Tax Issues Background

❖ **Alaska is unique and requires unique solutions:** While many states have state sales taxes, Alaska has given sales tax authority only to its cities and boroughs because of Alaska's unique conditions. Alaska is unique because:

- Alaska's **wide range of cost of living** across the state makes a statewide sales tax inequitable and unfair. Under a statewide sales tax, residents in different parts of Alaska would have to pay as much as three times the amount of state sales tax to purchase something as simple as a glass of milk for a child.
- Alaska's vast **rural areas lack a sufficient property tax base** in private ownership to establish property taxes. Therefore, sales tax is the only major local revenue source for the majority of Alaska's communities.
- Alaska's Constitution has the strongest local control provisions of any state and guarantees "maximum local self-government." **Without a major revenue source, constitutional local control guarantees are meaningless.**
- Alaska's communities have built **very different sales tax systems that work for their specific local economy.**
- State imposition of an additional 4% (**giving some municipalities the highest sales tax rates in the U.S.**), preemption of local sales tax exemptions, rules, and collection **will increase out of state and internet purchases and reduce local tax revenues.**

❖ Alaska has 94 municipalities that depend on general local sales taxes. Current local tax rates are:

<u>Sales Tax Rate</u>	<u>Number of Municipalities</u>	
	<u>1999</u>	<u>2003</u>
7 %	1	1
6 %	3	6
5% or 5.5%	11	18
4% or 4.5%	12	11
3% or 3.5%	37	30
2 %	31	25
1% or 1.5%	3	3

❖ According to the 2003 "Alaska Taxable", General Sales Taxes provided \$132,839,856, and Special Sales Taxes (on fish, hotel beds, alcohol, tobacco, etc.) provided \$43,734,035 to operate municipal services. (Total 2003 Sales Tax = \$176,537,891)

## Issues concerning the creation of a State sales tax:

- ❖ Conflicts with local sales tax exemptions: Municipalities have their own exemptions designed for the local economic needs. (See attached summary of municipal sales tax exemptions on pages 14-18) A state sales tax would require standard exemptions that would necessarily conflict with the local exemptions. If the State requires municipalities to conform to the State's exemptions, huge local revenue losses would likely occur. (Note: while current sales tax proposals have limited exemptions, it is highly likely that industry proposals will arise and put intense pressure on the legislature to expand exemptions.)
- ❖ Total State/Local Sales Taxes would be too high: Municipal sales taxes vary from 1% to 7%. A State general sales tax on top of local sales taxes would almost certainly require many municipalities to lower the local sales tax and raise property taxes. In many small municipalities, there is practically no local property tax base, so there is no practical revenue alternative.
- ❖ Forestall future growth in municipal sales taxes: If a State sales tax is created, it will almost certainly forestall any increase in local sales tax rates to meet capital needs or to finance unfunded state or federal mandates.
- ❖ Federal Internet Sales Tax Exemption: Some feel that if the State of Alaska took control of sales tax away from municipalities, the state could collect sales tax on out of state and internet purchases, and thereby raise additional revenue. There are two bills in Congress on this topic: One bill calls for an additional two year moratorium before any decision is made: the other calls for a permanent exemption for internet and out of state sales.

## A 4% State Sales Tax could take millions away from municipalities, send more local business to lower 48

(Data from "Alaska Taxable" 2002-2003 DCED, Office of the State Assessor)

### Summary of Sales Taxes in Alaska:

- 94 cities and boroughs have **general** sales taxes on good and services.
- 52 cities and boroughs have **special** sales taxes on hotels, alcohol, tobacco, etc.
- 114 cities and boroughs have a **general or special or both** types of sales tax.

### Impact Narrative:

- **State Sales tax would be a statutory mandate, while almost all municipalities must seek voter approval for sales tax.** Local voters have already set their sales tax at the highest rate acceptable to the community and the local economy. High sales taxes hurt local businesses. Therefore, an additional mandated 4% state sales tax without voter approval would likely force communities to reduce their local sales tax rates by up to 3% to avoid excessive tax rates on local purchases.
- **State Sales Tax Exemptions would replace local exemptions specifically crafted to encourage local business.** Loss of local control of exemptions could cause significant loss of local revenue or disadvantage local businesses.

<u>Municipality</u>	<u>Current Rate</u>	<u>With State 4%</u>	<u>If Munis Lose 3%</u>
• Wrangell	7%	11%	\$807,000
• Cordova	6%	10%	\$1,174,000
• Kodiak	6%	10%	\$3,570,000
• Kotzebue	6%	10%	\$1,220,000
• <b>Seward*</b>	<b>6%</b>	<b>10%</b>	<b>\$2,197,000</b>
• Petersburg	6%	10%	\$1,152,000
• <b>Dillingham</b>	<b>6%</b>	<b>10%</b>	<b>\$1,030,000</b>
• Ketchikan City*	5.5%	9.5%	\$5,951,000
• Klawock	5.5%	9.5%	\$258,000
• Haines Borough	5.5%	9.5%	\$1,033,000
• Homer*	5.5%	9.5%	\$2,968,000
• Sitka	5%	9%	\$3,826,000
• Juneau	5%	9%	\$17,271,000
• Bethel	5%	9%	\$2,516,000
• Soldotna*	5%	9%	\$4,827,000
• Kenai*	5%	9%	\$3,809,000
• <b>Thorne Bay</b>	<b>5%</b>	<b>9%</b>	<b>\$91,000</b>
• Seldovia*	4%/6.5%	8%/10.5%	\$73,000
• Craig	5%	9%	\$786,000
• Aleknagik	5%	9%	\$22,000
• Clarks Point	5%	9%	\$18,000

(Note: Cities or boroughs in **bold** increased local sales tax since 2001)

(\* Includes total City and Borough General Sales Tax Rates)

• Hoonah	5%	9%	\$211,000
• Kake	5%	9%	\$100,000
• Kwethluk	5%	9%	\$56,000
• Unalakleet	5%	9%	\$146,000
• Skagway	4%	8%	\$2,331,000
• Alakanuk	4%	8%	\$84,000
• Hooper Bay	4%	8%	\$190,000
• Hydaburg	4%	8%	\$8,500
• <b>Nenana</b>	<u>4%</u>	<u>8%</u>	<b>\$94,000</b>
• Nome	4%	8%	\$1,917,000
• Marshall	4%	8%	\$47,000
• Pelican	4%	8%	\$43,000
• Pilot Station	4%	8%	\$35,000
• Port Alexander	4%	8%	\$6,000
• St Michael	4%	8%	\$54,000
• Yakutat	4%	8%	\$480,000
• <b>Saxman</b>	<u>3.5%</u>	<u>7.5%</u>	<b>?</b>
• North Pole	3%	7%	\$1,219,000
• Palmer	3%	7%	<u>\$2,464,000</u>
			\$64,000,000

- 3%: **Adak 3%**, Ambler, **Angoon 3%**, Brevig Mission, Chevak, Deering, Diomede, Emmonak, Fort Yukon, Galena, **Gambell 3%**, King Cove, Kotlik, Larsen Bay, **Mountain Village 3%**, **Nondalton 3%**, Noorvik, **Nunapitchuk 3%**, Ouzinkie, Quinhagak, St Mary's, Saint Paul, Sand Point, Savoonga, Selawik, Stebbins, **Teller 3%**, Unalaska, Whittier
- 2%: Aniak, Buckland, Chefornak, Eek, Elim, False Pass, Kenai Peninsula Borough, Ketchikan Gateway Borough, Kiana, Kivalina, Koyuk, Manokotak, Mekoryuk, **Napakiak 2%**, Newhalen, Nightmute, Scammom Bay, Shaktoolik, **Shishmaref 2%**, Nunam Iqua, Shungnak, **Tanana 2%**, Togiak, Toksook Bay, Wasilla
- 1%: Tenakee Springs, **White Mountain 1%**.

(Note: Cities or boroughs in **bold** increased local sales tax since 2001)

(Note: List and figures do not include the 52 Special Sales Taxes on hotel, etc.)

## Municipal Taxpayers Must Be Considered in A Balanced State Fiscal Plan

Alaskans in municipalities already pay close to \$1 Billion per year in local property and sales taxes to pay for schools, public safety, roads, and other local services. Therefore, instead of state preemption of local sales tax authority, a **balanced state fiscal plan should focus on totally untapped revenue measures, e.g. the use of some Permanent Fund earning or a state income tax, not preemption of local sales tax authority.**

If the State decides to mandate a local sales tax, **local taxpayers in many municipalities would pay the highest sales tax rates in the U.S.** This will hurt both Alaskan taxpayers and Alaskan businesses that must compete with out of state and internet sales.

### Major Municipal Taxes 2001 and 2003

Office of the State Assessor, "Alaska Taxable," 2001 and 2003

	<u>2001</u>	<u>2003</u>
Property tax (not include oil)	\$497,339,323	\$560,869,163
Oil property in municipalities	\$214,758,724	\$220,865,409
Municipal General Sales Tax	\$125,134,493	\$132,839,856
Special Sales Tax (hotel, etc.)	<u>\$ 40,728,724</u>	<u>\$ 43,734,035</u>
<b>TOTAL</b>	<b>\$877,961,380</b>	<b>\$958,308,464</b>

## Sales Tax is the only local tax option for small communities without a significant property tax base

Even though all municipalities have property tax "authority," most do not have sufficient local property tax bases. Bethel, for example, is a large rural municipality:

- **Bethel would have to levy a 50 mill property tax**, (which is 20 mills over the current 30 mill statutory property tax limit in Alaska) to equal the revenue from its current 5% sales tax, according to estimates by the State Assessor. Bethel has a very little taxable property.
- **A property tax is not feasible in Bethel** because many residents living on federal land or in federal housing would pay nothing while their neighbors on private land would pay among the highest property rates of any city in the U.S.

Sales tax has been the key local revenue of the majority of Alaska's cities and boroughs since statehood. In almost every community, sales tax must be approved by local voters. If the state mandates state sales tax without a vote, and preempts local sales tax exemptions and rules, many cities and boroughs will have to lower or eliminate their sales taxes and become fully dependent on the state. **Without this key local revenue source communities will lose "maximum local self-government" guaranteed by our constitution.**

### Note 1: Many rural communities have only 10% to 25% of urban property taxes

For example: (Per Capita Full Values from 2001 Alaska Taxable)

Anchorage	\$69,849 per capita
Fairbanks NSB	\$59,899 per capita
Bethel (5,449 pop.)	\$17,000 per capita *
Emmonak (804 pop.)	\$8,428 per capita

### Note 2: 2001 Bethel SALES TAX Revenue (population 5,449)

General 5%	\$4,194,997
Alcohol 5%	\$65,686
Bed 3%	\$61,960
Local Fish 5%	\$80,450
Motor Vehicle Flat	\$62,251
Gaming	<u>\$406,711</u>
Total	\$4,875,025

### \* Note 3: Details on the Property Tax Estimate for Bethel

"Full and true" Assessed Value estimated by Assessor in "Alaska Taxable) is \$186,653,400 however, the State Assessor feels that actual taxable property based on exemptions (e.g. exemption for federally constructed housing) in most municipalities would be about 40 to 50% of that, or \$93,500,000. Therefore, a 10 mill property tax would yield approximately \$935,000, and a 50 mill property tax would yield about \$4,675,000.

## A State Sales Tax is Not Fair to Alaskans

Why, should a family in one part of Alaska buying milk pay far more than a family in a large city to support state government ?



A state sales tax is unfair because it is based on a percentage of the cost of goods and services. The cost of goods and services vary widely across the state. This makes a state sales tax regionally regressive due to differences in basic cost of living purchases.

For Comparison on a ½ Gallon of 2% milk (AC or Safeway/Carrs 3/22/04)

- Nuiqsut \$6.99
- Kaktovik \$6.18
- Fort Yukon \$4.49
- Kotzebue \$3.95
- Dillingham \$3.59
- Anchorage \$2.65
- Fairbanks \$2.35
- Juneau \$2.19

Also, for example, according to the Alaska Department of Labor "Alaska Economic Trends" in 2002 food for a family of four in Nome, Dillingham, or Bethel **cost 180% to 190% of similar purchases** in Anchorage or Fairbanks. While a family of four in Cordova pays 163%, Kodiak 143%, and Homer 138%.

On the other hand, the current municipal sales tax is fair (not regionally regressive) because everyone in the taxing area faces equal costs for goods and services.

## Comparison of State Sales Tax and State Income Tax

According to the National Conference of State Legislators (NCSL), there are "six principles that are appropriate for evaluating individual tax sources." The excerpts below are from the NCSL's "Tax Policy Handbook for State Legislators."

State Sales Tax	State Income Tax
<p><b>Reliability</b>                      "The sales tax has been a stable state revenue source, although rate increases have been necessary to preserve its share of the state revenue mix."</p>	<p><b>Reliability</b>                      "The personal income tax is a reliable and stable source of state revenue... The responsiveness of the income tax to economic growth also helps explain why state income tax revenue has increased over time."</p>
<p><b>Equity</b>                      Two primary issues dominate the debate over the equity of the sales tax. The first is regressivity, in which sales taxes claim a larger share of low-income taxpayer incomes. The second issue involves whether exemptions for certain goods and services make the sales tax inequitable."</p>	<p><b>Equity</b>                      "The personal income tax scores well on both vertical and horizontal equity... inclusion of personal income taxes in the overall mix of state taxes helps minimize the regressivity of the system."</p>
<p><b>Administration and Compliance</b>                      "Much of the administrative burden is shifted to the vendor."</p>	<p><b>Administration and Compliance</b>                      "States that link personal income tax to the federal code gain efficiency in administration and reduce compliance costs for businesses and individuals."</p>
<p><b>Interstate and International Competition</b>                      "In a competitive interstate and international marketplace, States that tax business inputs may put firms at a competitive disadvantage."                      "(States) cannot require the out of state retailer to collect and remit sales tax..."</p>	<p><b>Interstate and International Competition</b>                      "Since firms do not pay a personal income tax, this is more an intangible concern in the mind of senior executives than a direct cost of doing business."</p>
<p><b>Economic Neutrality</b>                      "States that tax services may disproportionately burden small business because larger firms may provide services (legal, accounting) in-house." "For example, States that exempt labor repairs but tax new purchases may affect decisions about whether to fix a machine or buy a new one."</p>	<p><b>Economic Neutrality</b>                      "State income taxes may be a factor in decisions about work effort, but they probably are not the deciding factor for most taxpayers."</p>
<p><b>Accountability</b>                      "Most taxpayers are unaware of the total annual sales tax burden."</p>	<p><b>Accountability</b>                      "The personal income tax is the most visible tax paid by individuals."</p>
<p><b>Additional Issues</b>                      "...Congress repealed the federal income tax deduction for sales taxes..."</p>	<p><b>Additional Issues</b>                      "The state income tax can be claimed as an itemized deduction ... This deduction reduces the effective state tax rate by up to 40 percent for taxpayers in the highest federal tax bracket."</p>

Source: "Tax Policy Handbook for State Legislators" by the National Conference of State Legislatures, December 1997 pp.9-18.

## Estimated Economic Impacts of Budget Balancing Options

Based on \$250 million in cuts or new revenue  
(University of Alaska – Institute of Social and Economic Research, 7/03)

- **State Budget Cuts – 4,650 estimated job loss** due to both direct and indirect job loss. Budget cuts can double the job loss versus taxes due to direct loss of eliminated government jobs, plus secondary loss of jobs from less money spent on goods and services throughout the economy.
- **State Sales Tax – 2,325 estimated job loss** due to indirect job loss only. Taxes have only secondary job loss because taxes mean a little less income for each household, i.e. no jobs are directly eliminated. **In addition to job loss calculated above**, community job loss would also occur from the loss of sales in Alaska due to competition with tax-free internet sales.
- **State Income Tax – 1,875 estimated job loss.** Indirect job loss only, but significantly lower than state sales tax because 23% to 25% of the income tax is paid by out of state workers and IRS deductibility. Also, an income tax does not add to the cost of goods and services so there is no additional Alaska job loss due to the incentive to purchase more goods and services over the internet or from out of state.
- **Use of PF Earnings – 0 estimated job loss** If voters approve 5% POMV, maintain PFD's at \$1000 (higher than estimated for next year), & use up to \$600 million for state/municipal support. Use of Permanent Fund Earnings, under a POMV (Percent of Market Value) fund management system, does not take any money out of the economy so there are no direct or indirect job losses. In fact, for at least the next two years it would add money to Alaska's economy through higher PFDs.

## Is a State Sales Tax or Income Tax best for Alaskans?

### Who Pays?

## Which best captures non-resident & out of state revenue?

According to separate studies by the University of Alaska Institute of Social and Economic Research and the Alaska Department of Revenue in 2002, a state sales tax costs Alaskans significantly more than other major taxes.

### **Here are the results:**

	<b>% paid by Non-Residents</b>	<b>% paid by Non-Residents + IRS deduction</b>
	<b><u>Sales Tax</u></b>	<b><u>Income Tax</u></b>
<b>By U of A – ISER</b>	<b>7%</b>	<b>25%</b>
<b>By AK Dept of Revenue</b>	<b>10%</b>	<b>22%</b>

### **Narrative:**

While both a sales and income tax can collect tax from out of state wage earners working in Alaska, federal deductibility of state income tax benefits Alaskans. **State income tax is deductible from federal income tax, sales tax is not.** That means that the federal government essentially subsidizes the state income tax by allowing Alaskans to pay less federal income tax.

What does it mean? For Example, using the higher U of A estimates:

If the State needs \$300 million in revenue:

- **Sales tax:** \$279 million from Alaskans, **\$21 million by non-residents**
- **Income tax:** \$225 million from Alaskans, **\$75 million by non-residents & IRS**
- **Savings to AK** \$ 54 million Saved by state income tax (\$86 less per Alaskan/year)

## U.S State and Local Sales Taxes

**Note by Alaska Municipal League:** The "maximum rate" in the Federal Tax Administrators chart below is footnoted as applying to "at least one jurisdiction" is misleading. For example, Alabama is shown as having a maximum rate of 11%, the average combined state and local sales tax is 7% to 8%. Only one county in the U.S. has a rate of 11%.

According to the Sales Tax Clearinghouse (<http://theste.com/STRates.stm>):  
What is the average sales tax nationally?

The average sales tax across the nation is 6.25%, including all county and city taxes.

<p>Louisiana, Tennessee, and Washington have the dubious distinction of having the <u>highest average sales tax rates</u> in the nation, of 8.25% or more.</p>	<p>Delaware, Montana, New Hampshire, and Oregon have <u>no sales taxes</u> at all.</p>
--	--

Arab, AL (Cullman County) has the highest combined rate of 11%, while many locations in AL, LA, and OK have combined rates of 9% or more. Chicago has the highest combined rate for a metropolitan area at 8.75%.

### Federation of Tax Administrators - Comparison of State and Local Retail Sales Taxes January 2004

\*\*Added below in states with the highest maximum sales tax rates are the actual total sales tax rates for 12 counties in each state listed in the "Sales Tax Clearinghouse" site.

	Food Items [1] Taxable (T) Exempt (E)	State Rate	Maximum Local Rate [2]	Maximum State/Local Rate [2]
Alabama	T	4.00	7.00	11.00 **(2 at 7%, 9 at 8%, 1 at 8.5%)
Alaska	T	---	7.00 [3]	7.00
Arizona	E	5.60	4.50	10.10 **(2 at 7.1% to 7.8%, 10 at 8.1% to 8.8%)
Arkansas	T	5.125	5.50	10.625 **(4 at 8% to 8.7%, 4 at 9%, 1 at 10%, 1 at 10.5%, 1 at 10.75%)
California	E	6.00	2.75	8.75
Colorado	E	2.90	7.00	9.90 **(11 at 3.15% to 7.5%, 1 at 8.15%)
Connecticut	E	6.00	---	6.00
District of Columbia	E	5.75	---	5.75
Florida	E	6.00	1.50	7.50
Georgia	E	4.00	3.00	7.00
Hawaii	T*	4.00	---	4.00
Idaho	T*	6.00	3.00	9.00
Illinois	T**	6.25	3.00	9.25

Indiana	E	6.00	---	6.00
Iowa	E	5.00	2.00	7.00
Kansas	T*	5.30	3.00	8.30
Kentucky	E	6.00	---	6.00
Louisiana	E [4]	4.00	6.25	10.25
**(7 at 7.5% to 8%, 5 at 8.5% to 9%)				
Maine	E	5.00	---	5.00
Maryland	E	5.00	---	5.00
Massachusetts	E	5.00	---	5.00
Michigan	E	6.00	---	6.00
Minnesota	E	6.50	1.00	7.50
Mississippi	T	7.00	0.25	7.25
Missouri	T**	4.225	4.5	8.725
Nebraska	E	5.50	1.50	7.00
Nevada	E	6.50	1.00	7.50
New Jersey	E	6.00	---	6.00
New Mexico	T	5.00	2.25	7.25
New York	E	4.25	4.50	8.75
**(9 at 7%, 2 at 7.5%, 1 at 8.65%)				
North Carolina	E [4]	4.50	3.00	7.50
North Dakota	E	5.00	2.50	7.50
Ohio	E	6.00	2.00	8.00
Oklahoma	T	4.50	6.00	10.50
**(9 at 7% to 8.5%, 3 at 8.85% to 9%)				
Pennsylvania	E	6.00	1.00	7.00
Rhode Island	E	7.00	---	7.00
South Carolina	T**	5.00	2.00	7.00
South Dakota	T*	4.00	2.00	6.00
Tennessee	T	7.00	2.75	9.75
Texas	E	6.25	2.00	8.25
Utah	T	4.75	2.25	7.00
Vermont	E	6.00	1.00	7.00
Virginia	T**	3.50	1.00	4.50
Washington	E	6.50	2.40	8.90
West Virginia	T	6.00	---	6.00
Wisconsin	E	5.00	1.00	6.00
Wyoming	T*	4.00	2.00	6.00

**\*\*Added above in states with the highest maximum sales tax rates are the actual total sales tax rates for 12 counties in each state listed in the "Sales Tax Clearinghouse" site.**

[1] Food purchased for consumption off-premises.

[2] Highest local rate known to be actually levied by at least one jurisdiction. Includes local taxes for general purposes and those earmarked for specific purposes (e.g. transit). Taxes applying only to specified sales (e.g. lodging or meals) are excluded.

[3] Alaskan cities and boroughs may levy local sales taxes from 1% to 6%. (AML NOTE: Incorrect)

[4] Food exempt from state tax, but subject to local taxes.

\* Income tax credit allowed to offset sales tax on food.

\*\* Food taxed at lower rate.

Source: Compiled by the Federation of Tax Administrators from various sources.

## Municipal Sales Tax Exemptions Definitions (1999)

- **Causal Sales** A casual and isolated sale not made in the regular course of business is exempt
- **Dues and Fees** Dues and fees paid to clubs, labor unions and fraternal organizations are exempt.
- **Gov't Prohibitions** A sale which the municipality is prohibited from taxing under the Constitution and laws of the United States or the Constitution of the state of Alaska is exempt
- **Gov't Agency** A sale directly to the United States government, the state of Alaska and its political subdivisions, the city and borough, or any departments thereof, is exempt. A sale made to a contractor to be utilized in the manufacture and production of property for sale to an agency of any of the above governments under a cost plus contract is taxable as the contractor is deemed the consumer. A sale to a government contractor, which does not become a physical part of the property being constructed for any of the above governments is taxable.
- **Funeral** Sale of cemetery plots, caskets, funeral and burial related items and services by a funeral home.
- **Medical** Medical, dental, hospital, and veterinary services are exempt. The sales of hearing aides and medicinal preparations when prescribed by a licensed practitioner are exempt. Medical, dental, hospital, and veterinary services do not include services rendered by chiropractors, barbers, cosmeticians, masseurs, nor do they include the clipping, grooming or boarding of animals.
- **Newspapers & Pubs.** The sale of daily newspapers to a consumer is exempt
- **Nonprofits Charitable Org.** Sales made by nonprofit charitable organizations which do not have paid employees and which do not keep normal business hours are exempt.
- **Student Transportation** The service of transporting students to and from a school in vehicles is exempt.
- **Food Stamps** Sales of goods made with food coupons, food stamps, or other type of certificate issued under the Food Stamp Act or Special Supplemental Food Program for Women, Infants, and Children.
- **Food at Schools** The sale of food and beverages to the public in high school or college cafeterias or lunchrooms which are operated primarily for teachers and students and not for profit is exempt.

- **Residential Rentals** Residential rentals other than rentals to transients who occupy or rent a suite, room or rooms in a hotel-motel for fewer than thirty consecutive days for the purpose of habitation.
- **Utilities** Sales of electricity, water/sewer, or services provided by the city.
- **Child Care** The sale of child care services is exempt.
- **Freight & Wharfage** Freight and wharfage charges, whether arising out of foreign, interstate or intrastate commerce, are exempt. Warehouse and storage services are taxable.
- **Insurance** The sale of insurance policies, guaranty bonds and fidelity bonds are exempt.
- **Banking Services** Services associated with any deposit accounts, including service fees, NSF fees, fees for the purchase of bank checks, money orders, travelers checks, loan fees, pass-through charges on loan transactions, services associated with the sale, exchange or transfer of currency, stocks, bonds and other securities.
- **Manufacturing and Contracting** A sale to a manufacturer or contractor is exempt if the article becomes a physical part of a manufactured product or structure which when sold is subject to this tax. A "physical part of a manufactured product or structure" means that the article must be easily and readily identifiable in the manufactured article or the structure, as the case may be.
- **Catalog Sales** Sales of goods resulting from orders received from outside a city by mail, telephone or other similar public communication where delivery of the property ordered is made outside the city by mail or common carrier.
- **Games of Skill & Chance** Sales of lottery tickets and other forms of games of skill and chance
- **Other** Salaries, Veteran's Org., Drugs, Travel and Adventure Services, Arts & Crafts, lobbying, ATV's, Boats, Counseling, Animal Food, Advertising, Jet Fuel, Printing Services outside of city, Personal Property, Video Games, etc.

**Municipal Sales Taxes And Exemptions (Compiled in 1999)**

Municipalities	Mun. of Anchorage	Fairbanks NS Borough	City of Fairbanks	City of North Pole	Mat-Su Borough	City of Palmer	City of Wasilla	City of Houston	Kenai Borough	City of Kenai	City of Soldotna	City of Homer	City of Seward	City of Seldovia	C/B of Juneau
Population	258,782	83,928	31,601	1,619	55,747	4,318	5,134	939	48,815	7,058	4,134	4,155	3,040	281	30,684
<b>Special Sales Taxes:</b>															
Bed Tax	8%	8%	8%		5%	5%	5%	5%					4%		7%
Raw Fish															
Liquor			5%												3%
Tobacco	15%		8%	8%											6%
Other															
<b>General Sales Tax</b>				3%		3%	2%		2%	3%	3%	3.5%	3%	3%	5%
<b>Exemptions:</b>									Same as Kenai Peninsula Borough						
Seniors (age)				65											65
Sales Tax Cap (amt)						\$500									
Casual Sales				x		x			x						x
Dues & Fees				x		x			x						x
Gov't Prohibitions						x			x						x
Gov't Agencies				x		x			x						x
Funeral						x			x						x
Medical				x		x			x						x
Newspapers & Pubs.				x		x			x						x
Nonprofits						x			x						x
Student Trans.						x									x
Food Stamps, WIC				x		x			x						
Food at Schools				x		x			x						x
Res. Rentals				x											x
Utilities						x									
Child Care															x
Freight & wharfage									x						
Insurance				x											x
Banking Services				x					x						x
Manufacturing															
Catalog Sales															x
Sale of Real Property															
Real Estate Fees				x		x									
Construction									x						
Resale Items									x						
Wholesale Items															x
Fuels															
Arts & Crafts															
Bir-go															
Pull Tabs															
Other				x		x			x						x

Municipal Sales Taxes And Exemptions (Compiled in 1999)

Municipalities	Ketchikan Borough	City of Ketchikan	City of Saxman	Kodiak Borough	Kodiak	Ouzinkie	North Slope Borough	Wainwright	C/B of Sitka	Northwest Arctic Borough	Kotzebue	Haines Borough	City of Haines	Aleutians East Boro.	Sand Point
Population	14,231	8,460	379	13,848	6,589	252	9,389	543	8,779	6,844	2,964	2,476	1,463	2,199	830
<b>Special Sales Taxes:</b>															
Bed Tax	4%	6%	4%	5%	5%				4%		6%				
Raw Fish														2%	2%
Liquor											6%				
Tobacco															
Other				.925 sever.		0.93%			x						
<b>General Sales Tax</b>	<b>2%</b>	<b>3.5%</b>	<b>3.5%</b>		<b>6%</b>	<b>3%</b>		<b>3%</b>	<b>5%</b>		<b>6%</b>	<b>1.50%</b>	<b>4.00%</b>		<b>3%</b>
<b>Exemptions:</b>															
Seniors (age)	65	65	65		65	65			65		65				
Sales Tax Cap (amt)		\$1,000			\$500							\$5,000	\$5,000		
Casual Sales	x	x			x	x			x		x	x	x		x
Dues & Fees	x	x			x				x			x	x		
Gov't Prohibitions	x	x	x		x				x		x	x	x		x
Gov't Agencies	x	x	x		x	x			x		x	x	x		x
Funeral	x	x			x				x		x	x	x		x
Medical	x	x			x				x		x	x	x		x
Newspapers & Pubs.	x				x				x		x				
Nonprofits	x	x	x		x				x		x	x	x		x
Student Trans.	x	x							x			x	x		
Food Stamps	x	x							x		x	x	x		x
Food at Schools	x	x			x				x		x	x	x		
Res. Rentals		x										x			x
Utilities					x	x						x	x		
Child Care		x			x				x			x	x		x
Freight & wharfage									x						
Insurance		x			x							x	x		x
Banking Services					x							x	x		x
Manufacturing									x						
Catalog Sales												x	x		x
Sale of Real Property											x	x	x		x
Real Estate Fees															
Construction									x		x	x	x		
Resale Items															
Wholesale Items															
Fuels															
Arts & Crafts															
Bingo		x	x		x										
Pull Tabs		x	x		x										
Other	x	x		x	x							x	x		

Municipal Sales Taxes And Exemptions (Compiled in 1999)

<u>Municipalities</u>	<u>King Cove</u>	<u>False Pass</u>	<u>Lake &amp; Pen Borough</u>	<u>Chignik</u>	<u>Denali Borough</u>	<u>Bristol Bay Borough</u>	<u>Yakutat Borough</u>	<u>Bethel</u>	<u>Unalaska</u>	<u>Nome</u>	<u>Petersburg</u>	<u>Wrangell</u>	<u>Dillingham</u>
Population	703	58	1,867	121	1,864	1,297	810	5,463	4,285	3,706	3,398	2,589	2,332
<b>Special Sales Taxes:</b>													
Bed Tax			6%		7%	6%	4%		5%			\$1. per night	
Raw Fish	2%	2%	2%	1%		3%			2%				
Liquor								5%					
Tobacco													
Other				x									
<b>General Sales Tax</b>	<b>3%</b>	<b>2%</b>					<b>4%</b>	<b>5%</b>	<b>3%</b>	<b>4%</b>	<b>6%</b>	<b>7%</b>	
<b>Exemptions:</b>													
Seniors (age)											65	65	
Sales Tax Cap (amt)								>\$3,000		\$1,500	\$1,000	>\$1,000	>\$2,000
Casual Sales		x					x	x	x		x	x	x
Dues & Fees							x	x	x	x		x	x
Gov't Prohibitions							x	x	x	x		x	x
Gov't Agencies		x					x	x	x	x		x	x
Funeral		x					x				x	x	x
Medical		x					x	x	x	x	x	x	x
Newspapers & Pubs.		x					x		x	x		x	x
Nonprofits		x					x		x	x	x	x	x
Student Trans.							x	x				x	x
Food Stamps							x	x		x	x	x	x
Food at Schools							x	x	x				x
Res. Rentals		x					x	x		x	x		
Utilities									x		x		
Child Care							x				x	x	
Freight & wharfage							x	x	x		x	x	x
Insurance		x						x	x		x		x
Banking Services								x		x			
Manufacturing									x			x	
Catalog Sales								x			x		
Sale of Real Property		x								x			x
Real Estate Fees													
Construction							x	x	x	x			
Resale Items									x		x		
Wholesale Items													x
Fuels													
Arts & Crafts													
Bingo												x	
Pull Tabs												x	
Other		x			x		x	x	x	x	x		x

## Municipal Sales Taxes And Exemptions (Compiled in 1999)

Municipalities	Craig	Cordova	Hoonah	Emmonak	Togiak	Unalakleet	Saint Paul	Chevak	Alakanuk	Gambell	Klawock	Thorne Bay	Pilot Station	Fort Yukon	Kotlik	Scammon Bay	Nenana	
Population	2,145	1,909	896	838	801	784	761	741	671	670	659	597	558	553	552	450	435	4
<b>Special Sales Taxes:</b>																		
Bed Tax						10%												
Raw Fish					2%													
Liquor						5%												
Tobacco																		
Other																		
<b>General Sales Tax</b>	5%	6%	5%	3%	2%	5%	3%	3%	4%	3%	5.50%	3%	2%	3%	3%	2%	3%	2
<b>Exemptions:</b>																		
Seniors (age)	60	65	65	65		65		65	65		60	60		55		65		
Sales Tax Cap (amt)	<\$150.00		<\$125.00	\$1,000	\$1,000						\$1,000	\$10,000		<\$125				
Casual Sales	x	x	x	x		x	x	x	x	x	x		x	x	x	x	x	x
Dues & Fees	x	x	x	x				x	x	x	x	x		x				x
Gov't Prohibitions	x	x	x	x		x	x	x	x	x	x	x		x	x	x	x	x
Gov't Agencies	x	x	x	x		x	x	x		x	x	x		x	x			x
Funeral	x		x	x		x			x	x	x	x		x				x
Medical	x		x	x		x		x	x	x		x			x			x
Newspapers & Pubs.	x		x			x		x	x		x	x		x	x			x
Nonprofits	x	x		x		x		x	x	x	x	x	x	x		x		x
Student Trans.	x		x					x	x		x			x				x
Food Stamps	x	x				x												
Food at Schools	x	x	x	x		x	x	x	x	x		x		x	x	x	x	x
Res. Rentals								x	x	x								x
Utilities				x				x	x	x	x	x	x			x		
Child Care	x	x	x	x								x						
Freight & wharfage	x	x					x	x	x			x						
Insurance		x	x	x				x		x	x			x				x
Banking Services			x															
Manufacturing	x							x	x									
Catalog Sales			x	x				x	x	x	x		x			x		
Sale of Real Property						x						x		x				x
Real Estate Fees																		
Construction	x	x	x			x				x							x	
Resale Items	x	x							x			x						
Wholesale Items				x			x		x		x	x						x
Fuels								x	x									
Arts & Crafts				x		x		x	x									
Bingo																		
Pull Tabs																		
Other	x	x	x				x	x	x	x	x	x	x	x		x	x	

## Municipal Sales Taxes And Exemptions (Compiled in 1999)

<u>Municipalities</u>	Saint Michael	Tanana	Ambler	Elim	Marshall	Aleknagik	Newhalen	White Mountain	Pelican	Egegik	Port Alexander
Population	362	317	315	306	300	259	191	188	149	132	90
<b>Special Sales Taxes:</b>											
Bed Tax						5%			6%		6%
Raw Fish							2%			3%	
Liquor											
Tobacco											
Other											
<b>General Sales Tax</b>	<b>4%</b>	<b>2%</b>	<b>3%</b>	<b>2%</b>	<b>4%</b>	<b>5%</b>	<b>2%</b>	<b>1%</b>	<b>4%</b>	<b>1%</b>	<b>2%</b>
<b>Exemptions:</b>											
Seniors (age)											
SalesTax Cap (amt)											
Casual Sales	x	x				x	x	x		x	x
Dues & Fees		x	x	x				x			
Gov't Prohibitions		x		x	x	x		x		x	x
Gov't Agencies	x	x		x		x	x	x		x	
Funeral		x		x		x	x				
Medical	x	x		x			x	x			
Newspapers & Pubs.	x	x		x		x	x				
Nonprofits	x	x	x	x	x	x	x	x		x	x
Student Trans.		x									
Food Stamps							x		x		
Food at Schools	x	x		x			x	x	x		
Res. Rentals			x	x	x		x	x		x	
Utilities				x		x	x	x			
Child Care		x									
Freight & wharfage											x
Insurance		x		x		x	x	x			
Banking Services			x		x			x			
Manufacturing		x						x			
Catalog Sales				x				x			
Sale of Real Property		x	x		x	x	x				
Real Estate Fees											
Construction				x							
Resale Items									x		
Wholesale Items	x	x	x		x			x			x
Fuels							x				
Arts & Crafts											
Bingo											
Pull Tabs											
Other	x	x	x		x		x			x	x

TABLE 2

## 2003 Municipal Sales Tax, Special Tax and Revenues

Municipality	Sales Tax	Revenues	Special Tax	Revenues
Adak	3%	\$570,978	2% Fuel Transfer Tax	\$41,374
Akhiok	No		No	
Akiak	No		No	
Akutan	No		1% Raw Fish Tax	\$734,653
Alakanuk	NR	NR	NR	
Aleknagik	5%	\$106,606	5% Bed Tax	\$0
Aleutians East Borough	No		2% Raw Fish Tax	\$2,493,342
Allakaket	No	NR	NR	
Ambler	3%	\$20,600	No	
Anaktuvuk Pass	No		No	
Municipality of Anchorage	No		8% Bed Tax & Car Rental/15% Tobacco Tax/Aircraft (flat)	\$11,007,248/ \$4,682,406/ \$5349091/\$202,860
Anderson	No		8% Utility Tax	\$38,503
Angoon	3%	\$100,471	3% Bed Tax	amount included in sales tax revenue
Aniak	2%	\$48,847	2% Bed Tax	\$1,254
Anvik	No		No	
Atka	No		2% Raw Fish Tax/ 10% Bed Tax	\$25,989/\$3,957
Atkasuk	No		No	
Barrow	No		No	
Bethel	5%	\$4,603,797	3% Bed/5%/Alcohol/5% Gaming	\$77,250/\$52,575/\$483,123
Bettles	No		\$.02/gal. Fuel Transfer Tax	\$3,299
Brevig Mission	3%	\$29,146	No	
Bristol E. Borough	No		3% Raw Fish Tax/10% Bed Tax	\$131,111 / \$57,244
Buckland	2%	\$21,231	No	
Chefornak	2%	55,840	2% Raw Fish Tax	\$343
Chevak	3%	\$83,738	No	
Chitina	No		1% salmon tax/2% other seafood	\$49,808/\$36,652
Chitina	No		No	
Cla	5%	\$5,895	No	
Coffey Cove	No		No	
Cold Bay	No		8% Bed Tax/\$.02/gal. Fuel Tax	\$16,536/\$29,142
Cordova	6%	\$2,124,800	6% Bed Tax/6% Vehicle Rental Tax	\$54,418/\$12,919
Craig	5%	\$1,231,647	6% Liquor Tax	\$87,439
Deering	3%	\$10,128	No	
Della Junction	No		No	
Denali Borough	No		Sev. Tax \$.05/tyd gravel-\$.05 ton-coal-5; Bed Tax 7%	\$54,691/\$1,233,331
Dillingham	6%	\$1,838,724	10% Bed Tax / 10% Liquor Tax/6% Gaming	\$39,162/\$156,859/\$93,299
Diomedes	3%	\$13,198	No	
Eagle	No		No	
Eek	2%	\$21,400	No	
Egegik	No		2% Raw Fish Tax	\$313,063
Ekwok	No		No	
Elim	2%	\$37,073	No	
Emmonak	3%	\$122,902	No	
Fairbanks	No		8% Bed Tax/ 5% Alcohol Tax/ 8% Tobacco Tax	\$1,821,459/\$1,123,951/\$934,316
Fairbanks North Star Borough	No		8% Bed Tax	\$1,305,822
False Pass	2%	\$82,598	No	
Fort Yukon	3%	\$99,279	No	
Galena	3%	\$150,000	No	
Gambell	3%	\$65,989	No	
Golovin	No		No	
Goodnews Bay	No		No	
Grayling	No		No	
Haines Borough	5.5%	\$1,899,249	4% Bed Tax/4% Tour Tax	\$101,683/\$191,192
Holy Cross	No		No	
Homer	3.50%	\$3,978,578	No	

TABLE 2 - continued

2003 Municipal Sales Tax, Special Tax and Revenues

Municipality	Sales Tax	Revenues	Special Tax	Revenues
Hoonah	5%	\$374,101	No	
Hooper Bay	4%	\$160,299	No	
Houston	No		No	
Hughes	No		No	
Huslia	No		No	
Hydaburg	4%	\$11,273	No	
Juneau, City & Borough of	5%	\$29,739,796	7% Bed Tax/ 3% Liquor Tax/ 6% Tobacco Tax	\$940,000/\$622,700/\$303,889
Kachemak	No		No	
Kake	5%	\$142,142	No	
Kaklovik	No		No	
Kallag	No		No	
Kasaan	No		No	
Kenai	3%	\$3,953,561	No	
Kenai Peninsula Borough	2%	\$14,370,582	No	
Ketchikan	3.5%	\$7,364,065	6% Bed Tax	\$273,338
Ketchikan Gateway Borough	2%	\$4,832,084	4% Bed Tax	\$32,771
Kiana	2%	\$24,937	No	
King Cove	3%	\$926,188	Fish Business impact tax-flat rate	\$45,000
Kivalina	2%	\$19,184	No	
Klawock	5.5%	\$457,237	6% Bed Tax	\$29,196
Kobuk	No		No	
Kodiak	6%	\$7,003,452	5% Bed Tax	\$101,795
Kodiak Island Borough	No		9.25 mill Severance Tax/5% Bed Tax	\$702,065/\$30,412
Kollik	3%	\$80,658	No	
Kotzebue	6%	\$2,405,615	6% Bed Tax/ 6% Alcohol Tax	\$46,212/\$27,650
Koyuk	2%	\$28,948	No	
Koyukuk	No		No	
Kupreanof	No		No	
Kwethluk	5%	\$91,607	No	
Lake & Peninsula Borough	No		2% Raw Fish Tax/Guide Fees/6% Bed Tax	\$484,545/\$24,992/\$117,639
Larsen Bay	3%	\$6,317	No	
Lower Kalskag	NR	NR	NR	
Manokotak	2%	\$24,807	No	
Marshall	4%	\$52,845	No	
Matanuska-Susitna Borough	No		5% Bed Tax	\$676,780
McGrath	No		No	
Mekoryuk	2%	\$7,616	No	
Mellakalla	No		No	
Mountain Village	3%	\$82,776	No	
Napakiaik	2%	\$26,779	No	
Napaskiak	No		No	
Nenana	4%	\$127,480	No	
New Sluyahok	No		No	
Newhalen	2%	NR	NR	
Nightmute	2%	\$9,687	No	
Nikolai	No		No	
Nome	4%	\$2,621,576	4% Bed Tax	\$88,988
Nondalton	3%	\$692	No	
Noorvik	3%	\$106,979	No	
North Pole	3%	\$1,336,630	No	
North Slope Borough	No		No	
Northwest Arctic Borough	No		No	
Nuiqsut	No		No	

TABLE 2- continued

## 2003 Municipal Sales Tax, Special Tax and Revenues

Municipality	Sales Tax	Revenues	Special Tax	Revenues
Nulato	No		No	
Nunam Iqua (Sheldon Point)	2%	\$4,185	No	
Nunapilchuk	3%	\$38,238	No	
Old Harbor	NR	NR	NR	
Ouzinkie	3%	\$8,134	No	
Palmer	3%	\$2,914,417	No	
Pelican	4%	\$46,570	10% Bed Tax	\$3,872
Petersburg	6%	\$2,312,188	4% Bed Tax	\$33,077
Pilot Point	No		3% Fish Tax	\$112,500
Pilot Station	4%	\$58,166	No	
Platinum	No		No	
Point Hope	No		No	
Port Alexander	4%	\$13,475	6% Bed Tax	\$1,688
Port Heiden	No		No	
Port Lions	No		5% Bed Tax	\$3,409
Quinhagak	3%	\$70,150	No	
Ruby	No		No	
Russian Mission	No		No	
St. George	NR	NR	NR	
St. Mary's	3%	\$106,347	No	
St. Michael	4%	\$85,092	No	
Saint Paul	3%	\$294,629	3% Raw Fish Tax	\$621,291
Sand Point	3%	\$338,881	7% Bed Tax/2% Raw Fish Tax	\$3,194/\$419,971
Savoonga	3%	\$34,789	No	
Saxman	3.50%	\$92,811	No	
Scammon Bay	2%	\$26,700	No	
Selawik	3%	\$74,991	No	
Seldovia	2%/4.5%	\$116,133	No	
Seward	3%	\$2,165,586	4% Bed Tax	\$217,482
Shageluk	No		No	
Shaktolik	2%	\$30,000	No	
Shishmaref	2%	NR	No	
Shungnak	2%	\$16,910	No	
Sitka, City & Borough of	5%	\$7,119,114	6% Bed Tax/ 5.02/gal Fuel Tax	\$311,892/ \$19,926
Skagway	4%	\$2,531,977	8% Bed Tax	\$91,782
Soldotna	3%	\$5,232,283	No	
Stebbins	3%	\$55,504	No	
Tanana	2%	\$19,628	No	
Teller	3%	\$18,523	No	
Tenakee Springs	1%	\$6,612	6% Bed Tax	\$1,981
Thorne Bay	5%	\$79,252	No	
Togiak	2%	\$58,000	2% Raw Fish Tax	\$45,000
Toksook Bay	2%	\$22,365	No	
Unalakleet	5%	\$253,717	5% Bed Tax/5% Alcohol Tax	\$5,395/\$4,944
Unalaska	3%	\$5,906,859	2% Raw Fish Tax/ 5% Bed Tax	\$3,662,645/\$125,792
Upper Kalskag	No		No	
Valdez	No		6% Bed Tax	\$256,803
Wainwright	No		No	
Wales	NR	NR	NR	
Wasilla	2%	\$6,497,070	No	
White Mountain	1%	\$7,390	No	
Whittier	3%	\$117,418	Passenger Trans. Tax	\$87,296
Wrangell	7%	\$1,761,568	\$4 per night Bed Tax	\$22,686
Yakutat, City & Borough of	4%	\$588,561	1% Raw Fish Tax/4% Bed & Car Rental Tx	\$13,346/\$78,727
<b>TOTAL SALES TAX REPORTED</b>		<b>\$ 132,839,856</b>	<b>TOTAL SPECIAL TAXES REPORTED</b>	<b>43,734,035</b>

TABLE 2- continued

2003 Municipal Sales Tax, Special Tax and Revenues

Municipality	Sales Tax	Revenues	Special Tax	Revenues
Nulato	No		No	
Nunam Iqua (Sheldon Point)	2%	\$4,185	No	
Nunapitchuk	3%	\$38,238	No	
Old Harbor	NR	NR	NR	
Ouzinkie	3%	\$8,134	No	
Palmer	3%	\$2,914,417	No	
Pelican	4%	\$46,570	10% Bed Tax	\$3,872
Petersburg	6%	\$2,312,188	4% Bed Tax	\$33,077
Pilot Point	No		3% Fish Tax	\$112,500
Pilot Station	4%	\$58,166	No	
Platinum	No		No	
Point Hope	No		No	
Port Alexander	4%	\$13,475	6% Bed Tax	\$1,688
Port Heiden	No		No	
Port Lions	No		5% Bed Tax	\$3,409
Quinhagak	3%	\$70,150	No	
Ruby	No		No	
Russian Mission	No		No	
St. George	NR	NR	NR	
St. Mary's	3%	\$106,347	No	
St. Michael	4%	\$85,092	No	
Saint Paul	3%	\$294,629	3% Raw Fish Tax	\$621,291
Sand Point	3%	\$338,881	7% Bed Tax/2% Raw Fish Tax	\$3,194/\$419,971
Savoonga	3%	\$34,789	No	
Saxman	3.50%	\$92,811	No	
Scammon Bay	2%	\$26,700	No	
Selawik	3%	\$74,991	No	
Seldovia	2%/4.5%	\$116,133	No	
Seward	3%	\$165,586	4% Bed Tax	\$217,482
Shageluk	No		No	
Shaktolik	2%	\$30,000	No	
Shishmaref	2%	NR	No	
Shungnak	2%	\$16,910	No	
Sitka, City & Borough of	5%	\$7,119,114	6% Bed Tax/ \$.02/gal Fuel Tax	\$311,892/ \$19,926
Skagway	4%	\$2,531,977	8% Bed Tax	\$91,782
Soldotna	3%	\$5,232,283	No	
Stebbins	3%	\$55,504	No	
Tanana	2%	\$19,628	No	
Teller	3%	\$18,523	No	
Tenakee Springs	1%	\$6,612	6% Bed Tax	\$1,981
Thorne Bay	5%	\$79,252	No	
Togiak	2%	\$58,000	2% Raw Fish Tax	\$45,000
Toksook Bay	2%	\$22,365	No	
Unalakleet	5%	\$253,717	5% Bed Tax/5% Alcohol Tax	\$5,395/\$4,944
Unalaska	3%	\$5,906,859	2% Raw Fish Tax/ 5% Bed Tax	\$3,662,645/\$125,792
Upper Kalskag	No		No	
Valdez	No		6% Bed Tax	\$256,803
Wainwright	No		No	
Wales	NR	NR	NR	
Wasilla	2%	\$6,497,070	No	
White Mountain	1%	\$7,390	No	
Whittier	3%	\$117,418	Passenger Trans. Tax	\$87,296
Wrangell	7%	\$1,761,568	\$4 per night Bed Tax	\$22,686
Yakutat, City & Borough of	4%	\$588,561	1% Raw Fish Tax/4% Bed & Car Rental Tx	\$13,346/\$78,727
<b>TOTAL SALES TAX REPORTED</b>		<b>\$ 132,839,856</b>	<b>TOTAL SPECIAL TAXES REPORTED</b>	<b>43,734,035</b>

March 11, 2004

Senator Gene Therriault  
Alaska State Legislature  
State Capitol  
Juneau, Alaska 99801-1182

Dear Senator Therriault:

Last October, the undersigned business, civic and trade associations representing hundreds of Alaskan companies and organizations, and tens of thousands of Alaskan workers wrote to encourage the Legislature to address the state's structural fiscal imbalance this year. Since then a number of additional groups, from the Alaska League of Women Voters to the Associated Builders & Contractors of Alaska have signed on, and grassroots efforts in support of a long-term fiscal plan are growing.

Although some progress is being made, our concerns remain unabated.

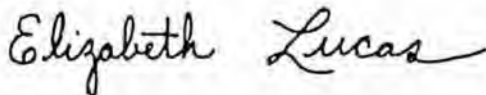
The recent Conference of Alaskans identified various solutions to our current situation. In fact, the Conference set forth many of the same policy positions enumerated in our prior letter to you on this subject. Clearly there is growing support among Alaskans for resolution of this issue.

Although many different approaches are being debated, we believe Alaskans are unified in their assessment of the problem. Everyday more and more Alaskans are coming to understand the negative effect fiscal uncertainty is having on Alaska's quality of life, investment climate, economy and job market. Despite the temporary good fortune of higher than expected oil prices, we must take decisive action now.

We, a broad representation of the Alaskan people, encourage the Legislature to pass this session a fiscal package based upon the elements of the Conference's resolutions.

We remain eager to support your efforts during the balance of the session. The need for leadership, cooperation and consensus is vital. Nothing less than the economy and the future of Alaska are at stake.

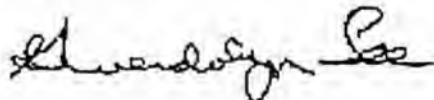
Sincerely,



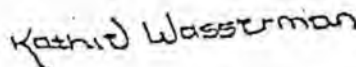
Elizabeth Lucas, State President  
AARP Alaska



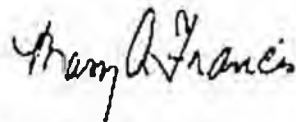
R.B. Stiles, President  
Alaska Coal Association



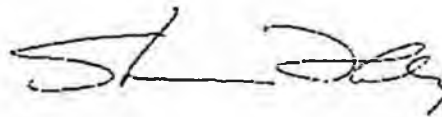
Gwen Lee, President  
Alaska Association of Developmental  
Disability Providers



Kathy Wasserman, President  
Alaska Conference of Mayors



Mary Francis, Executive Director  
Alaska Council of School Administrators



Sharman Haley, Chair  
Alaskans for Fair Taxes



David Tyler, President  
Alaska Fire Chief's Association



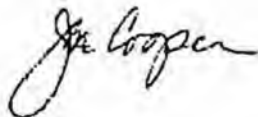
Stacy Schubert, President  
Anchorage Chamber of Commerce



Steve Borell, Executive Director  
Alaska Miners Association



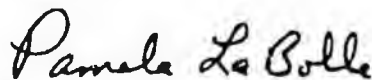
Bruce Bustamante, President & CEO  
Anchorage Convention & Visitors Bureau



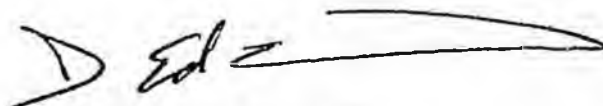
Jim Cooper, President  
Alaska Municipal League



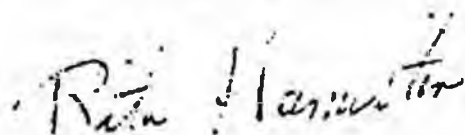
Larry Crawford, President & CEO  
Anchorage Economic Development  
Corporation



Pam La Bolle, President  
Alaska State Chamber of Commerce



Eden Larsen, President & CEO  
Associated Builders & Contractors of  
Alaska, Inc.



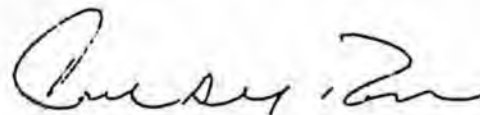
Rita Hamilton, President  
Alaska State Home Building Industry  
Association



Richard Cattnach, Executive Director  
Associated General Contractors of Alaska



Larry Houle, General Manager  
Alaska Support Industry Alliance



Carl Rose, President  
Association of Alaska School Boards

Terry Hoefflerle, CEO  
Bristol Bay Native Association

John Shively, President  
Resource Development Council for Alaska,  
Inc.

Jack Cushing, Mayor  
City of Homer  
Homer City Council

Michael Catsi, Executive Director  
Skagway Development Corporation

Pam Fitch, Mayor  
City of Unalaska

Kim Brink, President  
Wrangell Chamber of Commerce

Valerie McCandless, Mayor  
City of Wrangell

Mark Walker, Director  
Wrangell Community Services

Rich Heig, President  
Council of Alaska Producers

James A. Stough, President  
Wrangell Cooperative Association  
Wrangell Tribe

Lance Miller, Executive Director  
Juneau Economic Development Council

Brian D. Gilbert, CEO  
Wrangell Medical Center

Carl Evertsbusch, President  
Key Coalition of Alaska

Cheryl Jebe, President  
League of Women Voters of Alaska

Tonnie Barlow, President  
Wrangell School Board

March 24, 2004

Senate Finance Committee  
Senator Lyda Green Co-Chair  
Senator Gary Wilken, Co-Chair  
Senators Bunde, Stevens, Hoffman and Olson

Re: SB 366

Dear Senators,

It is with sincere regret I am unable to attend the hearing this morning at our local LIO.

As a member of the Kenai Peninsula Borough Assembly, I am keenly aware of the impact this legislation would have for the Peninsula, for the Borough and for our cities, all of which are so dependent on a local sales tax. I urge the committee not support this legislation.

The current two percent Borough sales tax is fully dedicated to support local education. It garners for the Borough about \$18 million per year. Because of the yearly education funding shortfall to the Kenai Peninsula, the Assembly has over the past years fully funded to the cap, 2003-2004 school year funding one third of the education budget in the amount of \$31 million dollars.

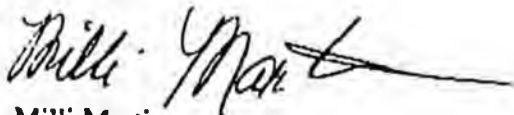
It is my view that a state sales tax would not only seriously impact the Kenai Peninsula, but it is not in the State's best interest. Administration alone would create a whole new bureaucracy at tremendous cost. It would also force on municipalities exemptions that would override those currently in place that best serve each individual municipality.

A sales tax is not the route the state should be going. Instead I believe the plan put forward by Governor Jay Hammond would best serve this wonderful state.

Please vote no on SB 366.

Thank you,

Sincerely,



Milli Martin  
P.O. Box 2652  
Homer, AK 99603

TESTIMONY ON SB 366  
WEDNESDAY, April 14, 2004

Good Morning Senators

Thank you for the opportunity to testify on SB366 this morning. I know you are all busy, so I will be brief. My name is Debra Mack and I am the City Clerk for the City of Unalaska. Part of my job responsibilities as a City Clerk for the last 25 years has been the enforcement and collection of local sales tax for the Cities of Sand Point and Unalaska.

I am speaking today in opposition to SB366, for all the reasons that have already been submitted to you by other municipalities, individuals and AML. I won't reiterate them here.

What I would like to share with you today is my perspective of SB366 as a person that enforces a sales tax ordinance and collects local sales tax.

Unalaska has approximately 400 licensed businesses. On any given day, roughly 10-15% of them are on our delinquent list for failure to file reports or remit taxes. That's 40 to 60 businesses, just in Unalaska with only a 3% sales tax. My office works directly with each of these on a monthly basis, sometimes weekly. We have developed relationships with these businesses, and it is a full time job to stay on top of it. It is my opinion that transferring the collection effort from a local effort to a State effort, and increasing the tax rate, will only make this statistic rise. Who will lose the most when this happens? The municipalities.

It scares me to think that if this bill is passed, local tax collectors will no longer have the authority to demand taxes from our local businesses. The respect and authority that many of us have built up over the years will be gone, in an instant. Last year's bill included a provision to allow the State to contract with cities for enforcement. Cities partnering with the State for the collection of local and state sales tax has been left out of this version. If this bill were to pass, cooperation with municipalities is what will make it work.

I find it almost impossible to believe that a State Department will be able to collect taxes better than those of us who have been doing it for years. We are the face of local government when it comes to delinquent sales tax. The State now proposes to take that face away.

I believe that, over time, the smaller communities will be forgotten in this process if the State assumes the responsibility. How will the State of Alaska enforce the collection of sales tax in a state as vast as Alaska without a road system? Will there be sufficient funds to travel to the smaller communities to enforce this law? I don't believe there will be. Anchorage businesses have never had to collect a sales tax. I believe that enforcement will be focused in the larger communities. The smaller communities, who are not on the road system, will be the losers. And for many of us, sales tax is our main source of revenue.

Levying a sales tax and enforcing a sales tax are two entirely different things. I would ask that the State research exactly how enforcement and collections will be handled for municipalities, and exactly what the cost will be. I think you will be surprised.

I'm concerned that the exemptions listed in the bill are not clear enough. In my experience, businesses will study this law to find every loophole they can, and they will find them. The City of Unalaska is very concerned that there is a possibility of a sales tax exemption on the purchase of marine fuel. Like many Alaskan coastal communities, the majority of Unalaska's sales tax revenue is generated from the sale of marine fuel. This exemption will have a devastating effect for Unalaska.

The proposed tax cap of \$60 on a single sale, lease or rental is sure to have serious consequences for municipalities that don't currently have a cap. Unalaska is one of those entities that does not have a tax cap. Unalaska generates a large amount of sales tax from the rental of commercial and industrial properties in Unalaska. This revenue will disappear.

Another concern of mine is that many specifics of enforcement and remittance are left out of this bill. If passed, I realize that regulations will be developed to administer it.

However, when will municipalities have an opportunity to provide input to regulations that will affect them?

An example of this is I don't see in the bill that states how often the State will forward local tax revenue to the municipalities. Will it be once a year like the fisheries tax, or monthly like smaller municipalities will need to meet payroll? The rules should be clearly set out in SB366, so there is no misunderstanding. I can almost predict that each year, municipalities in your districts will be lined up trying to convince you to change a portion of this law because it doesn't work for them.

I have the same thought this year as I did last year. Before rushing into adopting a statewide sales tax, the State should consider input from people like me who have been enforcing sales tax regulations for years. We could share our knowledge, and assist the State with regulations that would help both the State and municipalities, if a sales tax bill does indeed get adopted.

Again, thank you for this opportunity to testify. It is my opinion, as a tax collector for the last 25 years, that a state sales tax to generate revenue is not in the best interest of the State of Alaska and its municipalities as a whole.

I sincerely urge you to consider not supporting this bill. Thank you



**CITY OF PETERSBURG**  
P.O. BOX 329 • PETERSBURG, ALASKA 99833  
TELEPHONE (907) 772-4511  
TELECOPIER (907) 772-3759

March 31, 2004

State of Alaska  
Senate Finance Committee  
FAX: 907-465-2187

Dear Committee Members:

Thank you for the opportunity to testify on the State Sales Tax issue.

My name is Ted Smith and I am the Mayor of Petersburg. Our community has an existing 6% sales tax and a 4% hotel bed tax. If the proposed State sales tax is added, the total tax combination between state and municipality will rise to 19%. These taxes are in addition to a 10 mill property tax currently levied by the city. A 19% tax is too large a burden for our residents and visitors to carry.

Not only will this new tax proposal discourage visitation to our State and local communities, it will most certainly curtail local purchases by our own citizens. Internet, television and catalog shopping by telephone are very attractive and convenient services and are a real threat to our State and local economies. Adding more sales tax to local purchases will result in more retail dollars leaving our communities and State.

I do not profess to know the final answer to the financial problems the State faces, but to implement a tax program as proposed, cripples local governments' ability to utilize their constitutional rights to levy taxes for their own community's needs. Is the State prepared to be responsible for municipal services that will be lost when a State wide sales tax is imposed? In addition, how large of a bureaucracy will be formed to administer this atrocious program?

I encourage you to look elsewhere other than a state-wide sales tax to improve the State's fiscal condition.

Respectfully Submitted,

Ted M. Smith  
Mayor

Provided during  
4/14/04 Public Testimony  
by Linda Freed,  
Kodiak  
City  
Manager

**CITY OF KODIAK  
RESOLUTION NUMBER 04-5**

**A RESOLUTION OF THE COUNCIL OF THE CITY OF KODIAK OPPOSING A  
STATEWIDE SALES TAX**

WHEREAS, the Legislature and Governor have considered new revenue sources to balance the state budget; and

WHEREAS, the Legislature and Governor have discussed initiating a statewide sales tax as a revenue-generating mechanism; and

WHEREAS, during the first half of the 23rd Alaska Legislature the Alaska State House introduced HB 293, and the Alaska State Senate introduced SB 220, which would implement a statewide sales tax; and

WHEREAS, at least 88 Alaskan communities, including the City of Kodiak, depend on a general municipal sales tax to pay for local services; and

WHEREAS, a statewide sales tax would produce revenue for the state at the expense of a majority of the municipalities in the state and to the detriment of the citizens and businesses of those municipalities; and

WHEREAS, if HB 293 and/or SB 220 are implemented in their current form, the following significant, negative effects would be felt by the City of Kodiak, its residents and businesses:

- The City of Kodiak would be required to reduce its local sales tax from 6% to 5%, an estimated annual loss of revenue of \$1.2 million dollars;
- The State of Alaska would collect the City of Kodiak's sales tax, resulting in an estimated annual loss of an additional 30%, or \$1.8 million dollars, of City sales tax revenue, based on studies from other states;
- The implementation of a statewide sales tax, as proposed, would result in the estimated annual loss of \$3 million dollars to the City of Kodiak, or 42% of its current sales tax revenue;
- These losses would occur in addition to funding cuts already sustained by municipalities with the elimination of revenue sharing and safe communities and capital matching grant program funding. From FY'03 to FY'05, this represents a loss of \$650,000 dollars in revenue to the City of Kodiak;
- In FY'04 \$3 million dollars is approximately 25% of the City of Kodiak's entire general fund budget;
- Annually, \$1 million dollars of local sales tax revenue is dedicated to the operation of Kodiak's harbors, \$900,000 of local sales tax revenue is used for road construction and \$100,000 of local sales tax revenue is dedicated to park and recreation facility construction;
- The additional \$1 million dollars in lost revenue would result in significant reductions and/or elimination of other city services (e.g. law enforcement, fire and EMS response, library services, and street maintenance);
- The State of Alaska, through legislation and regulation, would control all aspects of sales taxation in the state;

- Specifically, the City of Kodiak would have no local control over sales tax exemptions, sales tax cap, filing requirements, and/or penalties and interest;
- Businesses subject to sales tax collection would be required to file and pay the tax due monthly, rather than quarterly as provided by the City of Kodiak; and

WHEREAS, local control of sales tax sustains local services and ensures strong communities; and

WHEREAS, a state sales tax is unfair because it is based on a percentage of the cost of goods and services, which vary widely across the state; and

WHEREAS, the proposed sales tax hurts communities across the state with the exception of Anchorage and Fairbanks, because they have chosen to not levy a municipal sales tax; and

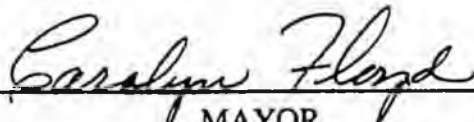
WHEREAS, other means exist to increase state revenues, including allocating surplus Permanent Fund earnings and levying an income tax, that do not create a similar negative burden on municipalities across the state; and

WHEREAS, in addition to establishing new state revenues, the state's fiscal gap can be closed by adopting a balanced, long-range revenue and spending plan that includes a comprehensive economic development strategy, sound fiscal policies, and structural budget changes that save money and increase efficiency, but do not shift costs to local taxpayers, hurt economic development efforts, or diminish key public services by implementing a statewide sales tax;

NOW, THEREFORE, BE IT RESOLVED by the Council of the City of Kodiak, Alaska, that the Alaska Legislature is urged to oppose a statewide sales tax.

BE IT FURTHER RESOLVED that the Alaska Legislature and Governor are urged to initiate other means, as suggested herein, to balance the state budget.

CITY OF KODIAK

  
MAYOR

ATTEST:

  
CITY CLERK

Adopted: January 22, 2004





SENATE FINANCE COMMITTEE  
PUBLIC TESTIMONY  
SIGN-IN

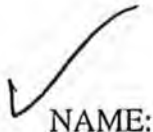
SB 366-STATE SALES TAX

NAME: LIOTTA FREED Subject/Bill No: SB 366  
Co./Dept./Title: CITY OF KODIAK, CITY MANAGER Phone: 486-8640  
Address: 710 MILLBAY RD. KODIAK AK Zip: 99615  
Do you wish to testify?  Yes  No  Respond To Questions

NAME: \_\_\_\_\_ Subject/Bill No: \_\_\_\_\_  
Co./Dept./Title: \_\_\_\_\_ Phone: \_\_\_\_\_  
Address: \_\_\_\_\_ Zip: \_\_\_\_\_  
Do you wish to testify?  Yes  No  Respond To Questions

NAME: \_\_\_\_\_ Subject/Bill No: \_\_\_\_\_  
Co./Dept./Title: \_\_\_\_\_ Phone: \_\_\_\_\_  
Address: \_\_\_\_\_ Zip: \_\_\_\_\_  
Do you wish to testify?  Yes  No  Respond To Questions

NAME: \_\_\_\_\_ Subject/Bill No: \_\_\_\_\_  
Co./Dept./Title: \_\_\_\_\_ Phone: \_\_\_\_\_  
Address: \_\_\_\_\_ Zip: \_\_\_\_\_  
Do you wish to testify?  Yes  No  Respond To Questions



NAME: Doris Bailey Sitka Subject/Bill No: \_\_\_\_\_

Co./Dept./Title: Deputy Mayor City + Borough of Sitka Phone: 747-1811

Address: \_\_\_\_\_ Zip: \_\_\_\_\_

Do you wish to testify?  Yes  No  Respond To Questions

NAME: \_\_\_\_\_ Subject/Bill No: \_\_\_\_\_

Co./Dept./Title: \_\_\_\_\_ Phone: \_\_\_\_\_

Address: \_\_\_\_\_ Zip: \_\_\_\_\_

Do you wish to testify?  Yes  No  Respond To Questions

NAME: \_\_\_\_\_ Subject/Bill No: \_\_\_\_\_

Co./Dept./Title: \_\_\_\_\_ Phone: \_\_\_\_\_

Address: \_\_\_\_\_ Zip: \_\_\_\_\_

Do you wish to testify?  Yes  No  Respond To Questions

NAME: \_\_\_\_\_ Subject/Bill No: \_\_\_\_\_

Co./Dept./Title: \_\_\_\_\_ Phone: \_\_\_\_\_

Address: \_\_\_\_\_ Zip: \_\_\_\_\_

Do you wish to testify?  Yes  No  Respond To Questions

NAME: \_\_\_\_\_ Subject/Bill No: \_\_\_\_\_

Co./Dept./Title: \_\_\_\_\_ Phone: \_\_\_\_\_

Address: \_\_\_\_\_ Zip: \_\_\_\_\_

Do you wish to testify?  Yes  No  Respond To Questions

# SB 366 Sales Tax

NAME: JACK SHAY Subject/Bill No: \_\_\_\_\_

Co./Dept./Title: BOROUGH ASSEMBLY Phone: 228-6605

Address: 344 FRONT ST KETCH Zip: 99901

Do you wish to testify?  Yes  No  Respond To Questions

NAME: DOUG STARK Subject/Bill No: SB 366

Co./Dept./Title: COUNCILMAN - CITY OF HOMER Phone: 235-5537

Address: 2073 HORIZON CT Zip: 99603

Do you wish to testify?  Yes  No  Respond To Questions

NAME: \_\_\_\_\_ Subject/Bill No: \_\_\_\_\_

Co./Dept./Title: \_\_\_\_\_ Phone: \_\_\_\_\_

Address: \_\_\_\_\_ Zip: \_\_\_\_\_

Do you wish to testify?  Yes  No  Respond To Questions

NAME: \_\_\_\_\_ Subject/Bill No: \_\_\_\_\_

Co./Dept./Title: \_\_\_\_\_ Phone: \_\_\_\_\_

Address: \_\_\_\_\_ Zip: \_\_\_\_\_

Do you wish to testify?  Yes  No  Respond To Questions

NAME: \_\_\_\_\_ Subject/Bill No: \_\_\_\_\_

Co./Dept./Title: \_\_\_\_\_ Phone: \_\_\_\_\_

Address: \_\_\_\_\_ Zip: \_\_\_\_\_

Do you wish to testify?  Yes  No  Respond To Questions

# SB366 Sales Tax

NAME: Timi Bourcy Subject/Bill No: 366

Co./Dept./Title: Mayor City of Skagway Phone: 983-2544

Address: Box 179 Skagway AK Zip: 99840

Do you wish to testify?  Yes  No  Respond To Questions

NAME: \_\_\_\_\_ Subject/Bill No: \_\_\_\_\_

Co./Dept./Title: \_\_\_\_\_ Phone: \_\_\_\_\_

Address: \_\_\_\_\_ Zip: \_\_\_\_\_

Do you wish to testify?  Yes  No  Respond To Questions

NAME: \_\_\_\_\_ Subject/Bill No: \_\_\_\_\_

Co./Dept./Title: \_\_\_\_\_ Phone: \_\_\_\_\_

Address: \_\_\_\_\_ Zip: \_\_\_\_\_

Do you wish to testify?  Yes  No  Respond To Questions

NAME: \_\_\_\_\_ Subject/Bill No: \_\_\_\_\_

Co./Dept./Title: \_\_\_\_\_ Phone: \_\_\_\_\_

Address: \_\_\_\_\_ Zip: \_\_\_\_\_

Do you wish to testify?  Yes  No  Respond To Questions

NAME: \_\_\_\_\_ Subject/Bill No: \_\_\_\_\_

Co./Dept./Title: \_\_\_\_\_ Phone: \_\_\_\_\_

Address: \_\_\_\_\_ Zip: \_\_\_\_\_

Do you wish to testify?  Yes  No  Respond To Questions





















SENATE FINANCE COMMITTEE

SIGN-IN

SB 366-STATE SALES TAX

NAME: Dave Shaw Subject/Bill No: \_\_\_\_\_  
Co./Dept./Title: ARRP Phone: \_\_\_\_\_  
Address: Jim Zip: 99802  
Do you wish to testify? \_\_\_ Yes  No \_\_\_ Respond To Questions

NAME: Kevin Ritchie Subject/Bill No: Sales tax 766  
Co./Dept./Title: At Municipal League Phone: 5861325  
Address: 217 2nd St Juv 99801 Zip: 99801  
Do you wish to testify?  Yes \_\_\_ No \_\_\_ Respond To Questions

NAME: \_\_\_\_\_ Subject/Bill No: \_\_\_\_\_  
Co./Dept./Title: \_\_\_\_\_ Phone: \_\_\_\_\_  
Address: \_\_\_\_\_ Zip: \_\_\_\_\_  
Do you wish to testify? \_\_\_ Yes \_\_\_ No \_\_\_ Respond To Questions

NAME: \_\_\_\_\_ Subject/Bill No: \_\_\_\_\_  
Co./Dept./Title: \_\_\_\_\_ Phone: \_\_\_\_\_  
Address: \_\_\_\_\_ Zip: \_\_\_\_\_  
Do you wish to testify? \_\_\_ Yes \_\_\_ No \_\_\_ Respond To Questions









