

**ALASKA LEGISLATURE**

**2471**

**HOUSE and SENATE FINANCE COMMITTEE FILES, 2003-2004**

# The 'ELF' in Alaska's Oil Taxes

- Kuparuk's ELF is about .2 now.
- .2 times 15% equals 3%.
- Thus, Kuparuk pays a 3% production tax.
- Prudhoe's ELF is .86.

# The 'ELF' in Alaska's Oil Taxes

- The formula is actually quite complex.

AS 43.55.013. Economic Limit Factor.

(a) [Repealed, Sec. 18 ch 116 SLA 1981].

(b) The economic limit factor for oil production of a lease or property shall be computed according to the following formula:

$$(1 - [\text{PEL}/\text{TP}]) \exp^{-50,000/(\text{TP}/\text{Days})} \exp [ (460 \times \text{WD})/\text{PEL} ]$$

where:

PEL = the monthly production rate at the economic limit;

TP = the total production during the month for which the tax is to be paid;

WD = the total number of well days in the month for which the tax is to be paid;

Days = the number of days in the month for which the tax is to be paid; and

exp = exponent.

# The 'ELF' in Alaska's Oil Taxes

- ELF was designed to encourage small field development.
- There are twenty fields now producing on the North Slope.
- Twelve pay no production tax at all.

# The 'ELF' in Alaska's Oil Taxes

- The Tarn field made 951,221 bbls in January 2004.
- Tarn has a 0.08 ELF meaning it pays a 1.2% production tax now
- Tarn's ELF will go to zero in 2007.

# The 'ELF' in Alaska's Oil Taxes

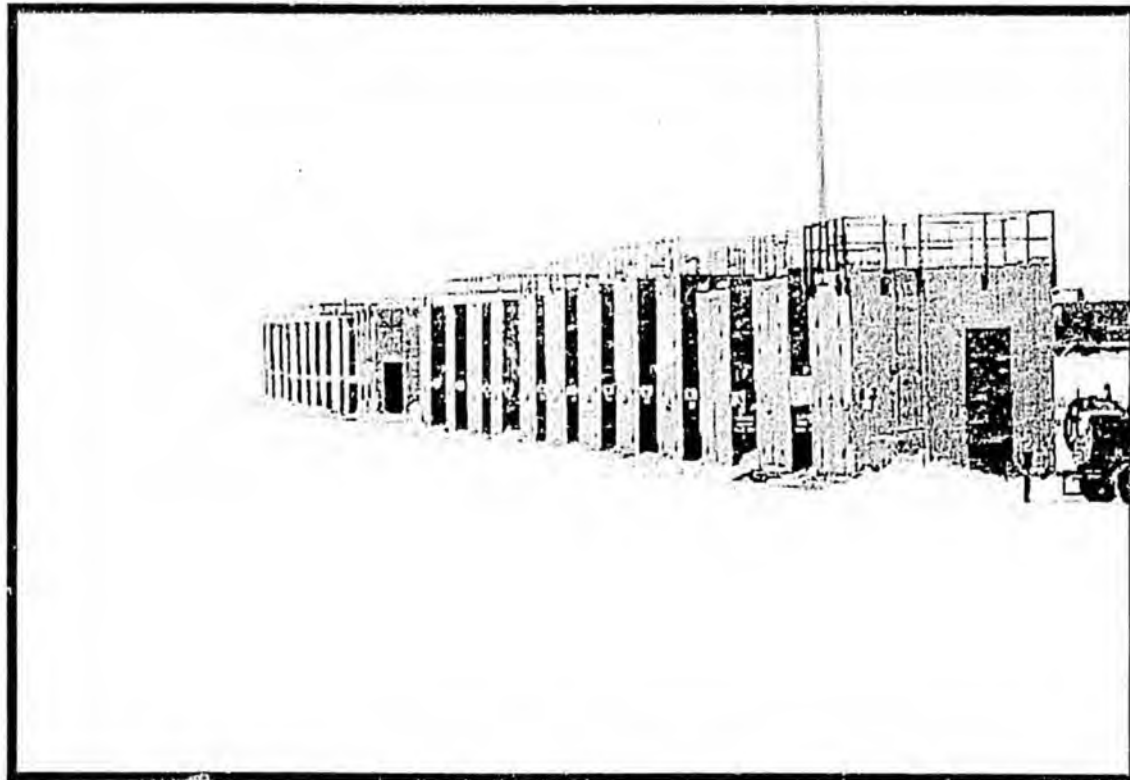
- Tarn is produced via Kuparuk's facilities.





# The 'ELF' in Alaska's Oil Taxes

- Tarn required only two drill sites and three ten mile pipelines.



# The 'ELF' in Alaska's Oil Taxes

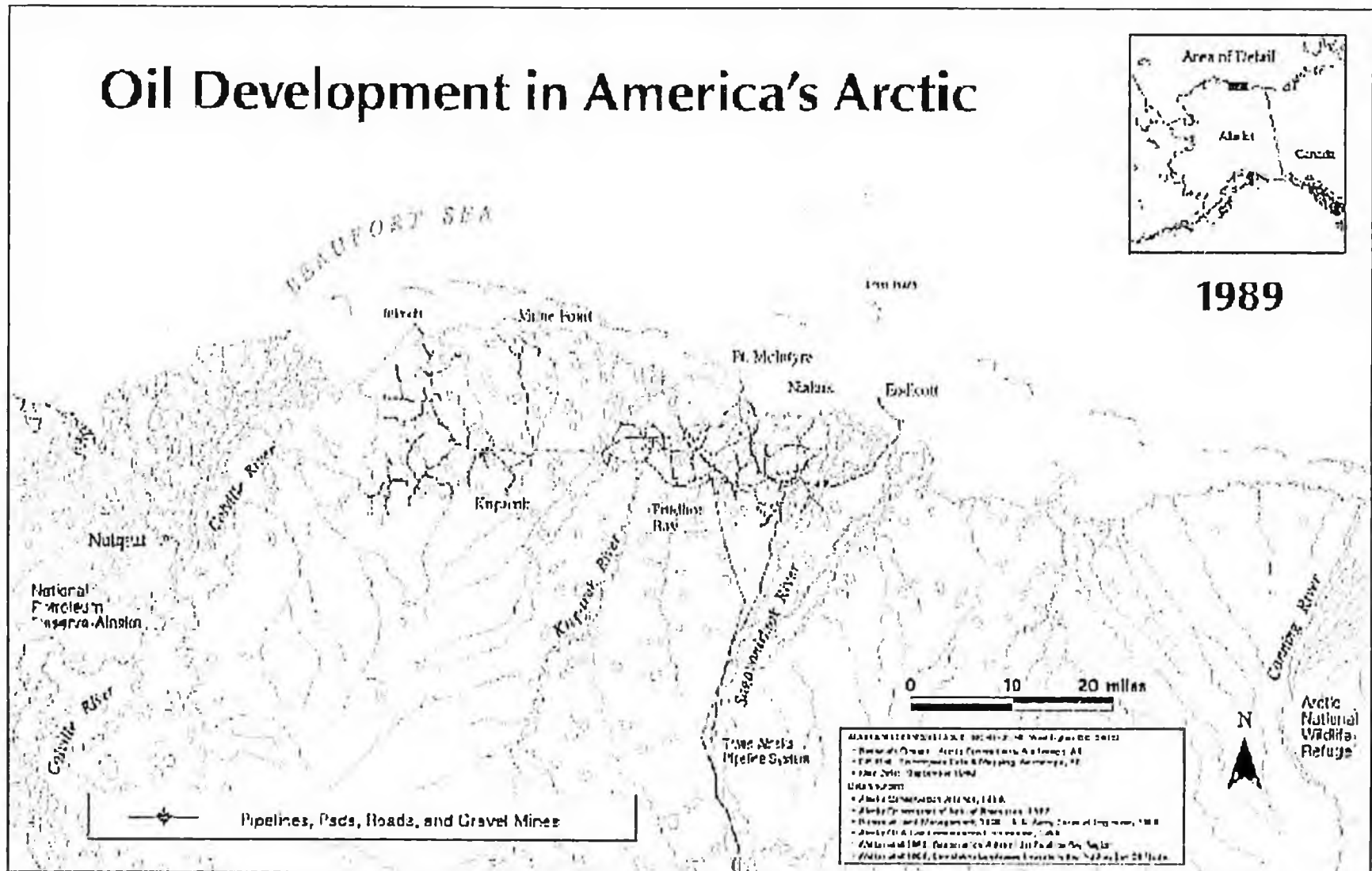
- The Tabasco field, also produced through Kuparuk's facilities, did not require even a drill site. It was drilled in seven wells off an existing pad at Kuparuk.
- Tabasco makes 2500 bbls of oil per day and pays no production tax.
- This modest field will make the producers 1,000,000 bbls of oil this year.

# The 'ELF' in Alaska's Oil Taxes

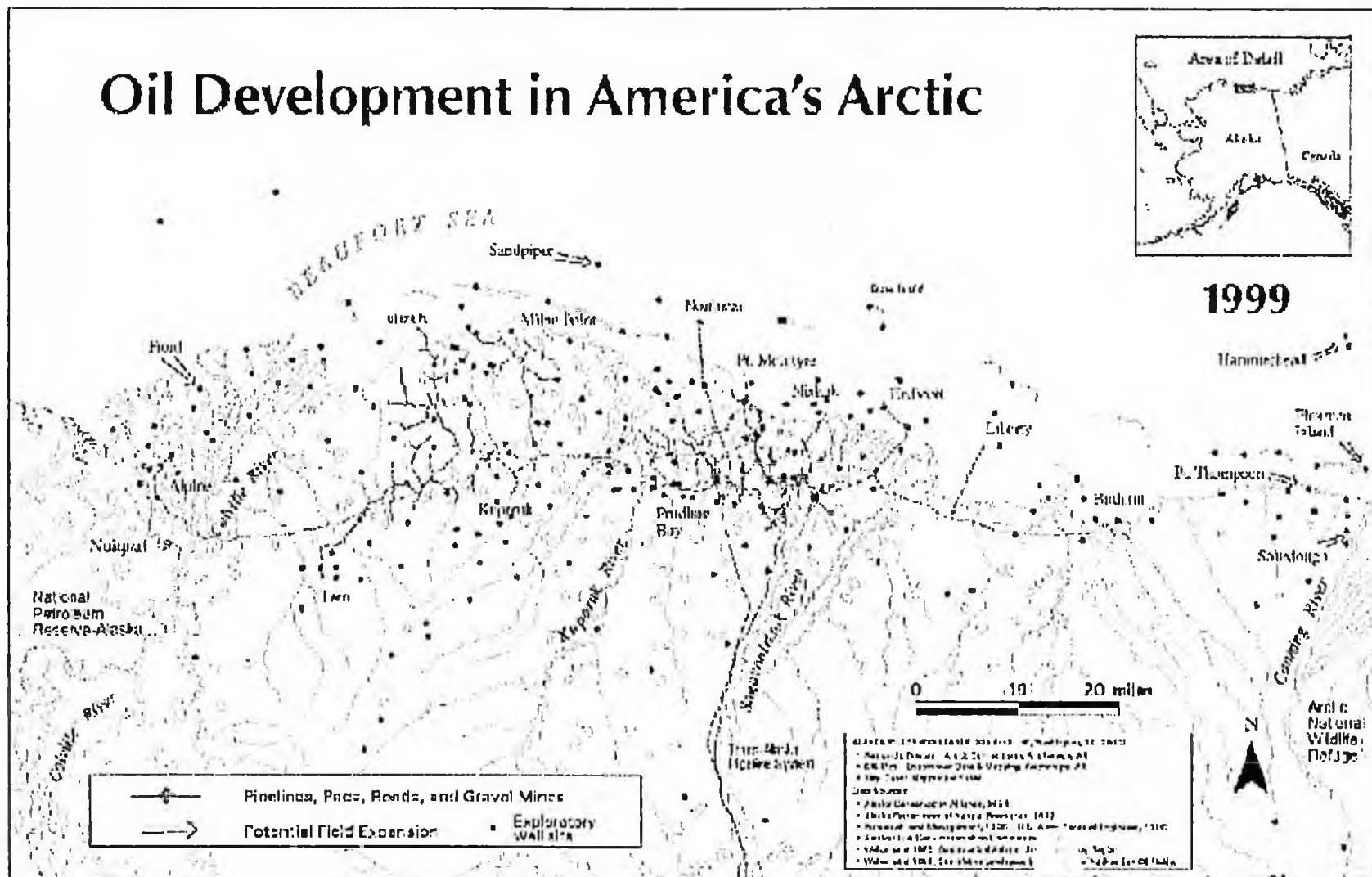
- As new fields come on to production, and pay no production tax, the overall production tax rate declines.
- The average production tax will fall from 13.5% in 1993 to 4% in 2013.



# The 'ELF' in Alaska's Oil Taxes



# The 'ELF' in Alaska's Oil Taxes



## **How the bill works**

- **Two principal reforms:**
- **The first simply establishes a minimum 5% production tax. All fields must pay the minimum 5%.**
- **This provision alone would raise \$75 million at \$22 per bbl.**

## **How the bill works**

- **The second major reform bases the production tax on the price of a barrel of oil.**
- **As the price rises, so does the tax. As the price of oil falls, so does the tax.**
- **The bill sets \$16 to \$20 oil as the norm.**

## **How the bill works**

- **Above \$20, the production tax would be multiplied by the price per barrel divided by 20.**
- **Below \$16, the production tax would be multiplied by the price per barrel divided by 16.**

## How the bill works

- **Example:** At \$30 oil, the new formula would divide 30 by 20 yielding 1.5.
- Thus, a field with a 10% production tax would pay an adjusted 15% production tax.
- The production tax cannot exceed 25% under the bill.

## How the bill works

- **Example:** At lower oil prices the production tax would be reduced. If oil goes to \$12 per barrel, the formula would divide 12 by 16 to yield .75. Thus the production tax on an oil field would be reduced by 25%.
- A 10% production tax would be reduced to 7.5%.

# **How the bill works**

- If oil prices fall below \$10 per barrel, the bill would waive half the production tax and would defer the other half until prices rise above \$16 per barrel.**
- There is also an inflation adjustment, that would gradually raise the \$16 to \$20 'norm'. The idea is to acknowledge that costs to industry rise over time.**

## **How the bill works**

- **Finally, the bill exempts ‘heavy oil’ from any of its measures. Heavy oil, like that contained in the West Sak reservoir, requires more expensive drilling and production measures.**

# **Production Tax Revenue**

- **In 2003, the State took in \$599 million in production taxes.**
- **The average price that year was \$28 per barrel.**
- **The average ELF was .50, meaning the average production tax rate was 7.5%.**

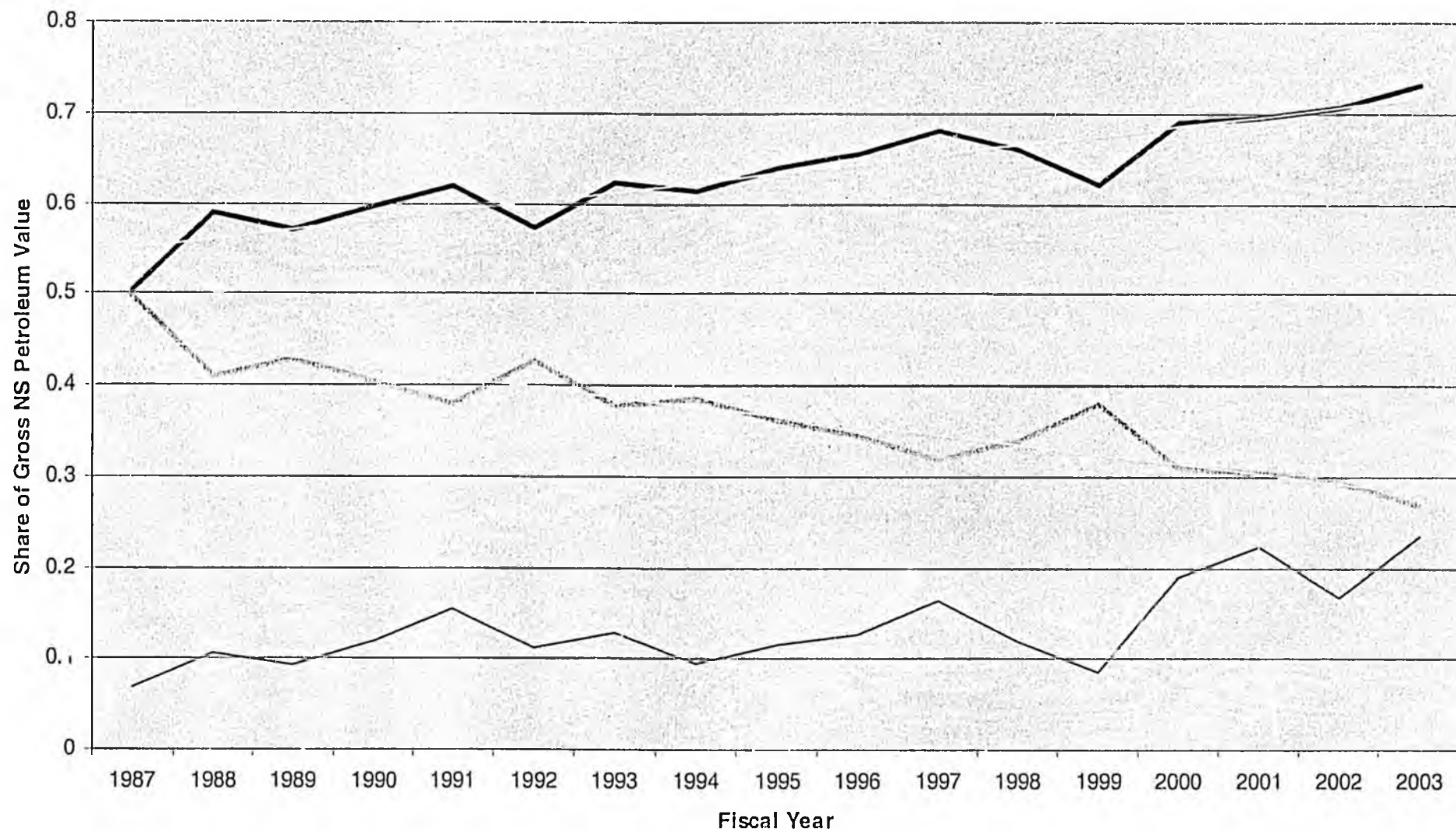
# **Production Tax Revenue**

- **Looking forward, the Department of Revenue forecasts an average price of \$22 per barrel.**
- **By 2013, the average ELF will fall to .27, meaning the average production tax will fall to 4.05%.**
- **2003: \$599 million.**
- **2013: \$180 million.**

# **Production Tax Revenue**

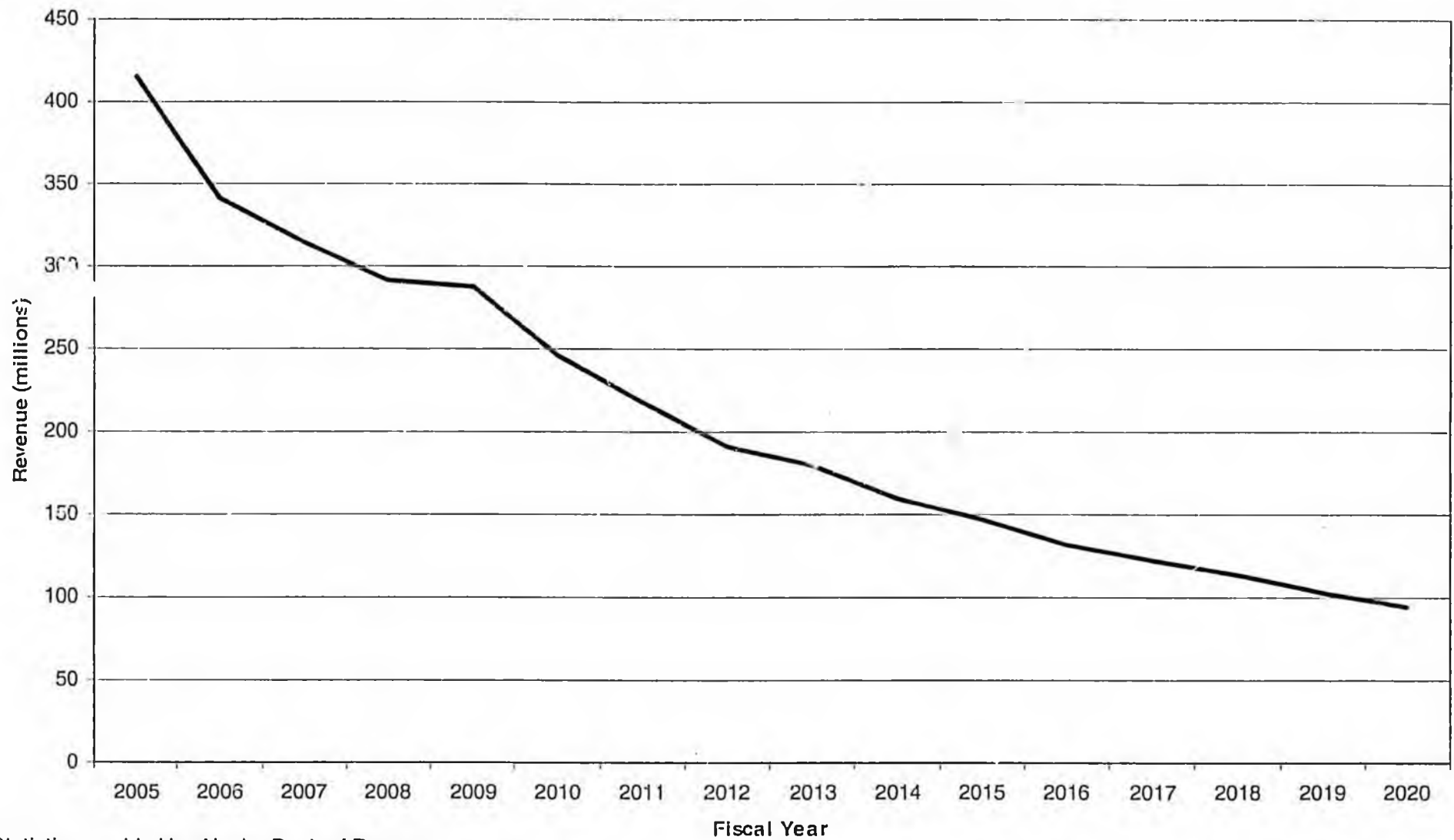
- Under this bill, the State would gain:**
- an additional \$110 million at \$22/bbl.**
- an additional \$400 million at \$30/bbl.**
- an additional \$500 million at \$32/bbl.**

Industry and Alaska's Benefit from NS Petroleum Against Oil Prices (1987-2003)



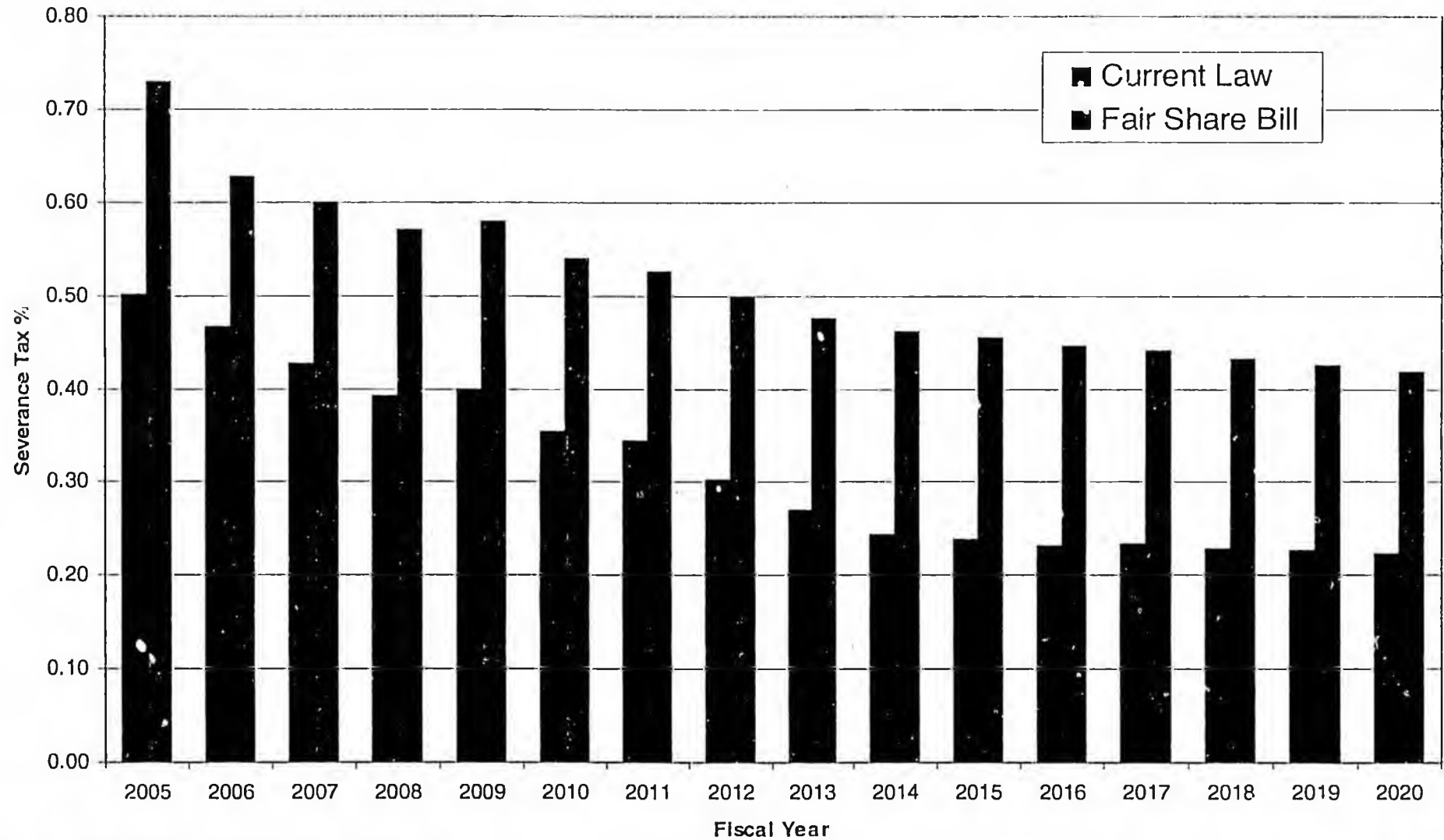
State Industry NS Oil Wellhead Value

# Forecasted Decline in Severance Tax Revenue: Current Law



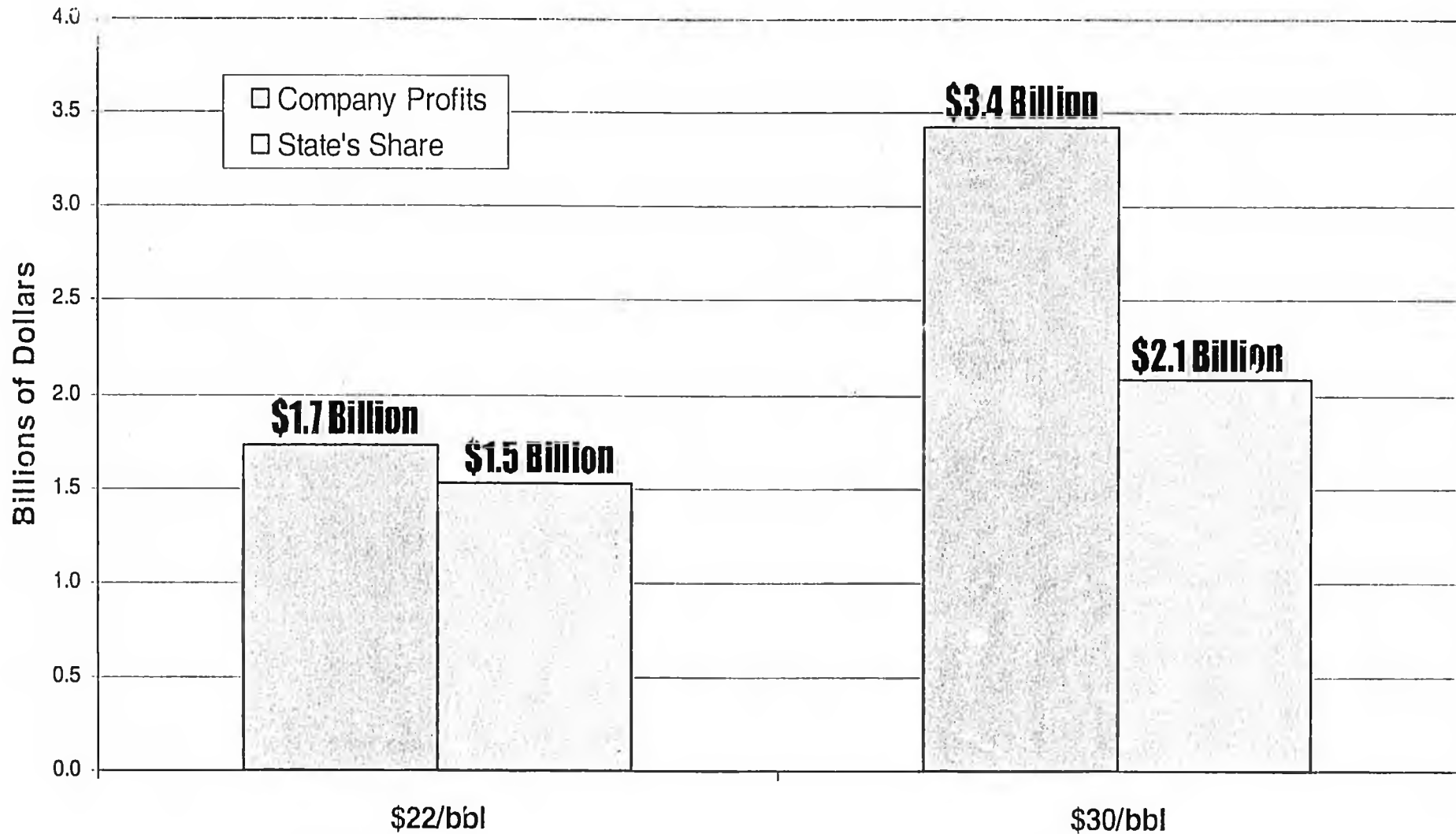
Statistics provided by Alaska Dept. of Revenue

# Average Severance Tax Rate at Forecasted Oil Prices: Current Law and Fair Share Bill



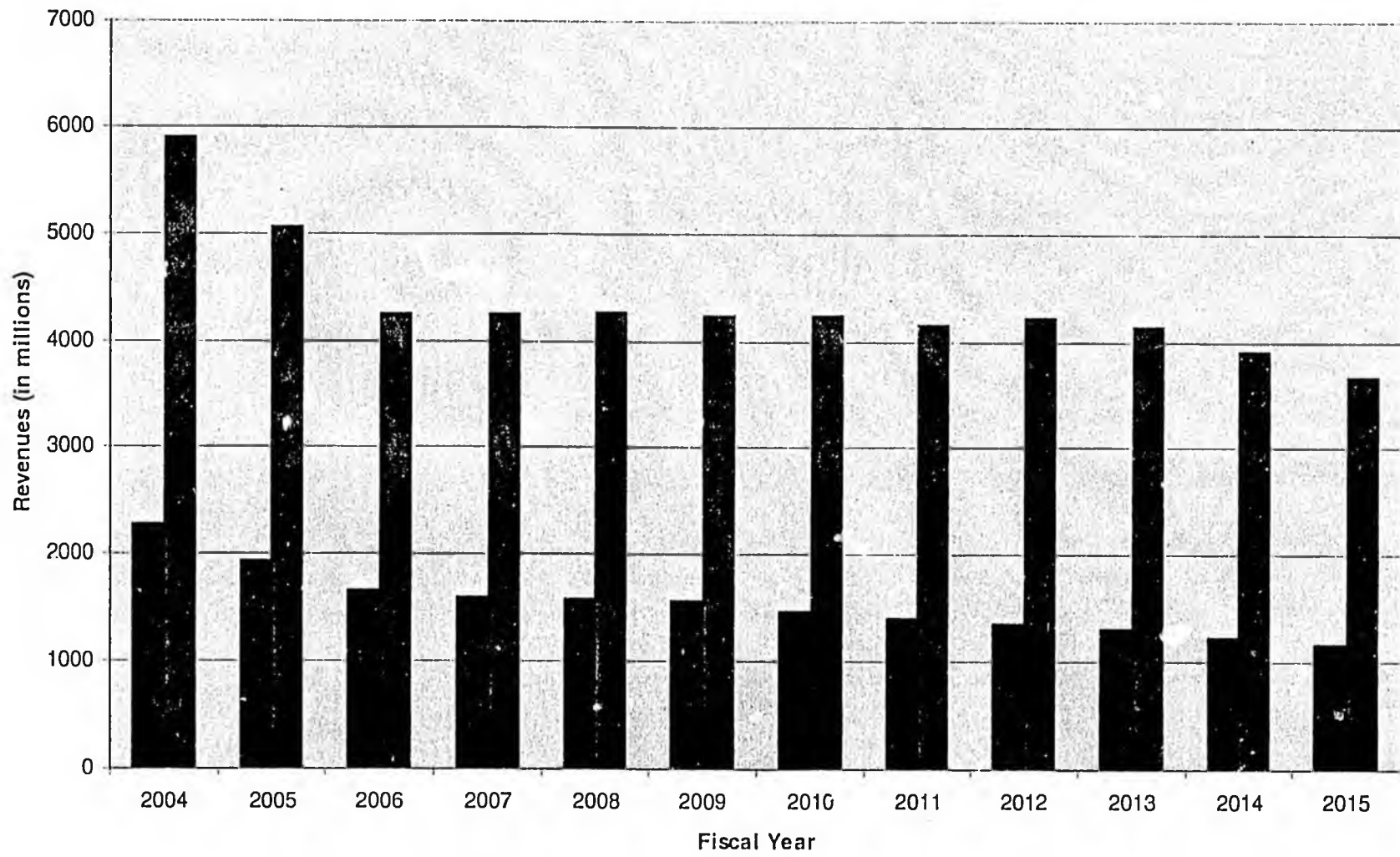
Statistics provided by Alaska Dept. of Revenue

# Comparison Between Oil Company Profits and State Revenue: Current Law



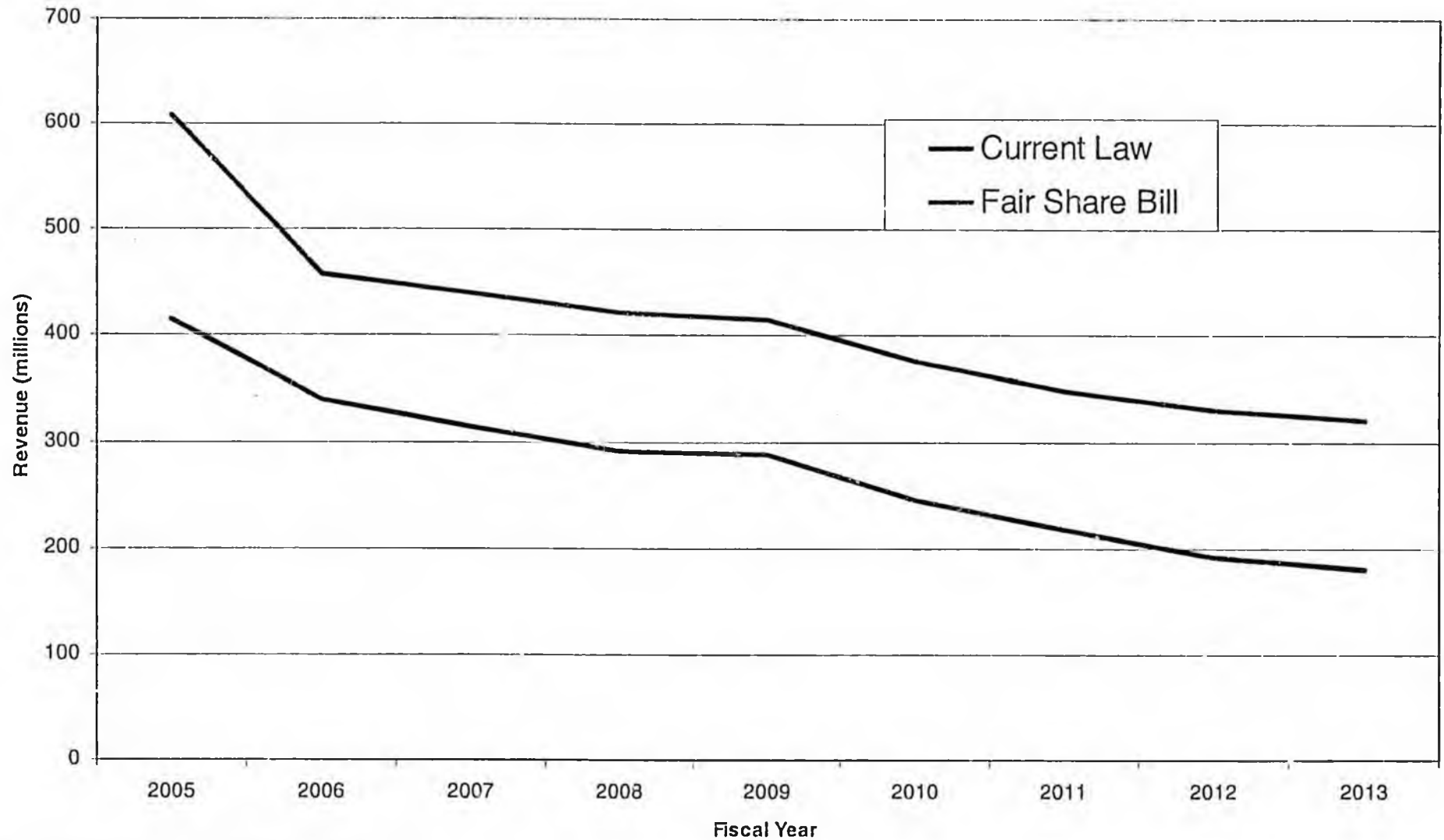
Statistics provided by Alaska Dept. of Revenue

Projected Distribution of ANS Production Value (2004-2015)



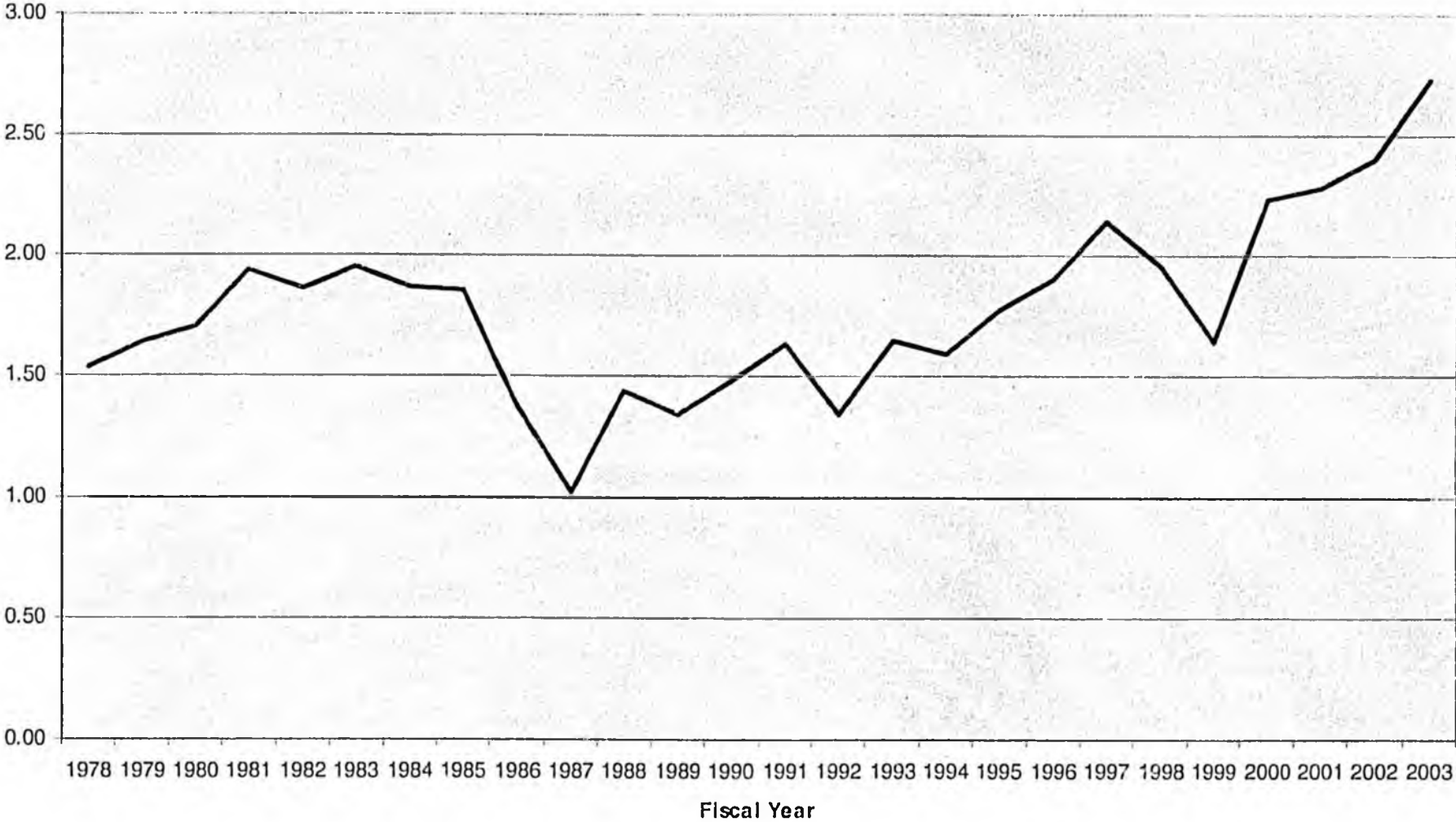
■ Alaska's Share of ANS Revenue      ■ Oil Industry Take of ANS Revenues

# Projected Severance Tax Revenue Under Current Law and Fair Share Bill at Forecasted Prices



Statistics provided by Alaska Dept. of Revenue

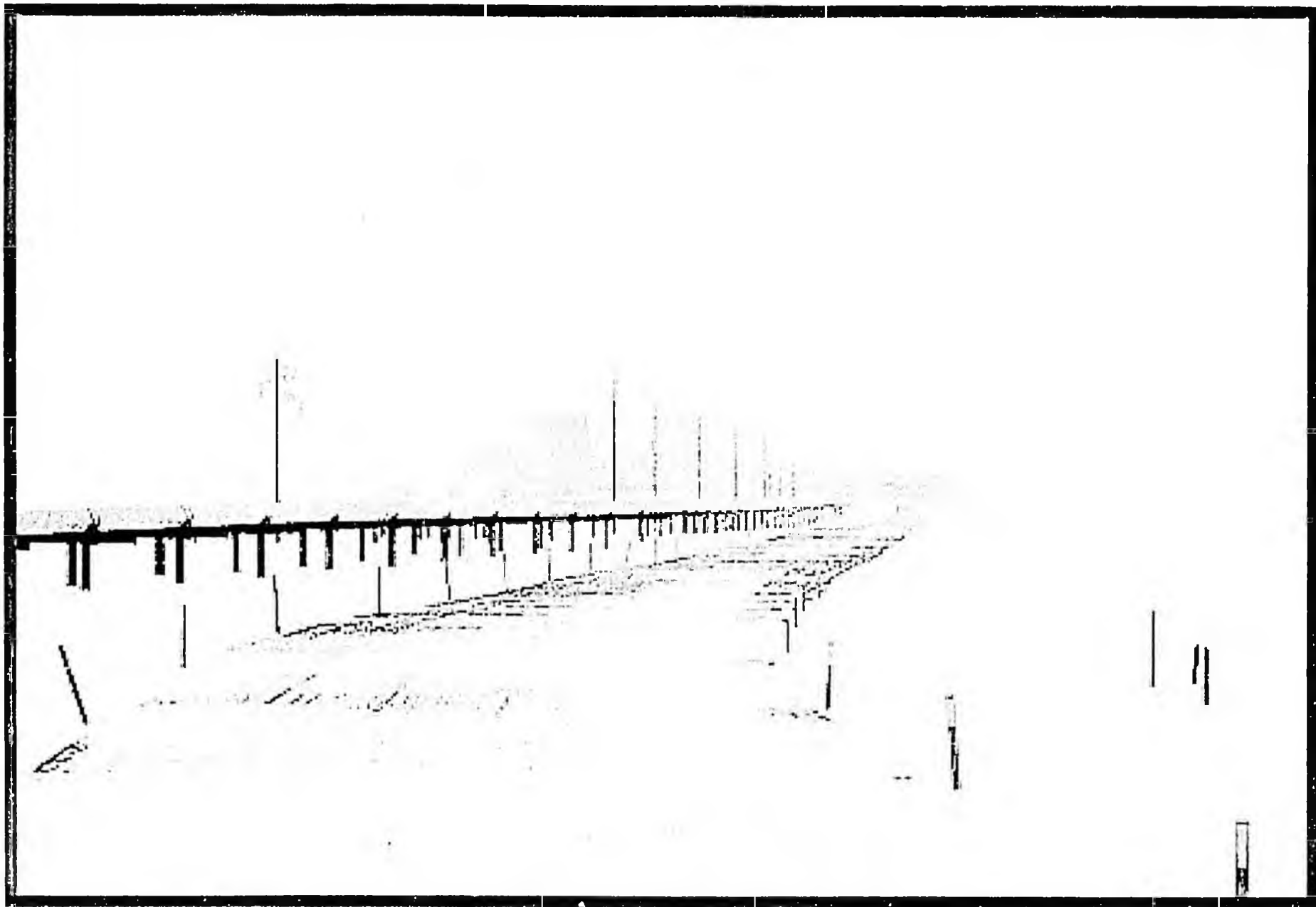
Ratio of Industry Take to State Revenues from ANS Production



Oil Industry State

# Conclusion

- **It is better to address this issue now, when there is no immediate crisis.**
- **It is better to take an incremental approach, rather than a wholesale “shelve the ELF” approach.**
- **It is better to give the oil industry certainty during the planning and design phases of the gas pipeline.**



Re: Presentation by Sen. French



North America's Source for Oil and Gas News  
December 2001

Vol. 6, No. 23

Week of December 30, 2001

## Department of Revenue suggests oil production tax might need to be changed

**ELF designed to encourage small field development and ensure large fields aren't shut down early; Revenue recommends allowance for deduction of exploration and production costs to encourage re-investment in state**

Kristen Nelson

*PNA Editor-in-Chief*

The Alaska Department of Revenue is forecasting increased North Slope production — with new fields and satellite development bringing daily averages back over the 1 million barrel mark through fiscal year 2010.

But, Revenue said in its Fall 2001 Revenue Sources Book, issued in early December, Alaska's oil production is only about one-half of what it was when the massive Prudhoe Bay field peaked in 1988 and the new oil is taxed at a lower rate than oil than Prudhoe Bay oil, and will not bring the same tax benefit to the state.

The average rate of the production tax on Alaska North Slope crude oil has been falling as a result of the tax adjustment known as the economic limit factor — ELF.

ELF reduces the production tax rate on a reservoir based on the average rate of

production and the average productivity of the wells. Production rates and well productivity decline as a field is produced, so the average production tax rate falls. ELF also reduces the tax rate on smaller oil fields: most fields producing less than 20,000 barrels per day will pay little or no production tax, Revenue said.

The result is dramatic.

The base production tax rate is 15 percent. In fiscal year 1994, Revenue said, the average oil production tax rate for North Slope fields was 13.5 percent; the rate is projected to be 8.75 percent for fiscal 2002.

#### **ELF a major part of state's oil and gas taxes**

ELF is a major part of the state's oil and gas tax structure. Other taxes include: property taxes; royalty on oil and gas; bonus bids for leases; and corporate income tax.

Estimated unrestricted oil revenues for fiscal 2002 (which ends June 30) include: oil and gas property tax of \$43.2 million; oil and gas corporate income tax of \$150 million; production tax of \$450 million; and royalties including bonuses of \$506.1 million.

Estimated restricted oil revenues for fiscal 2002 include: royalties to permanent fund and school fund of \$226.7 million; settlements to constitutional budget reserve fund of \$100 million; and National Petroleum Reserve-Alaska royalties, rents and bonuses of \$1.3 million.

Of an estimated \$1.48 billion, the production tax is 30 percent.

#### **Is ELF working as intended?**

Revenue said that as Alaskans look at the state's fiscal situation, "it's also worthwhile to look at existing revenue sources and ask if they are working as intended. "

One of the purposes of ELF was to ensure that the production tax does not discourage development of smaller oil and gas fields. Revenue said the ELF formula is complicated, but the result is that the smaller the field or less productive the wells, the lower the tax rate. The current ELF formula took effect in 1989.

Another idea behind the ELF was that the actual tax rate should decline over time so that the production tax does not cause fields to prematurely shut down as they become less economic due to falling production, Revenue said.

#### **What is ELF?**

ELF is a multiplier between zero and one that reduces the actual tax rate for a

field, "based on average well productivity and the field's total daily production."

The oil production tax rate is 15 percent, with a 12.25 percent rate for the first five years of a field's production. An ELF of 0.5 would yield an effective tax rate of 7.5 percent. There is a minimum tax of 80 cents per taxable barrel. To calculate the effective tax rate, multiply the statutory tax rate, even if it is the minimum 80 cents, times the ELF.

In the ELF formula, Revenue said, "the two factors of well and field productivity are related exponentially" so "the drop in the ELF will be much steeper than if either of the two factors were applied alone."

Older, larger fields have rapidly declining production and there have been no discoveries of large fields to offset those declines, the department said. Most new standalone fields have production of 50,000 to 100,000 bpd.

#### How could ELF be changed?

The current ELF formula, Revenue said, was established in 1989 and "was predicated on conditions that were in place then. Those conditions have changed. Would it be appropriate to change the ELF as a consequence? While frequent changes in resources taxes creates instability — particularly where the economics are marginal — tax changes made in response to new conditions or structural deficiencies may be in the public interest."

Revenue said production fell 34 percent from 1990 to 2000. Over the same period, at a hypothetical oil price of \$15 a barrel, ELF dropped tax revenues by 53 percent.

"And while we forecast North Slope production remaining relatively flat between 2002 and 2010, because of ELF the average tax rate will fall 52 percent," Revenue said.

It is reasonable, the department said, for ELF to push the tax rate lower as production and declines because fixed operating costs will increase on a per barrel basis and gas and water handling costs may rise. "In addition, it is reasonable for the ELF to decline to zero by the end of a field's life."

But, Revenue asks, does the existing ELF reduce tax rates too quickly?

At Kuparuk the 2002 ELF was 0.6 and production was 212,000 barrels per day. ELF will be zero at Kuparuk in 2010 — but production is expected to be above 100,000 bpd and another 10 years of production is projected for the field.

"Is the ELF going to zero sooner than it needs to ensure maximum production?"

Disparity between large and small fields, satellites

Revenue also said that ELF may make too much of the operation cost disparity between large and small fields.

Under the existing ELF, a 50,000 bpd field with average well production of 450 bpd would have an ELF of 0.003. A 200,000 bpd field with the same average well production would have an ELF of 0.493. The smaller field would pay production tax at a rate of 0.045 percent while the larger field would pay at a rate of 7.395 percent.

"It is doubtful," Revenue said, "that the per barrel operating costs of the two fields would be so different as to justify the larger field paying a tax rate 164 times higher than the other field.

"It is worth asking: Is the ELF formula doing its job the way it should, or does it need changing?" Revenue said.

The effect of ELF on taxes from satellite fields is also an issue, as satellites have been developed in the last 10 years — since the existing ELF formula was set in 1989.

Satellites have lower production, with maximum levels in the 5,000 bpd to 50,000 bpd range, but Revenue said the ELF rates for these fields are "very low, and zero in many cases.

"However, given the degree to which these fields share costs with large, profitable fields, and the degree to which many of these costs have already been recovered, the economics of such fields are not the same as those of similarly sized fields that stand alone."

#### **ELF components could be separated**

Revenue said a possible modification to the existing ELF formula "would be to have separate components in the ELF formula for total field production and well productivity." Both are key indicators of field profitability, the department said, but "they are largely independent. Thus, rather than treat them exponentially, where their effects over exaggerate economic tendencies when mixed, the ELF formula could be modified so that these distinct features could be summed.

"For example, the ELF could consist of a total field productivity component and a separate well productivity component. Each of these components could be weighted 50 percent in the final ELF factor for each field."

Revenue said this "would result in less drastic swings in tax rates as field or well productivity changes.

"In general," the department said, "where rates are now high they would be lower, and where they are now low they would be higher."

And as a side benefit to having an ELF which would decline less drastically over time, Revenue said, the proposed change "would also make the ELF easier to understand."

#### **Price coul**

In addition to the exponential problem in the current ELF formula, Revenue said there are two other major problems with the production tax.

The production tax rate is fixed, which means "the government's share of profits is high when profits are low, and low when profits are high." This regressive feature of the production tax "creates an unbalanced situation," Revenue said.

"At low prices or high costs, the burden of the tax creates additional investment risk. At high prices the state's share of the profits is much less than in internationally comparable conditions and the state leaves money on the table."

If oil price were incorporated into the ELF formula, the production tax system would be progressive: the tax rate would vary with oil price and the government's share of profits would be lower when profits were low and higher when profits were high.

"Having the tax rate vary with price is another way to better balance the tax system under a wide range of economic conditions, while maintaining international competitiveness for attracting investment," Revenue said.

#### **Investment could be encouraged**

The other major problem with Alaska's production tax, Revenue said, is that it does not encourage re-investment in the state. The tax system is based on gross revenue at the wellhead.

"Unlike other jurisdictions," Revenue said, "the regressive system in Alaska does not allow deduction of exploration and development costs. In those other jurisdictions, taxes are reduced by investing there, and companies that invest pay less taxes than those that do not."

Because Alaska does not allow deduction of exploration and development costs from taxes, its tax system "may induce companies to take their Alaska profits and invest them elsewhere," Revenue said.

"A tax credit for exploration and development would enhance interest in investing here. The credit could be capped so as not to drop the actual production tax rate too much, but enough to be attractive to exploration and development."

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**R I B E**

Translate this story to your language: from

SENATE BILL NO. 366

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

BY THE SENATE FINANCE COMMITTEE BY REQUEST

Introduced:  
Referred:

A BILL

FOR AN ACT ENTITLED

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

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

5 \* Section 1. AS 04.21.010(c) is amended to read:

6 (c) A municipality may not impose taxes on alcoholic beverages except a

7 (1) property tax on alcoholic beverage inventories;

8 (2) sales and use tax levied under AS 29.45.650 or 29.45.700 [TAX  
9 ON ALCOHOLIC BEVERAGE SALES IF SALES TAXES ARE IMPOSED ON  
10 OTHER SALES WITHIN THE MUNICIPALITY];

11 (3) sales tax on alcoholic beverage sales that was in effect before  
12 July 1, 1985 [; AND

13 (4) SALES AND USE TAX ON ALCOHOLIC BEVERAGES IF THE  
14 SALE OF ALCOHOLIC BEVERAGES WITHIN THE MUNICIPALITY HAS

3/17/04 distributed  
-1- by Sen. B. Stevens  
New Text Underlined (DELETED TEXT BRACKETED)

1 BEEN PROHIBITED UNDER AS 04.11.491(a)(1), (4), OR (5)].

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

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

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

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

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

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

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

15 (52) AS 29.45.700 [AS 29.45.700(d) AND (e)] (sales and use tax);

16 \* Sec. 5. AS 29.35.110(a) is amended to read:

17 (a) Borough revenues received through taxes levied [COLLECTED] on an  
18 areawide basis by the borough may be expended on general administrative costs and  
19 on areawide functions only. Borough revenues received through taxes levied  
20 [COLLECTED] on a nonareawide basis may be expended on general administrative  
21 costs and functions that render service only to the area outside all cities in the  
22 borough.

23 \* Sec. 6. AS 29.35.170 is amended to read:

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

27 (b) Taxes, other than sales and use taxes, levied by a city shall be collected  
28 by a borough and returned in full to the levying city. This subsection applies to home  
29 rule and general law municipalities.

30 \* Sec. 7. AS 29.45.650 is repealed and reenacted to read:

31 Sec. 29.45.650. Sales and use tax. (a) Except as provided in AS 29.45.750, a

1 borough may levy a sales and use tax. If a borough levies a sales and use tax, it must  
2 conform exactly to the statewide sales and use tax levied and collected under  
3 AS 43.44, except that the municipal sales and use tax may be levied at any rate.

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

9 \* Sec. 8. AS 29.45.660(a) is amended to read:

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

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

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

23 \* Sec. 9. AS 29.45.670 is amended to read:

24 Sec. 29.45.670. Referendum, adoption, and modification. A new sales and  
25 use tax or an increase in the rate of levy of a sales tax approved by ordinance does not  
26 take effect until ratified by a majority of the voters at an election. A municipality  
27 may not require that a new sales and use tax or an increase in the rate of levy of a  
28 sales tax approved by ordinance be ratified by more than 50 percent plus one of  
29 the voters voting on the issue.

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

31 Sec. 29.45.700. Power of levy. A city may levy a sales and use tax in the

1 manner provided for boroughs under AS 29.45.650.

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

3 (b) A municipality that levies [AND COLLECTS] a sales tax on mobile  
4 telecommunications services shall do so in accordance with the provisions of 4 U.S.C.  
5 116 - 126 (Mobile Telecommunications Sourcing Act).

6 \* Sec. 12. AS 29.45.810(a) is amended to read:

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

14 \* Sec. 13. AS 43 is amended by adding a new chapter to read:

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

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

18 (b) A use tax is levied on the privilege of using in the state tangible personal  
19 property or services. The use tax is not levied if the sales tax levied in (a) of this  
20 section has been paid.

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

23 **Sec. 43.44.020. Exemptions.** The tax levied under AS 43.44.010 does not  
24 apply to

25 (1) tangible personal property or services that are

26 (A) explicitly exempted from taxation under another provision  
27 of state law; or

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

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

1 and

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

5 (2) medical care, including

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

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

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

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

18 (5) the sale of natural gas, water, electricity, steam, or refuse and  
19 garbage collection service.

20 **Sec. 43.44.030. Collection of sales and use tax.** (a) A seller shall add the  
21 amount of the sales tax levied by this chapter and the amount of any municipal sales  
22 tax levied under AS 29.45 to the sales price of personal property or services subject to  
23 the tax. The tax shall be stated separately on any receipt, invoice, or other record of  
24 the transaction.

25 (b) A seller shall collect the sales tax levied by this chapter and any municipal  
26 sales tax levied under AS 29.45 from the buyer and remit the tax collected to the  
27 department not later than 30 days following the last day of the month in which the tax  
28 was collected.

29 (c) A seller remitting the sales tax collected under this chapter to the  
30 department within 30 days following the last day of the month in which the tax was  
31 collected may retain one percent of the amount collected to cover expenses associated

1 with collecting and remitting the tax.

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

5 **Sec. 43.44.040. Payment of use tax.** A user subject to the use tax shall remit  
6 the tax levied under this chapter and any municipal use tax levied under AS 29.45 to  
7 the department not later than 30 days following the last day of the month in which the  
8 taxable use occurs.

9 **Sec. 43.44.050. Accounting.** The department shall deposit the proceeds of the  
10 tax levied under this chapter in the general fund of the state and remit the proceeds of  
11 any municipal sales and use tax collected under AS 43.44.030(b) and 43.44.040 to the  
12 municipality levying the tax.

13 **Sec. 43.44.060. 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, or  
15 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) From the total combined state and municipal sales and use taxes collected  
19 within the boundaries of a municipality, the department shall remit to the municipality  
20 the amount described under this subsection. If the rate of a sales and use tax levied by  
21 a municipality is

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

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

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

30 (4) five percent or more, the department shall round up to the next  
31 whole number and remit the amount that would have been collected in the

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

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

6 (b) The tax computation shall be

7 (1) carried to the third decimal place;

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

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

12 **Sec. 43.44.080. Tax credit for sales or use tax paid to another state.** (a) A  
13 buyer liable for use tax on tangible personal property or services is entitled to a full  
14 credit for the amount of sales or use tax paid on the tangible personal property or  
15 services to another state.

16 (b) The credit shall be applied first against the amount of use tax levied under  
17 this chapter. Any unused portion of the credit shall then be applied against the amount  
18 of use tax levied by a municipality under AS 29.45.650 or 29.45.700.

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

22 (b) A buyer is secondarily liable for the tax on tangible personal property or  
23 services sold to the buyer.

24 (c) A user is liable for the use tax.

25 (d) A seller that receives and accepts in good faith from a buyer a prescription  
26 for tangible personal property or services exempt from the tax under AS 43.44.020 is  
27 not liable for the sales tax on the tangible personal property or services prescribed.

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

31 **Sec. 43.44.100. Registration.** A seller shall register with the department

1 before making a sale, lease, or rental of tangible personal property or a sale of services  
2 that is taxable under this chapter.

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

6 (b) The holder of a direct pay permit shall determine the tax due under this  
7 chapter, and report and pay the tax directly to the department on a form and in a  
8 format prescribed by the department.

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

10 (1) "lease or rental" means any transfer of possession or control of  
11 tangible personal property for a fixed or indeterminate term for consideration; a lease  
12 or rental may include future options to purchase or extend; lease or rental

13 (A) does not include

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

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

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

26 (B) includes agreements covering motor vehicles and trailers  
27 where the amount of consideration may be increased or decreased by reference  
28 to the amount realized upon sale or disposition of the property as defined in 26  
29 U.S.C. 7701(h)(1); this definition shall be used for sales and use tax purposes  
30 regardless if a transaction is characterized as a lease or rental under generally  
31 accepted accounting principles, the Internal Revenue Code, AS 45.29, or other

1 provisions of federal, state, or local law; this definition shall be applied only  
2 prospectively from the date of adoption and may not have a retroactive effect  
3 on existing leases or rentals;

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

6 (3) "sales price"

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

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

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

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

19 (iv) delivery charges;

20 (v) installation charges;

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

25 (vii) credit for any trade-in;

26 (B) does not include

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

30 (ii) interest, financing, and carrying charges from credit  
31 extended on the sale of personal property or services if the amount is

1 separately stated on the invoice, bill of sale, or similar document given  
2 to the purchaser; and

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

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

8 (5) "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 \* Sec. 14. 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 exploitation 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. 15. 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 sales and use tax. If a borough levies a sales and use tax, it must conform exactly to  
7 the statewide sales and use tax levied and collected under AS 43.44, except that the  
8 municipal sales and use tax may be levied at any rate.

9 \* Sec. 16. The uncodified law of the State of Alaska is amended by adding a new section to  
10 read:

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

15 \* Sec. 17. The uncodified law of the State of Alaska is amended by adding a new section to  
16 read:

17 TRANSITION PROVISIONS. (a) A municipal sales and use tax rate ratified before  
18 the effective date of the amendments to AS 29.45.650 and 29.45.700 made in this Act remains  
19 in effect despite the amendments to AS 29.45 made by this Act. To the extent the provisions  
20 of a municipal ordinance are inconsistent with the provisions of this Act, the provisions of the  
21 municipal ordinance are superseded by this Act.

22 (b) A specific sales and use tax levied by a municipality that was in effect before the  
23 effective date of the statewide sales and use tax levied in this Act and that applies only to one  
24 group of products or services, including bed taxes and alcohol taxes, may continue in effect,  
25 notwithstanding the provisions of this Act, subject to the provisions of AS 29.45 as they  
26 existed immediately before the effective date of this Act.

27 \* Sec. 18. Section 16 of this Act takes effect immediately under AS 01.10.070(c).

28 \* Sec. 19. Except as provided in sec. 18 of this Act, this Act takes effect July 1, 2005.

A new formula in statute to determine the amount annually appropriated from the fund and the amount appropriated for dividends and education.

Annually, in regular session, the legislature shall determine what portion of the 5% of Market Value of the Permanent Fund will be appropriated to the General Fund.

From the above appropriation, the legislature shall appropriate an amount to the Dividend Fund of no less than \_\_\_% and no more than \_\_\_% of the maximum amount allowed for appropriation from the Permanent Fund by the Alaska Constitution. Any remainder shall be reserved to first fund education and then to replenish the Constitutional Budget Reserve.

No appropriation of any kind can be made from the Permanent Fund to the General Fund if that appropriation would draw down the actual inflation adjusted principal of the fund below the amount as calculated in this section.

- a) For the first year, start with the actual inflation adjusted principal of the fund as of June 30, 2003;
- b) Add the royalty payments deposited in the Permanent Fund between that date and June 30, 2004.
- c) Add an amount equal to the average increase in the Consumer Price Index for all urban consumers for the Anchorage metropolitan area compiled by the Bureau of Labor for the previous five full calendar years prior to June 30, 2004.

The amount shall be annually recalculated by adding royalty payments deposited into the Permanent Fund during the preceding fiscal year and the new amount calculated using the formula in subparagraph (c), above.

This Act shall become effective only if a "percent of market value" amendment is approved in the 2004 general election and then shall be effective 90 days after such ratification.

3/17/04  
distributed by Sen. Seekins

23-LS1856A  
Cook  
3/16/04

SENATE BILL NO.

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

BY

Introduced:  
Referred:

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to the income of and appropriations from the Alaska permanent fund  
2 under art. IX, sec. 15(b), Constitution of the State of Alaska, and making conforming  
3 amendments; and providing for an effective date."

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

5 \* Section 1. AS 09.20.050(b) is amended to read:

6 (b) The jury list shall be based on a list prepared by the Department of  
7 Revenue of all persons who filed an application for a [DISTRIBUTION OF  
8 ALASKA] permanent fund dividend [INCOME] under AS 43.23 during the current  
9 calendar year that shows an Alaska [ALASKAN] address, and of all persons who  
10 volunteer for jury duty under (d) of this section. If considered necessary by the  
11 administrative director of the Alaska Court System, the jury list shall incorporate a list  
12 prepared by the Department of Administration of all persons who hold a valid Alaska  
13 driver's license. The departments shall submit their respective lists to the Alaska  
14 Court System not later than September 30 of each year. To the extent that it is

3/17/04 distributed by

Sen. Seekins

1 available, the departments shall include on the lists they submit the following  
2 information for each person: first name, middle initial, and last name; mailing address,  
3 including the zip code and birth date. The lists shall be recorded on magnetic tape  
4 compatible with Alaska Court System data processing equipment.

5 \* Sec. 2. AS 24.20.206 is amended to read:

6 **Sec. 24.20.206. Duties.** The Legislative Budget and Audit Committee shall

7 (1) [REPEALED

8 (2)] annually review the long-range operating plans of all agencies of  
9 the state that perform lending or investment functions;

10 (2) [(3)] review periodic reports from all agencies of the state that  
11 perform lending or investment functions;

12 (3) [(4)] prepare a complete report of investment programs, plans,  
13 performance, and policies of all agencies of the state that perform lending or  
14 investment functions and notify the legislature within 30 days after the convening of  
15 each regular session that the report is available;

16 (4) [(5)] in conjunction with the finance committee of each house,  
17 recommend annually to the legislature the investment policy for the general fund  
18 surplus and for the [INCOME FROM THE] permanent fund;

19 (5) [(6)] provide for an annual post audit and annual operational and  
20 performance evaluation of the Alaska Permanent Fund Corporation investments and  
21 investment programs;

22 (6) [(7)] provide for an annual operational and performance evaluation  
23 of the Alaska Housing Finance Corporation and the Alaska Industrial Development  
24 and Export Authority; the performance evaluation must include, but is not limited to, a  
25 comparison of the effect on various sectors of the economy by public and private  
26 lending, the effect on resident and nonresident employment, the effect on real wages,  
27 and the effect on state and local operating and capital budgets of the programs of the  
28 Alaska Housing Finance Corporation and the Alaska Industrial Development and  
29 Export Authority;

30 (7) [(8)] provide assistance to the trustees of the trust established in  
31 AS 37.14.400 - 37.14.450 in carrying out their duties under AS 37.14.415.

1 \* Sec. 3. AS 37.13 is amended by adding a new section to read:

2           **Sec. 37.13.143. Appropriations from the fund.** (a) The total amount  
3 available for appropriation from the fund for a current fiscal year is first determined  
4 under art. IX, sec. 15(b), Constitution of the State of Alaska. However, that amount  
5 shall be further reduced as necessary so that after the appropriations are made for that  
6 current fiscal year, the minimum balance of the fund shall equal the sum of the  
7 following:

8                   (1) the total of all amounts deposited into the fund under  
9 AS 37.13.010;

10                   (2) the total of all amounts appropriated or otherwise transferred to the  
11 fund under former AS 37.13.145(c);

12                   (3) the total of all amounts appropriated to the fund, other than  
13 amounts appropriated under former AS 37.13.145(c);

14                   (4) the total of all amounts to offset the effect of inflation on the fund,  
15 as calculated under (b) of this section, for each of the fiscal years beginning with fiscal  
16 year 2005 through the fiscal year that immediately preceded the current fiscal year.

17           (b) On the last day of each fiscal year, the corporation shall calculate the  
18 amount to offset the effect of inflation on the fund for that fiscal year by

19                   (1) computing the average of the monthly Consumer Price Index for all  
20 urban consumers for the Anchorage metropolitan area compiled by the United States  
21 Department of Labor, Bureau of Labor Statistics, for the first five full calendar years  
22 immediately preceding the last day of that fiscal year;

23                   (2) computing the average percentage change between each of the  
24 calendar year averages determined under (1) of this subsection; and

25                   (3) applying the rate determined under (2) of this subsection to the  
26 minimum balance of the fund calculated under (a) of this section.

27           (c) Appropriations by the legislature under this section for a current fiscal year  
28 may include an appropriation to the dividend fund established under AS 43.23.045.

29 \* Sec. 4. AS 37.13 is amended by adding a new section to read:

30           **Sec. 37.13.148. Market value of the fund.** For the purposes of art. IX, sec.  
31 15(b), Constitution of the State of Alaska, the corporation shall determine the market

1 value of the fund annually as of the close of business on June 30 in accordance with  
2 generally accepted accounting principles for the determination of fair value.

3 \* Sec. 5. AS 37.13.150 is amended to read:

4 **Sec. 37.13.150. Corporation budget.** The revenue generated by the fund's  
5 investments must be identified as the source of the operating budget of the corporation  
6 in the state's operating budget under AS 37.07 (Executive Budget Act). [THE  
7 UNEXPENDED BALANCE OF THE CORPORATION'S ANNUAL OPERATING  
8 BUDGET DOES NOT LAPSE AT THE END OF THE FISCAL YEAR BUT SHALL  
9 BE TREATED AS INCOME UNDER AS 37.13.140.]

10 \* Sec. 6. AS 37.14.031(c) is amended to read.

11 (c) The net income of the fund shall be determined by the Alaska Permanent  
12 Fund Corporation annually as of the last day of the fiscal year in accordance with  
13 generally accepted accounting principles [IN THE SAME MANNER THE  
14 CORPORATION DETERMINES THE NET INCOME OF THE ALASKA  
15 PERMANENT FUND UNDER AS 37.13.140].

16 \* Sec. 7. AS 43.23.025(a) is amended to read:

17 (a) By October 1 of each year, the commissioner shall determine the value of  
18 each permanent fund dividend for that year by

19 (1) determining the total amount available for dividend payments,  
20 which equals

21 (A) the amount of money appropriated from [INCOME OF]  
22 the Alaska permanent fund [TRANSFERRED] to the dividend fund under  
23 AS 37.13.143 [AS 37.13.145(b)] during the current year;

24 (B) plus the unexpended and unobligated balances of prior  
25 fiscal year appropriations that lapse into the dividend fund under  
26 AS 43.23.045(d);

27 (C) less the amount necessary to pay prior year dividends from  
28 the dividend fund in the current year under AS 43.23.005(h) and under  
29 AS 43.23.055(3) and (7);

30 (D) less the amount necessary to pay dividends from the  
31 dividend fund due to eligible applicants who, as determined by the department,

1 filed for a previous year's dividend by the filing deadline but who were not  
2 included in a previous year's dividend computation;

3 (E) less appropriations from the dividend fund during the  
4 current year, including amounts to pay costs of administering the dividend  
5 program and the hold harmless provisions of AS 43.23.075;

6 (2) determining the number of individuals eligible to receive a  
7 dividend payment for the current year and the number of estates and successors  
8 eligible to receive a dividend payment for the current year under AS 43.23.005(h); and

9 (3) dividing the amount determined under (1) of this subsection by the  
10 amount determined under (2) of this subsection.

11 \* Sec. 8. AS 43.23.028(a) is amended to read:

12 (a) By October 1 of each year, the commissioner shall give public notice of  
13 the value of each permanent fund dividend for that year and notice of the information  
14 required to be disclosed under (3) of this subsection. In addition, the stub attached to  
15 each individual dividend check and direct deposit advice must

16 (1) disclose the amount of each dividend attributable to [INCOME  
17 EARNED BY THE PERMANENT FUND FROM] deposits to that fund required  
18 under art. IX, sec. 15, Constitution of the State of Alaska;

19 (2) disclose the amount of each dividend attributable to [INCOME  
20 EARNED BY THE PERMANENT FUND FROM] appropriations to that fund and  
21 the amount of each dividend attributable to [FROM] amounts added to that fund  
22 before January 1, 2005, to offset the effects of inflation;

23 (3) disclose the amount by which each dividend has been reduced due  
24 to each appropriation from the dividend fund, including amounts to pay the costs of  
25 administering the dividend program and the hold harmless provisions of  
26 AS 43.23.075;

27 (4) include a statement that an individual is not eligible for a dividend  
28 when

29 (A) during the qualifying year, the individual was convicted of  
30 a felony;

31 (B) during all or part of the qualifying year, the individual was

1 incarcerated as a result of the conviction of a

2 (i) felony; or

3 (ii) misdemeanor if the individual has been convicted of  
4 a prior felony or two or more prior misdemeanors;

5 (5) include a statement that the legislative purpose for making  
6 individuals listed under (4) of this subsection ineligible is to

7 (A) obtain reimbursement for some of the costs imposed on the  
8 state criminal justice system related to incarceration or probation of those  
9 individuals;

10 (B) provide funds for services for and payments to crime  
11 victims and for grants for the operation of domestic violence and sexual assault  
12 programs;

13 (6) disclose the total amount that would have been paid during the  
14 previous fiscal year to individuals who were ineligible to receive dividends under  
15 AS 43.23.005(d) if they had been eligible;

16 (7) disclose the total amount appropriated for the current fiscal year  
17 under (b) of this section for each of the funds and agencies listed in (b) of this section.

18 \* Sec. 9. AS 37.13.140, 37.13.145; and AS 37.13.300(c) are repealed.

19 \* Sec. 10. The uncodified law of the State of Alaska is amended by adding a new section to  
20 read:

21 **CONDITIONAL EFFECT.** This Act takes effect only if an amendment to art. IX, sec.  
22 15, Constitution of the State of Alaska, relating to and limiting appropriations from the Alaska  
23 permanent fund based on an averaged percent of the fund market value, is approved by the  
24 voters during the 2004 general election and takes effect.

25 \* Sec. 11. If this Act takes effect under sec. 10 of this Act, it takes effect on January 1,  
26 2005.

Sales Tax SB 366  
Sen. B. Stevens

SENATE BILL NO. 366

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-THIRD LEGISLATURE - SECOND SESSION

BY THE SENATE FINANCE COMMITTEE BY REQUEST

Introduced:  
Referred:

A BILL

FOR AN ACT ENTITLED

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

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

5 \* Section 1. AS 04.21.010(c) is amended to read:

6 (c) A municipality may not impose taxes on alcoholic beverages except a

7 (1) property tax on alcoholic beverage inventories;

8 (2) sales and use tax levied under AS 29.45.650 or 29.45.700 [TAX

9 ON ALCOHOLIC BEVERAGE SALES IF SALES TAXES ARE IMPOSED ON  
10 OTHER SALES WITHIN THE MUNICIPALITY];

11 (3) sales tax on alcoholic beverage sales that was in effect before  
12 July 1, 1985 [; AND

13 (4) SALES AND USE TAX ON ALCOHOLIC BEVERAGES IF THE  
14 SALE OF ALCOHOLIC BEVERAGES WITHIN THE MUNICIPALITY HAS

1 BEEN PROHIBITED UNDER AS 04.11.491(a)(1), (4), OR (5)].

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

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

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

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

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

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

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

15 (52) AS 29.45.700 [AS 29.45.700(d) AND (e)] (sales and use tax);

16 \* Sec. 5. AS 29.35.110(a) is amended to read:

17 (a) Borough revenues received through taxes levied [COLLECTED] on an  
18 areawide basis by the borough may be expended on general administrative costs and  
19 on areawide functions only. Borough revenues received through taxes levied  
20 [COLLECTED] on a nonareawide basis may be expended on general administrative  
21 costs and functions that render service only to the area outside all cities in the  
22 borough.

23 \* Sec. 6. AS 29.35.170 is amended to read:

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

27 (b) Taxes, other than sales and use taxes, levied by a city shall be collected  
28 by a borough and returned in full to the levying city. This subsection applies to home  
29 rule and general law municipalities.

30 \* Sec. 7. AS 29.45.650 is repealed and reenacted to read:

31 Sec. 29.45.650. Sales and use tax. (a) Except as provided in AS 29.45.750, a

1 borough may levy a sales and use tax. If a borough levies a sales and use tax, it must  
 2 conform exactly to the statewide sales and use tax levied and collected under  
 3 AS 43.44, except that the municipal sales and use tax may be levied at any rate.

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

9 \* Sec. 8. AS 29.45.660(a) is amended to read:

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

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

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

23 \* Sec. 9. AS 29.45.670 is amended to read:

24 Sec. 29.45.670. Referendum, adoption, and modification. A new sales and  
 25 use tax or an increase in the rate of levy of a sales tax approved by ordinance does not  
 26 take effect until ratified by a majority of the voters at an election. A municipality  
 27 may not require that a new sales and use tax or an increase in the rate of levy of a  
 28 sales tax approved by ordinance be ratified by more than 50 percent plus one of  
 29 the voters voting on the issue.

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

31 Sec. 29.45.700. Power of levy. A city may levy a sales and use tax in the

1 manner provided for boroughs under AS 29.45.650.

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

3 (b) A municipality that levies [AND COLLECTS] a sales tax on mobile  
4 telecommunications services shall do so in accordance with the provisions of 4 U.S.C.  
5 116 - 126 (Mobile Telecommunications Sourcing Act).

6 \* Sec. 12. AS 29.45.810(a) is amended to read:

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

14 \* Sec. 13. AS 43 is amended by adding a new chapter to read:

15 Chapter 44. Sales and Use Tax.

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

18 (b) A use tax is levied on the privilege of using in the state tangible personal  
19 property or services. The use tax is not levied if the sales tax levied in (a) of this  
20 section has been paid.

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

23 Sec. 43.44.020. Exemptions. The tax levied under AS 43.44.010 does not  
24 apply to

25 (1) tangible personal property or services that are

26 (A) explicitly exempted from taxation under another provision  
27 of state law; or

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

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

1 and

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

5 (2) medical care, including

6 (A) health care services provided by a person licensed or  
7 certified to provide those services under AS 08 or a "health care facility" as  
8 that term is defined in AS 08.68.595(g);

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

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

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

18 (5) the sale of natural gas, water, electricity, steam, or refuse and  
19 garbage collection service.

20 Sec. 43.44.030. Collection of sales and use tax. (a) A seller shall add the  
21 amount of the sales tax levied by this chapter and the amount of any municipal sales  
22 tax levied under AS 29.45 to the sales price of personal property or services subject to  
23 the tax. The tax shall be stated separately on any receipt, invoice, or other record of  
24 the transaction.

25 (b) A seller shall collect the sales tax levied by this chapter and any municipal  
26 sales tax levied under AS 29.45 from the buyer and remit the tax collected to the  
27 department not later than 30 days following the last day of the month in which the tax  
28 was collected.

29 (c) A seller remitting the sales tax collected under this chapter to the  
30 department within 30 days following the last day of the month in which the tax was  
31 collected may retain one percent of the amount collected to cover expenses associated

1 with collecting and remitting the tax.

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

5 **Sec. 43.44.040. Payment of use tax.** A user subject to the use tax shall remit  
6 the tax levied under this chapter and any municipal use tax levied under AS 29.45 to  
7 the department not later than 30 days following the last day of the month in which the  
8 taxable use occurs.

9 **Sec. 43.44.050. Accounting.** The department shall deposit the proceeds of the  
10 tax levied under this chapter in the general fund of the state and remit the proceeds of  
11 any municipal sales and use tax collected under AS 43.44.030(b) and 43.44.040 to the  
12 municipality levying the tax.

13 **Sec. 43.44.060. 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, or  
15 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) From the total combined state and municipal sales and use taxes collected  
19 within the boundaries of a municipality, the department shall remit to the municipality  
20 the amount described under this subsection. If the rate of a sales and use tax levied by  
21 a municipality is

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

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

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

30 (4) five percent or more, the department shall round up to the next  
31 whole number and remit the amount that would have been collected in the

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

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

6 (b) The tax computation shall be

7 (1) carried to the third decimal place;

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

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

12 **Sec. 43.44.080. Tax credit for sales or use tax paid to another state.** (a) A  
13 buyer liable for use tax on tangible personal property or services is entitled to a full  
14 credit for the amount of sales or use tax paid on the tangible personal property or  
15 services to another state.

16 (b) The credit shall be applied first against the amount of use tax levied under  
17 this chapter. Any unused portion of the credit shall then be applied against the amount  
18 of use tax levied by a municipality under AS 29.45.650 or 29.45.700.

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

22 (b) A buyer is secondarily liable for the tax on tangible personal property or  
23 services sold to the buyer.

24 (c) A user is liable for the use tax.

25 (d) A seller that receives and accepts in good faith from a buyer a prescription  
26 for tangible personal property or services exempt from the tax under AS 43.44.020 is  
27 not liable for the sales tax on the tangible personal property or services prescribed.

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

31 **Sec. 43.44.100. Registration.** A seller shall register with the department

1 before making a sale, lease, or rental of tangible personal property or a sale of services  
2 that is taxable under this chapter.

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

6 (b) The holder of a direct pay permit shall determine the tax due under this  
7 chapter, and report and pay the tax directly to the department on a form and in a  
8 format prescribed by the department.

9 Sec. 43.44.199. Definitions. In this chapter,

10 (1) "lease or rental" means any transfer of possession or control of  
11 tangible personal property for a fixed or indeterminate term for consideration; a lease  
12 or rental may include future options to purchase or extend; lease or rental

13 (A) does not include

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

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

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

26 (B) includes agreements covering motor vehicles and trailers  
27 where the amount of consideration may be increased or decreased by reference  
28 to the amount realized upon sale or disposition of the property as defined in 26  
29 U.S.C. 7701(h)(1); this definition shall be used for sales and use tax purposes  
30 regardless if a transaction is characterized as a lease or rental under generally  
31 accepted accounting principles, the Internal Revenue Code, AS 45.29, or other

1 provisions of federal, state, or local law; this definition shall be applied only  
2 prospectively from the date of adoption and may not have a retroactive effect  
3 on existing leases or rentals;

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

6 (3) "sales price"

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

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

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

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

19 (iv) delivery charges;

20 (v) installation charges;

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

25 (vii) credit for any trade-in;

26 (B) does not include

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

30 (ii) interest, financing, and carrying charges from credit  
31 extended on the sale of personal property or services if the amount is

1 separately stated on the invoice, bill of sale, or similar document given  
2 to the purchaser; and

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

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

8 (5) "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 \* Sec. 14. 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. 15. 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 sales and use tax. If a borough levies a sales and use tax, it must conform exactly to  
7 the statewide sales and use tax levied and collected under AS 43.44, except that the  
8 municipal sales and use tax may be levied at any rate.

9 \* Sec. 16. The uncodified law of the State of Alaska is amended by adding a new section to  
10 read:

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

15 \* Sec. 17. The uncodified law of the State of Alaska is amended by adding a new section to  
16 read:

17 TRANSITION PROVISIONS. (a) A municipal sales and use tax rate ratified before  
18 the effective date of the amendments to AS 29.45.650 and 29.45.700 made in this Act remains  
19 in effect despite the amendments to AS 29.45 made by this Act. To the extent the provisions  
20 of a municipal ordinance are inconsistent with the provisions of this Act, the provisions of the  
21 municipal ordinance are superseded by this Act.

22 (b) A specific sales and use tax levied by a municipality that was in effect before the  
23 effective date of the statewide sales and use tax levied in this Act and that applies only to one  
24 group of products or services, including bed taxes and alcohol taxes, may continue in effect,  
25 notwithstanding the provisions of this Act, subject to the provisions of AS 29.45 as they  
26 existed immediately before the effective date of this Act.

27 \* Sec. 18. Section 16 of this Act takes effect immediately under AS 01.10.070(c).

28 \* Sec. 19. Except as provided in sec. 18 of this Act, this Act takes effect July 1, 2005.

**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 1st St., Rm. 329

**MEMORANDUM**

March 17, 2004

**SUBJECT:** Sales and Use Taxes (Senate Bill No. 366)

**TO:** Senator Ben Stevens  
Attn: Phelan Straube

**FROM:** Kathryn L. Kurtz *KLC*  
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.** Conforming reference change to alcoholic beverage tax statute.

**Section 2.** Removes reference to collection of sales and use tax by municipalities to conform with changes made later in bill.

**Section 3.** Conforming reference change.

**Section 4.** Conforming reference change.

**Section 5.** Removes reference to collection of sales and use tax by municipalities to conform with changes made later in bill.

**Section 6.** Removes authority of municipalities to collect sales and use taxes.

**Section 7.** 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 8.** Removes reference to collection of sales and use tax by boroughs.

**Section 9.** 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.

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**Section 10.** 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 11.** Removes reference to collection of sales and use tax by municipalities.

**Section 12.** Removes reference to collection of sales and use tax by municipalities.

**Section 13.** 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, isolate l or occasional sales, sales by or to the state or a political subdivision of the state, and the sale of certain utility services.

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 a use tax credit for sales taxes paid to another state.

Holds buyers, sellers, and users 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.

Defines terms.

**Section 14.** Conforming reference change to oil and gas tax statute.

**Section 15.** Amends conditional amendment to AS 29.45.650(a) that has not yet taken effect.

**Section 16.** Authorizes the commissioner to adopt regulations necessary to implement the tax.

**Section 17.** Transition provisions permitting continuance of pre-existing municipal sales tax rates and specific sales and use taxes.

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Page 3

Section 18. Provides an immediate effective date for the provision authorizing the Department of Revenue to adopt regulations.

Section 19. Provides an effective date of July 1, 2005, for the remainder of the bill.

KLK:med  
04-306.med

Comparison of State and Local Retail Sales Taxes 2003  
(January 2003)

	Food Items [1] Taxable (T) Exempt (E)	State Rate	Maximum Local Rate [2]	Maximum State/Local Rate [2]
Alabama	T	4	6	11
Alaska	T	---	7.00 [3]	7
Arizona	E	5.6	3	8.6
Arkansas	T	5.125	4.75	9.875
California	E	6	2.5	8.5
Colorado	E	2.9	5.0 0	7.9
Connecticut	E	6	---	6
District of Columbia	E	5.75	---	5.75
Florida	E	6	1.5	7.5
Georgia	E	4	3	7
Hawaii	T*	4	---	4
Idaho	T*	5	3	8
Illinois	T**	6.25	3	9.25
Indiana	E	6	---	6
Iowa	E	5	2	7
Kansas	T*	5.2	3	8.3
Kentucky	E	6	---	6
Louisiana	T**[4]	4	5.5	9.5
Maine	E	5	---	5
Maryland	E	5	---	5
Massachusetts	E	5	---	5
Michigan	E	6	---	6
Minnesota	E	6.5	1	7.5
Mississippi	T	7	0.25	7.25
Missouri	T	4.225	4.125	8.35
Nebraska	E	5.5	1.5	7
Nevada	E	6.5	0.75	7.25
New Jersey	E	6	---	6
New Mexico	T	5	2.25	7.25
New York	E	4	4.5	8.5
North Carolina	E [4]	4.5	3	7.5
North Dakota	E	5	2.5	7.5
Ohio	E	5	2	7
Oklahoma	T	4.5	5.35	9.85
Pennsylvania	E	6	1	7
Rhode Island	E	7	---	7
South Carolina	T**	5	2	7
South Dakota	T*	4	2	6
Tennessee	T	7	2.75	9.75
Texas	E	6.25	2	8.25
Utah	T	4.75	2.25	7
Vermont	E	5	1	6
Virginia	T**	3.5	1	4.5
Washington	E	6.5	2.4	8.9
West Virginia	T	6	---	6
Wisconsin	E	5	0.6	5.6
Wyoming	T*	4	2	6

3/18 pm  
Sales Tax

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).)

TABLE 1

## 2002 Municipalities: Class, Populations and Tax Types

Municipality	Type of Municipality	Population	Property Tax	Sales Tax	Special Tax
Adak	Second Class City	316	No	3%	No
Akhlok	Second Class City	80	No*	No	No
Akiak	Second Class City	309	No	NR	NR
Akutan	Second Class City	713	No	No	1% Raw Fish Tax
Alakanuk	Second Class City	652	No	4%	No
Aleknagik	Second Class City	221	No	5%	5% Bed Tax
Aleutians East Borough	Second Class Borough	2,697	No	No	2% Raw Fish Tax
Allakaket	Second Class City	97	No	No	No
Ambler	Second Class City	309	No	3%	No
Anaktuvuk Pass	Second Class City	282	No*	No	No
Municipality of Anchorage	Unified Home Rule	260,283	Yes	No	8% Bed Tax & Car Rental/15% Tobacco Tax/Aircraft (flat)
Anderson	Second Class City	513	No	No	8% Utility Tax
Angoon	Second Class City	572	No	3%	3% Bed Tax
Aniak	Second Class City	572	No	2%	No
Anvik	Second Class City	104	No	No	No
Alka	Second Class City	92	No	NR	NR
Algasuk	Second Class City	228	No*	No	No
Barrow	First Class City	4,581	No*	No	3% Alcohol Tax
Bethel	Second Class City	5,471	No	5%	3% Bed/5% Alcohol/Fish/MVRT/5% Gaming
Bettles	Second Class City	43	No	No	5.02/gal. Fuel Transfer Tax
Brevig Mission	Second Class City	276	No	3%	No
Bristol Bay Borough	Second Class Borough	1,258	Yes	No	3% Raw Fish Tax; 6% Bed Tax
Buckland	Second Class City	406	No	2%	No
Chefornak	Second Class City	394	No	2%	No
Chevak	Second Class City	765	No	3%	No
Chignik	Second Class City	79	No	No	1% salmon tax/2% other seafood
Chualaruk	Second Class City	119	No	No	No
Clarks Point	Second Class City	75	No	5%	No
Collman Cove	Second Class City	199	No	No	No
Cold Bay	Second Class City	88	No	No	0.25/gal. Fuel Tax/\$ 01 gal Wharfage Fee/8% Bed Tax
Cordova	Home Rule City	2,454	Yes	6%	6% Bed Tax/6% Vehicle Rental Tax
Craig	First Class City	1,397	Yes	5%	6% Liquor Tax/Raw fish tax
Drering	Second Class City	136	No	3%	No
Delta Junction	Second Class City	840	No	No	No
Denali Borough	Home Rule Borough	2,039	No	No	Sev. Tax \$ 05/yd gravel-\$ 05 ton-coal-\$ . Bed Tax 7%
Dillingham	First Class City	2,466	Yes	6%	10% Bed Tax / 10% Liquor Tax/6% Gaming
Diomedes	Second Class City	146	No	3%	No
Eagle	Second Class City	129	Yes	No	No
Eek	Second Class City	280	No	2%	No
Egegik	Second Class City	116	No	No	1% Raw Fish Tax
Ekwok	Second Class City	130	No	No	No
Elim	Second Class City	318	No	2%	No
Emmonak	Second Class City	767	No	3%	No
Fairbanks	Home Rule City	30,224	Yes	No	8% Bed Tax/ 5% Alcohol Tax/ 8% Tobacco Tax
Fairbanks North Star Borough	Second Class Borough	82,840	Yes	No	8% Bed Tax
False Pass	Second Class City	76	No	2%	No
Fort Yukon	Second Class City	595	No	3%	No
Galena	First Class City	675	No	3%	No
Gambell	Second Class City	649	No	NR	NR
Golovin	Second Class City	144	No	No	No
Goodnews Bay	Second Class City	230	No	NR	NR
Graying	Second Class City	194	No	NR	NR
Haines**	First Class City	1,811	Yes	4%	No
Haines Borough**	Third Class Borough	2,392	Yes	1.5%	4% Bed Tax/4% Tour Tax
Holy Cross	Second Class City	227	No	No	No
Homer	First Class City	3,946	Yes	3.50%	No

Note: Municipal populations are from the State Revenue Sharing Program

\*Indicates that City does not levy property tax, but Borough in which City is located does

\*\* The City of Haines and the Haines Borough consolidated after January 1, 2002, into a single Home Rule Government

TABLE 1

## 2002 Municipalities: Class, Populations and Tax Types - continued

Municipality	Type of Municipality	Population	Property Tax	Sales Tax	Special Tax
Hoonah	First Class City	860	No	5%	No
Hooper Bay	Second Class City	1,014	No	NR	NR
Houston	Second Class City	1,202	Yes	No	No
Hughes	Second Class City	78	No	No	No
Huslia	Second Class City	293	No	No	No
Hydaburg	First Class City	382	No	4%	No
Juneau, City & Borough of	Unified Home Rule	30,903	Yes	5%	7% Bed Tax/ 3% Liquor Tax/ 6% Tobacco Tax
Kachemak	Second Class City	431	Yes	No	No
Kake	First Class City	710	No	5%	1% Raw Fish Tax
Kaktovik	Second Class City	293	No*	No	No
Kaltag	Second Class City	230	No	No	No
Kasaan	Second Class City	39	No	No	No
Kenai	Home Rule City	6,942	Yes	3%	No
Kenai Peninsula Borough	Second Class Borough	49,691	Yes	2%	No
Ketchikan	Home Rule City	7,922	Yes	3.50%	6% Bed Tax
Ketchikan Gateway Borough	Second Class Borough	14,370	Yes	2%	4% Bed Tax
Kiana	Second Class City	388	No	2%	No
King Cove	First Class City	792	No	3%	No
Kivalina	Second Class City	377	No	2%	No
Klawock	First Class City	854	No	5.50%	6% Bed Tax
Kobuk	Second Class City	109	No	No	No
Kodiak	Home Rule City	6,334	Yes	6%	5% Bed Tax
Kodiak Island Borough	Second Class Borough	13,913	Yes	No	9.25 mill Severance Tax, 5% Bed Tax
Kotlik	Second Class City	591	No	3%	No
Kolzebue	Second Class City	3,082	No	6%	6% Bed Tax/ 6% Alcohol Tax
Koyuk	Second Class City	297	No	2%	No
Koyukuk	Second Class City	101	No	No	No
Kupreanof	Second Class City	23	No	No	No
Kwethluk	Second Class City	713	No	5%	No
Lake & Peninsula Borough	Home Rule Borough	1,823	No	No	2% Raw Fish Tax/Guide Fees/6% Bed Tax
Larsen Bay	Second Class City	115	No*	3%	No
Lower Kalskag	Second Class City	267	No	NR	NR
Manokotak	Second Class City	399	No	2%	No
Marshall	Second Class City	349	No	4%	No
Matanuska-Susitna Borough	Second Class Borough	59,322	Yes	No	5% Bed Tax
McGrath	Second Class City	401	No	No	No
Makoryuk	Second Class City	210	No	2%	No
Mellakalla	Federal Law	1,447	No	No	No
Mountain Village	Second Class City	755	No	3%	No
Napaklak	Second Class City	353	No	2%	No
Napasklak	Second Class City	390	No	NR	NR
Nenana	Home Rule City	486	Yes	4%	No
New Stuyahok	Second Class City	471	No	No	No
Newhalen	Second Class City	160	No	NR	NR
Nightmute	Second Class City	208	No	2%	No
Nikolai	Second Class City	104	No	No	No
Nome	First Class City	3,505	Yes	4%	4% Bed Tax
Nondalton	Second Class City	221	No	3%	No
Noorvik	Second Class City	634	No	3%	No
North Pole	Home Rule City	1,570	Yes	3%	No
North Slope Borough	Home Rule Borough	9,430	Yes	No	No
Northwest Arctic Borough	Home Rule Borough	7,208	No	No	No
Nuiqsut	Second Class City	433	No*	NR	NR

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**TABLE 1**  
**2002 Municipalities: Class, Populations and Tax Types - continued**

Municipality	Type of Municipality	Population	Property Tax	Sales Tax	Special Tax
Nulato	Second Class City	336	No	No	No
Nunam Iqua (Sheldon Point)	Second Class City	201	No	2%	No
Nunapituk	Second Class City	466	No	2%	No
Old Harbor	Second Class City	237	No*	NR	NR
Ouzinkie	Home Rule City	225	No*	3%	No
Palmer	First Class City	4,533	Yes	3%	No
Pelican	Home Rule City	163	Yes	4%	10% Bed Tax
Petersburg	Second Class City	3,224	Yes	6%	4% Bed Tax
Pilot Point	Second Class City	100	No	NR	NR
Pilot Station	Second Class City	550	No	4%	No
Platinum	Second Class City	41	No	No	No
Point Hope	Second Class City	757	No*	No	No
Fort Alexander	Second Class City	81	No	4%	6% Bed Tax
Port Heiden	Second Class City	119	No	No	No
Port Lions	Second Class City	256	No*	No	5% Bed Tax
Quinhagak	Second Class City	580	No	3%	No
Ruby	Second Class City	188	No	No	No
Russian Mission	Second Class City	296	No	No	No
St. George	First Class City	152	No	NR	NR
St. Mary's	Second Class City	500	No	3%	No
St. Michael	Second Class City	368	No	4%	No
Saint Paul	First Class City	532	No	3%	3% Raw Fish Tax
Sand Point	Second Class City	952	No	3%	7% Bed Tax/2% Raw Fish Tax
Savoonga	Second Class City	643	No	NR	NR
Saxman	Second Class City	431	No*	NR	NR
Scammon Bay	Second Class City	465	No	2%	No
Selawik	First Class City	772	No	NR	NR
Seldovia	Home Rule City	286	Yes	2%/4.5%	No
Seward	Second Class City	2,830	Yes	3%	4% Bed Tax
Shageluk	Second Class City	129	No	No	No
Shaktolik	Second Class City	230	No	NR	NR
Shishmaref	Second Class City	562	No	2%	No
Shungnak	Second Class City	256	No	2%	No
Sitka, City & Borough of	Unified Home Rule	8,835	Yes	5%	6% Bed Tax/ \$.02/gal Fuel Tax
Skagway	First Class City	862	Yes	4%	8% Bed Tax
Soldotna	First Class City	3,759	Yes	3%	No
Stebbins	Second Class City	547	No	3%	No
Tanana	First Class City	308	No	2%	No
Teller	Second Class City	268	No	3%	No
Tenakee Springs	Second Class City	104	No	1%	6% Bed Tax
Thorne Bay	Second Class City	557	No	3%	No
Togiak	Second Class City	809	No	2%	No
Toksook Bay	Second Class City	532	No	2%	No
Unalakleet	Second Class City	747	No	NR	NR
Unalaska	First Class City	4,283	Yes	3%	2% Raw Fish Tax/ 5% Bed Tax
Upper Kalskag	Second Class City	230	No	No	No
Valdez	Home Rule City	4,336	Yes	No	6% Bed Tax
Wainwright	Second Class City	546	No*	No	No
Wales	Second Class City	152	No	NR	NR
Wasilla	First Class City	5,469	Yes	2%	No
White Mountain	Second Class City	203	No	1%	No
Whittier	Second Class City	182	Yes	3%	Fish Tax/Passenger Trans. Tax
Wrangell	Home Rule City	2,308	Yes	7%	\$4 per night Bed Tax
Yakutat, City & Borough of	Home Rule Borough	808	Yes	4%	1% Raw Fish Tax/4% Bed & Car Rental Tax

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89 Municipalities (reporting) levy a General Sales Tax - Rates range from 1% to 7%

107 Municipalities (reporting) levy either a General Sales Tax, Special Tax (bed tax, fish tax, etc.) or a combination of the two

39 Municipalities (cities & boroughs) levy a property tax

# Alaska Community Database Custom Data Queries

State of Alaska > DCED > Community Advocacy > Community Database Online > Custom Data Queries > Results



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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&B 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		