

Proposed Amendment #1 to AO 2024-105(S)

AN ORDINANCE OF THE ANCHORAGE MUNICIPAL ASSEMBLY PROPOSING A DEDICATED PROPERTY] TAX AND ECONOMIC DEVELOPMENT MEASURE TO BE SUBMITTED TO THE QUALIFIED VOTERS OF THE MUNICIPALITY THAT WOULD ENACT A SALES AND USE TAX OF THREE PERCENT (3%) IN THE AGGREGATE ON THE SALE OF GOODS AND SERVICES WITHIN THE MUNICIPALITY, WITH CERTAIN EXEMPTIONS, ...

Submitted by: Assembly Chair Constant

PROPOSED AMENDMENT

Purpose/Summary of Amendment: The proposed amendment would exempt marijuana and alcohol sales from the proposed sales tax, as both these items are already taxed at the point of sale. The taxes on these products have already been approved by voters for the very specific purposes currently allowed in charter.

TEXT OF AMENDMENT

(adding new language, [DELETING CURRENT CODE LANGUAGE] and [~~Deleting words proposed by the unamended AO that are not in current code~~])

Section 2, p. 8, beginning at line 9, amending as follows:

- (e) *The good authorized to be taxed under [NOTWITHSTANDING] Charter §§ 14.06 and 14.07 are exempt from[,] the taxes levied under this section [APPLY TO GOODS TAXED BY THOSE SECTIONS, UNLESS EXEMPTED BY THE ASSEMBLY BY ORDINANCE].*

Section 3, p. 12, beginning at line 45, amending as follows:

Food and food ingredients shall mean substances, whether in liquid, concentrated, solid, frozen, dried, or dehydrated form, that are sold for ingestion or chewing by humans and are consumed for their taste or nutritional value. “Food and food ingredients” does not include “alcoholic beverages”, “*marijuana,*” *marijuana products,*” or “tobacco.”

Section 3, p. 20, beginning at line 44, amending to add a subsection as follows:

- 15. *Retail sales of alcoholic beverages as defined in chapter 12.65, and marijuana or marijuana products as defined in chapter 12.50, as required to be exempt under Charter § 14.08.***

Will there be any public or private economic effect to the proposed amendment?
 YES NO (check one) **If yes, please detail below.**

The proposed amendment would reduce the amount of anticipated revenue that would be available to reduce property taxes and devote to capital projects as proposed by this ordinance.

DRAFT

Proposed Amendment #2 to AO 2024-105(S)

AN ORDINANCE OF THE ANCHORAGE MUNICIPAL ASSEMBLY PROPOSING A DEDICATED PROPERTY] TAX AND ECONOMIC DEVELOPMENT MEASURE TO BE SUBMITTED TO THE QUALIFIED VOTERS OF THE MUNICIPALITY THAT WOULD ENACT A SALES AND USE TAX OF THREE PERCENT (3%) IN THE AGGREGATE ON THE SALE OF GOODS AND SERVICES WITHIN THE MUNICIPALITY, WITH CERTAIN EXEMPTIONS, ...

Submitted by: Assembly Member Volland

PROPOSED AMENDMENT

Purpose/Summary of Amendment: The proposed amendment would do the following:

- The aggregated 3% sales tax is permanent.
- The 2% tax is not dedicated for property tax relief or reduction, but instead available for any public purposes. It can then be used for basic essential municipal services, like snowplowing or sidewalk upgrades.
- Alcohol and marijuana and marijuana products are exempt from this sales tax, as they are already taxed
- The business inventory personal property tax exemption on the first \$20,000 of value is increased to the first \$250,000. This does not require voter approval but is contingent on passage of the proposition approving the sales and use tax.

TEXT OF AMENDMENT

(adding new language, [DELETING CURRENT CODE LANGUAGE] and [Deleting words proposed by the unamended AO that are not in current code])

AO Title, p. 1, amending as follows:

AN ORDINANCE OF THE ANCHORAGE MUNICIPAL ASSEMBLY PROPOSING A [~~DEDICATED PROPERTY TAX AND~~] ECONOMIC DEVELOPMENT MEASURE TO BE SUBMITTED TO THE QUALIFIED VOTERS OF THE MUNICIPALITY THAT WOULD ENACT A SALES AND USE TAX OF THREE PERCENT (3%) IN THE AGGREGATE ON THE SALE OF GOODS AND SERVICES WITHIN THE MUNICIPALITY, WITH CERTAIN EXEMPTIONS, A MAXIMUM TAX AMOUNT PER TRANSACTION, COMPRISED OF A TWO PERCENT (2%) TAX TO BE AVAILABLE FOR ANY PUBLIC PURPOSE AND ADDED TO AND [~~DEDICATED FOR THE SOLE PURPOSE OF REDUCING PROPERTY TAXES PROPORTIONATELY THROUGHOUT~~]

~~THE MUNICIPALITY]~~ WITHIN THE “TAX CAP” CALCULATION, AND A ONE PERCENT (1%) TAX OUTSIDE OF THE TAX CAP DEDICATED FOR ESTABLISHMENT OF A TRUST FUND TO PAY FOR VOTER APPROVED CAPITAL PROJECTS KNOWN AS MUNICIPAL AREA PROJECTS (MAPs); COSTS OF ADMINISTRATION, COLLECTION AND AUDIT OF THESE SALES AND USE TAXES SHALL BE SHARED PROPORTIONALLY BETWEEN THE TAXES; PROVIDING FOR A MAPs CITIZENS ADVISORY BOARD; ~~[PROVIDING A LIMITED TERM OF SEVEN (7) YEARS FOR THE AGGREGATED 3% SALES AND USE TAX LEVY;]~~ AMENDING ANCHORAGE MUNICIPAL CODE CHAPTER 12.25 REGARDING THE TAX INCREASE LIMITATION; ADDING A NEW CHAPTER TO THE ANCHORAGE MUNICIPAL CODE TO PARTIALLY IMPLEMENT THIS TAX REVENUE DIVERSIFICATION MEASURE; AMENDING AMC CHAPTER 12.10 TO INCREASE THE BUSINESS PERSONAL PROPERTY TAX EXEMPTION CONDITIONED ON APPROVAL OF THE SALES AND USE TAX PROPOSITION; AND PROVIDING FOR TRANSITION PROCEDURES AND EFFECTIVE DATES.

Preamble, beginning at p. 1 line 27, amending as follows:

WHEREAS, there has been a desire by the community **[TO REDUCE PROPERTY TAXES AND A DESIRE]** to diversify our tax base by ensuring non-residents who purchase goods, consume services, benefit from public safety services, and use public facilities and streets within the Municipality primarily funded through residential property tax revenue will contribute to their provision and upkeep within the Municipality of Anchorage; and

....

[WHEREAS, THE TERM OF THE TAX WOULD BE LIMITED TO NO MORE THAN SEVEN (7) FULL CALENDAR YEARS FROM THE START OF THE TAX LEVY AND COLLECTIONS, EXCLUDING THE INITIAL PARTIAL YEAR; AND]

WHEREAS, forecasted annual revenue from the tax, based on conservative estimates, is expected to be \$180 million with **[TWO-THIRDS GOING TO PROPERTY TAX RELIEF AND,]** one-third going to Municipal Area Projects approved by the voters after payment of costs of administration, collection and audit of the tax; and

[WHEREAS, THE AMOUNT OF PROPERTY TAX RELIEF IS FORECASTED TO BE 16% OR APPROXIMATELY \$265 FOR EACH \$100,000 ASSESSED HOME VALUE IN THE MUNICIPALITY, WHICH IS A REDUCTION OF APPROXIMATELY ~\$1,195 TO THE PROPERTY TAX BILL FOR AN AVERAGE HOME VALUED AT \$450,000; AND]

Section 2, p. 3, beginning at line 10, through p. 9, amending throughout the Section as follows:

PROPOSITION NO. _____
**SALES AND USE TAX [PROPERTY TAX REDUCTION] AND ECONOMIC
DEVELOPMENT MEASURE:**
**CHARTER AMENDMENT AND ORDINANCE TO AUTHORIZE THE LEVY OF
A 3% SALES AND USE TAX, COMPRISED OF 2% [SOLELY] FOR ANY
PUBLIC PURPOSE AND INCLUDED IN [PROPERTY TAX REDUCTION
UNDER] THE "TAX CAP," AND 1% DEDICATED TO [PROPERTY TAX
REDUCTION AND] VOTER APPROVED CAPITAL PROJECTS**

The proposed Charter Amendment and Assembly Ordinance 2024-____ would authorize and enact a **[SEVEN (7) CALENDAR YEAR TERM-LIMITED]** aggregated three percent (3%) sales and use tax on the sale or use of goods and services within the Municipality of Anchorage, with certain specified exemptions. This is comprised of two separate sales and use tax levies for separate purposes:

(1) **A two percent (2%) sales and use tax for any public purpose and DEDICATED TO THE REDUCTION OF PROPERTY TAXES] under the tax cap. [THE FULL AMOUNT OF THIS TAX REVENUE, AFTER THE COST OF ADMINISTRATION, IS DEDICATED TO REDUCTION OF PROPERTY TAXES, DOLLAR FOR DOLLAR. THIS IS ESTIMATED TO REDUCE THE OVERALL PROPERTY TAX BURDEN BY APPROXIMATELY \$120 MILLION, OR 16% OF AN AVERAGE PROPERTY TAX BILL.]**

(2) **A one percent (1%) tax dedicated to fund community infrastructure projects excluded from (e.g. outside) the Tax Cap and known as Municipal Area Projects (MAPs) approved by the voters.** The full amount of this tax revenue, after the cost of administration and after costs of MAPs facility lifetime ...

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This **Sales and Use Tax [PROPERTY TAX REDUCTION]** and Economic Development Measure proposes to amend Anchorage Municipal Charter Section 14.03 and add new Section 14.08 **[AND 14.09]** as follows (new language proposed is shown in **bold and underlined**; language to be deleted is shown with **[strikeout in bold and brackets]**):

Section 14.03. - Tax increase limitation.

[NOTE: Subsection (a) to be omitted from proposition, no changes proposed thereto]

~~[(a) Except as provided in this section, the total amount of municipal tax that can be levied during a fiscal year shall not exceed the total amount approved by the assembly for the preceding year by more than a percentage determined by adding the average percentage increase in the Federal Consumer Price Index for Anchorage from the preceding five fiscal years plus the average percentage growth or loss in the~~

~~Anchorage municipal population over the preceding five fiscal years as determined by the state department of community and regional affairs.~~

~~(1) — The "total amount of the municipal tax that can be levied during a fiscal year" and the "total amount approved by the assembly for the preceding year" in subsection (a) of this section shall include all payments in-lieu of taxes paid or to be paid by any Municipality of Anchorage utility, department, agency or public corporation or authority.~~

~~(2) — The "total amount approved by the assembly for the preceding year" shall be the total amount of the taxes and payments in-lieu of taxes approved by the assembly for collection in the preceding year.~~

~~**(3) — For the calendar year that begins following the initial levy of the tax under Charter § 14.08(a), the "total amount of the municipal tax that can be levied during [the] fiscal year" shall be reduced by an amount equal to the gross receipts of the two percent (2%) sales and use tax collected minus the payment of two-thirds of the costs of administration, collection and audit to the Municipality pursuant to Charter § 14.08(a) in the year said tax is first levied.**~~

~~**(4) — For the calendar year after the one in subsection (3) continuing for seven calendar years, "the total amount approved by the assembly for the preceding year" shall include net receipts of the two percent (2%) sales and use tax collected after two-thirds of the costs of administration, collection and audit to the Municipality pursuant to Charter § 14.08(a) the year prior to the year for which the increase limitation is calculated; and the resulting "total amount of the municipal tax that can be levied during [the] fiscal year" shall be adjusted by the same amount.]**~~

- (b) The limitations set forth in subsection (a) do not apply to the following:
- (1) Taxes on new construction or property improvements which occur during the current fiscal year.
 - (2) Taxes required to fund additional services mandated by voter approved ballot issues.
 - (3) Special taxes authorized by voter approved ballot issues.
 - (4) Taxes required to fund the costs of judgments entered against the municipality or to pay principal or interest on bonds, including revenue bonds.
 - (5) Taxes required to fund the cost of an emergency ordinance enacted pursuant to 10.03 of the Municipal Charter.
 - (6) Taxes imposed pursuant to Charter § 14.06 prior to 2019 and subsequent to 2023.

(7) Taxes imposed pursuant to Charter § 14.08(b).
~~[(8) TAXES IMPOSED PURSUANT TO CHARTER § 14.09.]~~

[NOTE: Subsection (c) to be omitted from proposition, no changes proposed thereto]

~~[(c) Any tax increases which result from the exceptions set forth in subsection (b)(1) — (3) shall be added to the base amount which is used in subsection (a) for the calculations of the subsequent year tax increase limit. Taxes collected pursuant to Charter § 14.06 in 2018 shall be added to the base amount which is used in subsection (a) for calculations of the 2019 tax increase limit. Taxes collected pursuant to Charter § 14.06 in 2024 and subsequent years shall be in addition to taxes that can be levied pursuant to this section. To ameliorate the effect of excepting taxes in subsection (b)(6) subsequent to 2023, the total amount of municipal tax that can be levied as calculated under subsection (a) for 2024 only shall be reduced by one million dollars.]~~

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Section 14.08. - Sales and Use Tax; Part Dedicated to Municipal Area Projects (MAPs) approved by the voters [PROPERTY TAX RELIEF].

(a) The assembly is hereby authorized to levy, to the extent provided by law, a two percent (2%) tax on the sale and use of goods and services within the municipality, with exemptions as provided by law, available for any public purpose. [THE PROCEEDS OF THE 2% SALES AND USE TAX AUTHORIZED BY THIS SECTION IN ONE FISCAL YEAR AFTER PAYMENT OF THE TWO-THIRDS OF THE COSTS OF ADMINISTRATION, COLLECTION AND AUDIT ARE DEDICATED TO PROPERTY TAX REDUCTION IN THE FOLLOWING YEAR. THIS REDUCTION SHALL BE ACCOMPLISHED BY EXPENDITURE OF THE GROSS RECEIPTS IN PLACE OF PROPERTY TAXES IN ANY MANNER FOR WHICH PROPERTY TAXES ARE AUTHORIZED. THE TAXES COLLECTED USED FOR PAYMENT OF TWO-THIRDS OF THE COSTS OF ADMINISTRATION, COLLECTION AND AUDIT OF THE TAXES AUTHORIZED BY THIS SECTION SHALL BE "SPECIAL TAXES" UNDER CHARTER § 14.03(B).]

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(c) [THE TAXES AUTHORIZED BY THIS SECTION SHALL FIRST BE LEVIED NO EARLIER THAN JULY 1, 2026 AND NO LATER THAN JULY 1, 2027, AS DETERMINED BY THE ASSEMBLY BY ORDINANCE. THE TAX LEVIES SHALL SUNSET AND BE REPEALED EFFECTIVE AT 11:59 P.M. ON DECEMBER 31 OF THE SEVENTH FULL CALENDAR YEAR FOLLOWING THE DATE THE TAX WAS FIRST LEVIED.]

~~(d)~~ The costs of administration, collection and audit for the taxes authorized by this section shall be incurred proportionally from the 1% and 2% taxes collected.

(e) The good authorized to be taxed under [NOTWITHSTANDING] Charter §§ 14.06 and 14.07 are exempt from[,] the taxes levied under this section [APPLY TO GOODS TAXED BY THOSE SECTIONS, UNLESS EXEMPTED BY THE ASSEMBLY BY ORDINANCE].

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Shall the Charter be amended as shown above and become law, authorizing a [TEMPORARY, DEDICATED-USE] aggregated 3% sales and use tax?

YES

NO

Section 3, p. 12, beginning at line 45, amending as follows:

Food and food ingredients shall mean substances, whether in liquid, concentrated, solid, frozen, dried, or dehydrated form, that are sold for ingestion or chewing by humans and are consumed for their taste or nutritional value. "Food and food ingredients" does not include "alcoholic beverages", "marijuana," marijuana products," or "tobacco."

Section 3, p. 20, beginning at line 44, amending to add a subsection as follows:

15. Retail sales of alcoholic beverages as defined in chapter 12.65, and marijuana or marijuana products as defined in chapter 12.50, as required to be exempt under Charter § 14.08.

Section 5, p. 26, beginning at line 9, amending to add a subsection as follows:

2. T is the total amount of:
 - a. Real property and personal property taxes to be collected for the current fiscal year reduced by the amount of 2% sales and use taxes collected in the prior year, if any.

Section 3, p. 26, beginning at line 24, amending to add a subsection as follows:

8. The taxes used for payment of costs of administration, collection and audit to the municipality from the two percent (2%) sales and use tax authorized by Charter § 14.08(a).

9.] The gross receipts of the one percent (1%) sales and use taxes authorized by Charter § 14.08(b).

AND p. 26, beginning at line 42, amending to add a new AO Section 6, to read as follows:

Section 6. [NOTE: this AO section is newly added to the (S-2) version] Anchorage Municipal Code chapter 12.10 is hereby amended to read as follows, effective if and only if the proposition in Section 2 of this ordinance is approved by the voters (*the remainder of the chapter is not affected and therefore not set out*):

Chapter 12.10 - PERSONAL PROPERTY TAXATION^[1]

12.10.010 – Property subject to taxation.

A. Except as otherwise provided in this chapter, the following personal property which has a tax situs within the municipality is subject to taxation:

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3. *Taxable business personal property.*

a. Business personal property is taxable to the extent that a taxpayer's total assessed value for all business personal property within the Municipality of Anchorage exceeds **\$250,000.00** [~~\$20,000.00~~].

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(AO 220-76, § 1, 11-16-06; AO No. 81-218(S); AO No. 94-74(S-1), § 1, 1-1-95; AO No. 94-211, § 2, 1-1-95; AO No. 2004-140, § 1, 10-26-04; AO No. 2010-81(S-1), § 15, 12-7-10, eff. 1-1-11; AO No. 2011-30, § 2, 3-8-11, eff. 1-1-12; AO No. 2020-96, § 3, 9-1-21*)

12.10.020 – Exemptions.

A. Individual personal property utilized solely and exclusively for personal, non-business uses or purposes is exempt from taxation under this chapter.

B. The first **\$250,000.00** [~~\$20,000.00~~] of assessed valuation of taxable personal property owned by each taxpayer shall be exempt from municipal property taxation.

1. For a taxpayer with more than one personal property tax account, the **\$250,000.00** [~~\$20,000.00~~] exemption shall be distributed pro rata among all of the taxpayer's accounts, based on the proportion of the assessed value in each

account to the total assessed value of that taxpayer's personal property.

(GAAB 10.05.030; AO No. 81-218(S); AO No. 85-182, 1-1-86; AO No. 86-211(S-1); AO No. 94-74(S-1), § 2, 1-1-95; AO No. 94-97(S), § 2, 1-1-95; AO No. 94-211, § 3, 1-1-95; AO No. 94-219, § 1, 1-1-95; AO No. 97-128, § 1, 10-21-97; AO No. 2004-140, § 2, 10-26-04; AO No. 2020-96, § 3, 9-1-21*)

Section 5, p. 28, beginning at line 1, renumbering the AO section to 7, and amending as follows:

Section 7[5]. The full text of Sections 2, 3 and 6[3] shall be published conspicuously on the Municipality's web pages, including the elections web pages, no later than

Section 5, p. 28, beginning at line 8, renumbering the AO section to 8, and amending as follows:

Section 8[6]. The Charter amendments set forth in the proposition in Section 2 and the Code amendments set forth in Sections 3 and 4 of this ordinance shall become effective on July 1, 2025, **and the Code amendments set forth in Section 6 of this ordinance shall become effective January 1, 2026,** if and only if, said proposition is approved by a majority of the qualified voters of the Municipality voting...

Will there be any public or private economic effect to the proposed amendment?

YES NO (check one) **If yes, please detail below.**

The proposed amendment would increase the tax cap by approximately \$120 Million, and not reduce property taxes, and may reduce the amount to devote to capital projects as proposed by this ordinance.