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ANCHORAGE, ALASKA
AO No. 2024-105(SA)*

(*NOTE: this (SA) version is presented without legislative drafting markup from the original AO and AO(S) text, except to the title, it is written as a new ordinance. See the accompanying Assembly Memorandum for a summary of changes from the AO(S))

AN ORDINANCE OF THE ANCHORAGE MUNICIPAL ASSEMBLY PROPOSING A DEDICATED SALES [~~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 *[~~OR USE~~]* OF GOODS AND SERVICES WITHIN THE MUNICIPALITY, WITH CERTAIN EXEMPTIONS, A MAXIMUM TAX AMOUNT PER TRANSACTION, COMPRISED OF A TWO PERCENT (2%) TAX 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 INVENTORY PERSONAL PROPERTY TAX EXEMPTION TO THE FIRST $250,000 OF VALUE; SUBMITTING TO THE VOTERS THE QUESTION WHETHER TO AUTHORIZE USE OF THE MUNICIPAL TRUST FUND CORPUS ESTABLISHED UNDER CHARTER § 13.11 TO FINANCE ADMINISTRATIVE COSTS OF PREPARING FOR THE SALES TAXES BEFORE LEVIED AND COLLECTED; CALLING FOR A SPECIAL ELECTION;* AND PROVIDING FOR TRANSITION PROCEDURES AND EFFECTIVE DATES.

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 Municipality of Anchorage is suffering from a net outmigration of residents with a net decline from 2013 (302,127) to 2023 (289,653) of 12,474 residents or ~4.1%; of which 18,314 are of working age and multiple forecasts predict this decline will continue; and

WHEREAS, there is a desire to revitalize Anchorage through Municipal Area Projects (MAPs) that will attract and retain residents, increase resident and visitor enjoyment, and enhance the livability of Anchorage; and

WHEREAS, to reduce the regressive effect of a general retail sales tax, exemptions will be provided for common and necessity transactions; and

WHEREAS, to reduce the regressive effect of a general retail sales tax, the proposal recommends a household exemption component in which the Assembly determines a process whereby Anchorage households with annual income at or below the 80% federal poverty line may apply for exemption from the sales tax altogether, and

WHEREAS, there will be a $2,500 cap on the amount of a purchase transaction subject to the sales taxes, limiting the amount of tax paid to a maximum of $75 per transaction; 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 (or $165M to $203M in the first full year collections, per the summary of economic effects) 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

WHEREAS, Municipal Area Projects would have oversight provided by a MAPs Citizen Advisory Board when appointed by the Mayor and confirmed by the Assembly; and

WHEREAS, a sales tax is not new to Alaska with sales taxes implemented in Juneau, Kenai, Homer, Ketchikan, Kodiak, Palmer, Seward, Soldotna, Wasilla and other jurisdictions; and

WHEREAS, MAPs will be required to have 80% of funding in place prior to the commencing of field or site work in order to ensure projects are funded from MAPs

Fund and Trust reserves; and

WHEREAS, under this proposal the MAPs Fund and Trust reserves shall not be used to secure general obligation bond debt; now, therefore

<u>Section 1.</u> Pursuant to state law and the Anchorage Municipal Charter, a ballot proposition in substantially the same form as appear in Section 2 below shall be placed on the ballot and submitted to the qualified voters of the Municipality at a special municipal election to be held on September 2, 2025.

<u>Section 2</u>. A ballot proposition shall be presented in substantially the following form:

PROPOSITION NO. _____
PROPERTY TAX REDUCTION AND ECONOMIC DEVELOPMENT MEASURE:
CHARTER AMENDMENT AND ORDINANCE TO AUTHORIZE THE LEVY OF A 3% SALES TAX, COMPRISED OF 2% FOR PROPERTY TAX REDUCTION UNDER THE "TAX CAP," AND 1% DEDICATED TO VOTER APPROVED CAPITAL PROJECTS; AND AUTHORIZING USE OF THE MOA TRUST FUND CORPUS TO FINANCE ADMINISTRATIVE COSTS TO PREPARE FOR THE TAX PRIOR TO LEVY

The proposed Charter Amendment and Assembly Ordinance 2024-___ would authorize and enact a seven (7) calendar year term-limited aggregated three percent (3%) sales tax on the sale of goods and services within the Municipality of Anchorage, with certain specified exemptions. This is comprised of two separate sales tax levies for separate purposes:

(1) A two percent (2%) sales tax for the reduction of property taxes under the tax cap. The full amount of this tax revenue, after the costs of administration, collection and audit, shall reduce the amount of property taxes the Municipality collects, dollar for dollar. This is estimated to reduce the overall property tax burden by approximately $120 million, or about 16% of an average property tax bill.

(2) A one percent (1%) tax dedicated to fund community infrastructure projects excluded from the Tax Cap calculation and known as Municipal Area Projects (MAPs) approved by the voters. The amount of this tax revenue after the costs of administration, collection and audit, and is solely dedicated to funding of MAPs projects approved by the voters, listed in this proposition. This is estimated to produce approximately $60 million in annual revenue.

The tax shall be first levied no earlier than July 1, 2027 and no later than February 1, 2028, the actual date of levy to be determined by the Assembly.

For the first partial calendar year the sales tax is levied, the Municipality will also collect property taxes without reduction.

The following MAP capital investments, identified by Anchorage residents, are authorized to be designed, constructed, acquired, maintained and operated pursuant to this proposition and the Charter amendments:

Projects (detailed descriptions are attached to AO 2024-___):

1. Kincaid Trailside Facility – full-service indoor facility with space for year-round recreation amenities like food and beverage concessions, outdoor gear rentals, and gathering space.
2. Goose Lake Trailside Facility – replacement of existing structure with full-service indoor facility with space for year-round recreation amenities like food and beverage concessions, outdoor gear rentals, and gathering space.
3. Development of Tract B Cook Subdivision, Formerly Known as National Archives — Municipal participation in the proposed development of the National Archives site focused on housing through the following means: infrastructure, land, or direct investments including public private partnerships.
4. Downtown Arts and Entertainment Redevelopment – upgrade the Performing Arts Center and improve downtown core pedestrian experience with lighting, wayfinding, walkways, and other pedestrian infrastructure.
5. East Anchorage Sports Center – indoor sports center including an indoor track, open turf space, court space, and other features.
6. Anchorage Children's Museum – a facility offering exhibits and programs designed for children.
7. Chester Creek Sports Complex Redevelopment – a sports facility offering indoor space and other amenities complementing the area's revitalization, including focus on housing through infrastructure development, land acquisition and management, and direct investments including public private partnerships.
8. Eagle River Sports Center – indoor sports center including a track, open turf space, court space, and other features for sporting activities.
9. Girdwood Arts & Recreation District – a community space for art, special events, and an RV park.
10. Improvements or repairs of municipal facilities that are open to the general public that residents can access or use. No more than 15% of the net receipts of the MAPs 1% sales tax funds shall be used to fund existing Municipal facilities, exempting those MAPs project described herein and projects involving demolition and replacement of the existing facility.

This proposition also authorizes the use of the Municipal Trust Fund corpus, in accordance with Charter § 13.11(b)(1), to finance or secure financing to cover reasonably incurred administrative costs essential to prepare the Municipality for sales tax administration and collection. The terms and conditions shall be determined by the Chief Fiscal Officer and require Assembly approval by ordinance. Any resulting debt will be repaid from sales tax revenues, categorized as administrative costs.

This Property Tax Reduction and Economic Development Measure would amend Anchorage Municipal Charter Section 14.03 and add new Section 14.08 as follows (new language proposed is shown in **<u>bold and underlined</u>**; language to be deleted is shown with [~~**strikeout in bold and brackets**~~]):

Section 14.03. - Tax increase limitation.

(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.

<u>(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 net receipts of the two percent (2%) sales tax collected pursuant to Charter § 14.08(a) in the year said tax is first levied.</u>

<u>(4) For the calendar year after the one in subsection (3) and continuing for seven calendar years, "the total amount</u>

approved by the assembly for the preceding year” shall include the net receipts of the two percent (2%) sales tax collected 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(a) except as directed in subsection (a) above.

(8) Taxes imposed pursuant to Charter § 14.08(b).

(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 Tax; Property Tax Reduction and Dedication to Capital Investments.

(a) The assembly is hereby authorized to levy, to the extent provided by law, a two percent (2%) tax on the sale of goods and services within the municipality, with exemptions as provided by law. The proceeds of the 2% sales tax authorized

<u>**by this section in one fiscal year, after payment of two-thirds of the costs of administration, collection and audit to the municipality, are to be used in place of property taxes in the following year for any public purpose. The net proceeds shall be used to establish a Sales Tax Trust Fund and be deposited therein. Draws from this trust fund shall be restricted only as authorized by this subsection (a). The assembly shall establish an investment policy for the Sales Tax Trust Fund by ordinance. 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).**</u>

<u>**(b) In addition to the tax authorized by subsection (a), the assembly is hereby authorized to levy a one percent (1%) tax on the sale of goods and services within the municipality dedicated to funding Municipal Area Projects (MAPs). Each MAP shall be capital improvement(s) approved by a majority of the qualified voters areawide voting on the question. This tax shall be levied at the same time, in the same manner, and with identical exemptions as the tax authorized by subsection (a). The net receipts from this one percent (1%) sales tax, after payment of one-third of the costs of administration, collection and audit to the municipality for the taxes authorized by this section, shall be dedicated to investments for purposes of using earnings to pay the costs for operations, maintenance and safety for constructed MAPs and related improvements, and to funding development and construction costs of MAPs.**</u>

<u>**(1) The net proceeds dedicated above shall be used to establish a trust fund, the MAPs Trust Fund and Reserves, and be deposited therein. The assembly shall establish by ordinance a level of trust fund assets reasonable and necessary to hold in reserve for investment earnings sufficient to be available during the economic life of any constructed MAPs for the costs of operations, maintenance and safety improvements. The assembly may authorize draws from the trust by ordinance, with the following stipulations:**</u>

<u>**(i) Investment earnings are first used for payment of costs for operations, maintenance and safety improvements for constructed MAPs and related improvements. Investment earnings**</u>

<u>unencumbered at the end of the fiscal year shall become part of the trust corpus.</u>

<u>(ii)</u> **<u>Appropriations from the trust corpus are authorized for costs of funding design, development, and construction of a project on the MAPs list; provided that no initial appropriation for a project's construction costs is permitted unless the project is 80% funded or more, regardless of source.</u>**

<u>(iii)</u> **<u>Appropriations from the trust corpus may not cause the balance to fall below the trust reserve level established by the assembly in accordance with this section.</u>**

<u>(2)</u> **<u>The assembly shall establish an investment policy for the MAPs Trust Fund and Reserves by ordinance.</u>**

<u>(c)</u> **<u>The taxes authorized by this section shall first be levied no earlier than July 1, 2027 and no later than February 1, 2028, 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.</u>**

<u>(d)</u> **<u>Sales subject to the taxes levied by Charter §§ 14.06 (marijuana and marijuana products) and 14.07 (alcoholic beverages) are exempt from the taxes levied under this section.</u>**

<u>(e)</u> **<u>Households with income below a certain threshold based on federal poverty guidelines or regulations and established by the assembly by ordinance shall be exempt from the sales tax.</u>**

<u>(f)</u> **<u>The assembly may enact such additional provisions, not inconsistent with this section, as necessary or desirable to implement this section.</u>**

And by amending Anchorage Municipal Charter, Article II (4), and Charter §14.01(b) as follows (**<u>underlined and bolded words</u>** are proposed new words; **~~strikeouts in bold~~** are proposed deletions):

ARTICLE II BILL OF RIGHTS

This Charter guarantees rights to the people of Anchorage that are in addition to rights guaranteed by the Constitution of the United States of America and the Constitution of the State of Alaska. Among rights guaranteed by this Charter are:

*** *** ***

(4) The right of immunity from sales taxes, except upon approval by three-fifths (⅗) of the qualified voters voting on the question except the taxes imposed by Charter **§ [~~Section~~]** 14.05**, § [~~and Section~~]**14.07**, and § 14.08** shall be effective if approved by a majority (50 percent + one) of the qualified voters voting on the question.

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Section 14.01 Taxing Authority

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(b) The right of immunity from sales taxes, except upon approval by three-fifths (3/5) of the qualified voters voting on the question except the tax**es,** imposed by Charter **§ [~~Section~~]** 14.05**, § [~~and Section~~]** 14.07**, and § 14.08** shall be effective if approved by a majority (50 percent + one) of the qualified voters voting on the question.

If approved by more than 50% of the qualified voters voting on the question at the September 2, 2025 Special Election, the Charter amendments will become effective 30 days after certification of the election, and the sales tax levy will become effective no later than February 1, 2028, with the date of initial levy to be established by the Anchorage Assembly by ordinance. The sales tax levy will be repealed automatically on December 31 of the seventh full calendar year after it is first levied.

Shall the Charter be amended as shown above and become law, authorizing a temporary, dedicated use aggregated 3% sales tax, and the MAPs listed above be authorized?

YES NO

Section 3. Anchorage Municipal Code Title 12 is hereby amended to add a new chapter 12.80 to read as follows, effective if and only if the proposition in Section 2 of this ordinance is approved by the voters:

Chapter 12.80
Tax on the Sale of Goods and Services

12.80.10 Aggregated sales tax.

A. *Sales Tax Imposed*. An aggregated sales tax of 3% is hereby levied on the taxable retail sales of all goods and services sold within the municipality, except as provided in this chapter. This consists of two separate sales taxes, one of two percent (2%) for property tax relief, and one of one percent (1%) for funding Municipal Area Projects, as authorized by Charter § 14.08.

B. The aggregated sales taxes levied by this section shall be collected for a limited term beginning at 12:01 a.m. on July 1, 2027, for the remainder of that year, plus seven (7) full calendar years until 11:59 p.m. on December 31, 2035 when it shall be repealed by operation of law.

12.80.020 Purpose. The purposes of this chapter are:

A. *Property Tax Reduction.* A purpose of this chapter is to provide property tax relief to the property owners of the municipality. The net receipts of the two percent (2%) sales tax, after payment of two-thirds (2/3) of the costs of administration and collection for sales taxes, shall be applied to reduce property taxes uniformly throughout the municipality so the benefits of the reduction in property taxes are shared throughout the municipality. The two percent (2%) sales tax obtained by the municipality in one fiscal year shall be restricted to application to the following fiscal year's budget by appropriations for any public purpose. The amount of the two percent (2%) sales tax obtained by the municipality in one fiscal year shall be included in the tax increase limitation computation for the next fiscal year as an offset amount of the real and personal property taxes to be collected for that fiscal year.

B. *Municipal Area Projects (MAPs):* A purpose of this chapter is to provide funding for Municipal Area Projects (MAPs) recommended and desired by the public. The net receipts of the one percent (1%) sales tax, after payment of the one-third (1/3) of costs of administration and collection for sales taxes, shall be dedicated and restricted to funding of Municipal Area Projects for the benefit of the Municipality, including trust fund reserves to generate investment earnings to pay for operations, maintenance, and safety improvements. No project shall commence construction until a minimum of 80% of funding required for that project has been appropriated, regardless of source. MAPs fund and trust reserves shall not be used to secure general obligation bond debt.

C. The costs of administration, collection and audit of the total aggregated sales tax shall be paid proportionally out of the proceeds from both parts of the aggregated sales tax.

D. The operations, maintenance and safety for constructed and related improvements under Section 12.80.020B. shall be paid out of the proceeds from the one percent (1%) sales tax.

12.80.025 - Interpretation.

A. The tax levied by this chapter applies to all sales, rentals and services except those that this chapter expressly exempts from the tax.

B. The application of the tax levied under this chapter shall be broadly construed and shall favor inclusion rather than exclusion.

C. The exemptions from the tax levied under this chapter shall be narrowly construed against the claimant and in favor of taxation.

12.80.030 Definitions.

The following words, terms and phrases, when used in this chapter, shall have the meanings ascribed to them in this section, except where the context clearly indicates a different meaning:

Certificate of Exemption shall mean a certificate issued by the municipality to a person qualifying as an "Exempt Purchaser" of goods and services, reseller, or other person-based exemption . The certificate shall be provided at the time of the sales transaction in order to obtain the permitted exemption.

Chief Fiscal Officer shall mean the chief fiscal officer of the municipality, or designee.

Contraceptives shall mean any device or method for preventing fertilization, or a term product of conception Types Barrier methods– condoms, diaphragms, hormone combinations, spermicides, implantable hormonal devices, RU-486, etc.

Counseling Services shall mean all services provided to an individual taxpayer by a psychologist or psychological associate, psychiatrist, clinical social worker, substance abuse counselor, or a marital and/or family therapist, licensed or certified to provide such services by the State of Alaska.

Department shall mean the finance department of the municipality.

Exemption shall mean a buyer or seller is exempt under a provision of this chapter, or the sale itself is exempt under a provision of this chapter.

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" or "tobacco."

Prepared Food shall mean:
(i) Food sold in a heated state or heated by the seller;
(ii) Two or more food ingredients mixed or combined by the seller for sale as a single item; or
(iii) Food sold with eating utensils provided by the seller, including plates, knives, forks, spoons, glasses, cups, napkins, or straws. A plate does not include a container or packaging used to transport the food.

Goods shall mean all tangible personal property that can be seen, weighed, measured, felt, or touched, or that is in any other manner perceptible to the senses. "Tangible personal property" includes electricity, water, gas, steam, and prewritten computer software.

Grooming and hygiene products are soaps and cleaning solutions, shampoo, toothpaste, mouthwash, antiperspirants, and sun tan lotions and screens, regardless of whether the items meet the definition of "over-the-counter-drugs."

Household Exemption shall mean the exemption of households with annual income at or below federal level of eighty-percent (80%) poverty from the provisions of this sales tax.

Legal Services shall mean all services provided to an individual taxpayer by a lawyer or paralegal or any other individual licensed or certified by the State of Alaska to provide legal services.

MAPs Citizen Advisory Board shall mean a board comprised of Municipal Citizens as established in this chapter.

Medical Services shall mean all services provided to an individual taxpayer by a physician, osteopath, chiropractor, dentist, registered or practical nurse, physician's assistant, certified nurse's aide, paramedic, emergency medical technician, naturopath, optometrist, audiologist, hospital, midwife, birth center, occupational therapist, physical therapist, or any other person certified or licensed by the state of Alaska to provide health care services.

Menstrual Hygiene Products shall mean tampons, panty liners, menstrual cups, pads, and other similar tangible personal property designed for use in connection with the human menstrual cycle, contraceptives, but does not include "grooming and hygiene products" as defined in this section.

Municipal Area Projects (MAPs) shall mean capital projects as defined by municipal code or capital investments that will have benefit to the Municipality of Anchorage with measurable improvements for the immediate and long-term livability of Anchorage.

"Over-the-counter-drug" means a drug that contains a label that identifies the product as a drug as required by 21 C.F.R. § 201.66. A member state may exclude "grooming and hygiene products" from this definition. The "over-the-counter-drug" label includes:
A. "Drug Facts" panel; or

B. A statement of the “active ingredient(s)” with a list of those ingredients contained in the compound, substance or preparation.

Nonprofit Organization shall mean a business or organization that has been granted tax-exempt status by the Internal Revenue Service.

Person shall mean those who are under a duty to perform an act concerning which a violation of this chapter could occur, such as an individual, company, partnership, joint venture, joint agreement, association (mutual or otherwise), corporation, estate, trust, business trust, receiver or trustee, syndicate, or political subdivision of this state, or combination acting as a unit including officers or members of any such entities. It is the intent of this chapter that such persons be personally liable for unremitted taxes.

Precious metals bullion shall mean any precious metal, including, but not limited to, gold, silver, platinum, and palladium, that is in such a state or condition that its value depends upon its precious metal content and not its form.

Prescription medicine shall mean an order, formula or recipe issued in any form of oral, written, electronic, or other means of transmission by a duly licensed practitioner authorized by the laws of the state.

Purchaser shall mean a person to whom a sale is made.

Real Property shall mean land, whether subdivided or not, all buildings, structures, improvements and fixtures of any kind thereon, and all possessory rights and privileges belonging and pertaining thereto.

Resale shall mean:

A. the sale of goods by a manufacturer, wholesaler or distributor to a retail vendor; sales to a wholesale or retail dealer who deals in the property sold, for the purpose of resale by the dealer.

B. Sales of personal property as raw material to a person engaged in manufacturing components for sale, where the property sold is consumed in the manufacturing process of, or becomes an ingredient or component part of, a product manufactured for sale by the manufacturer.

C. Sale of personal property as construction material to a licensed building contractor where the property sold becomes part of the permanent structure.

Services shall mean all services of every manner and description performed or furnished for compensation within the municipality as required to install, construct, repair or complete specified results or end products and professional services, services in which a product or sale of property may be involved, repair, transportation, advertising, recreation, amusement, craftsmen's services, and services wherein labor and materials are provided to accomplish a specific result.

Seller shall mean every person, whether acting as principal, agent or employee, who makes a sale subject to this tax.

Selling price applies to the measure subject to sales tax and means the total amount of consideration, including cash, credit, property, and services, for which personal property or services are sold, leased, or rented, valued in money, whether received in money or otherwise, without any deduction for the following:

a. The cost of materials used, labor or service cost, interest, losses, all costs of transportation to the seller, all taxes imposed on the seller, and any other expense of the seller;
b. Charges by the seller for any services necessary to complete the sale, other than delivery and installation charges;
c. Delivery charges;
d. Installation charges; and
e. Credit for any trade-in, as determined by state law.

Tax Payer shall mean any person responsible for the payment of any sales tax as required by this chapter.

12.80.040 Property Tax Relief 2% sales tax.

The two percent (2%) sales tax levied by Section 12.80.010 and authorized by Charter § 14.08(a), after two-thirds (2/3) of the costs of administration, collection, and audit to the municipality for the tax, is solely dedicated to reduction of property taxes by substitution. The net proceeds shall be deposited in the Sales Tax Trust Fund in accordance with Section 12.80.080. The department shall implement this section.

12.80.050 Municipal Area Projects 1% sales tax; MAPs Trust Fund.

A. The net receipts of the one percent (1%) sales tax levied by section 12.80.010 and authorized by Charter § 14.08(b) for Municipal Area Projects, after payment or transfer for one-third (1/3) of the costs of administration, collection, and audit to the municipality for the tax, shall be deposited in the MAPs trust fund and managed and administered in accordance with this chapter.

B. Projects to be funded: The net receipts of the MAPs 1% sales tax funds available for funding MAPs projects may be expended only for the following limited purposes (the "projects") approved by the voters by Proposition at a duly held municipal election:

1. Kincaid Trailside Facility – full-service indoor facility with space for year-round recreation amenities like food and beverage concessions, outdoor gear rentals, and gathering space.
2. Goose Lake Trailside Facility – replacement of existing structure with full-service indoor facility with space for year-round recreation amenities like food and beverage concessions, outdoor gear rentals, and gathering space.
3. Development of Tract B Cook Subdivision, Formerly Known as National Archives — Municipal participation in the proposed development of the National Archives site focused on housing through the following means: infrastructure, land, or direct investments including public private partnerships.
4. Downtown Arts and Entertainment Redevelopment – upgrade the Performing Arts Center and improve downtown core pedestrian experience with lighting, wayfinding, walkways, and other pedestrian infrastructure.
5. East Anchorage Sports Center – indoor sports center including an indoor track, open turf space, court space, and other features.
6. Anchorage Children's Museum – a facility offering exhibits and programs designed for children.
7. Chester Creek Sports Complex Redevelopment – a sports facility offering indoor space and other amenities complementing the area's revitalization, including focus on housing through infrastructure development, land acquisition and management, and direct investments including public private partnerships.
8. Eagle River Sports Center – indoor sports center including a track, open turf space, court space, and other features for sporting activities.
9. Girdwood Arts & Recreation District – a community space for art, special events, and an RV park.
10. Improvements or repairs of municipal facilities that are open to the general public that residents can access or use. No more than 15% of the net receipts of the MAPs 1% sales tax funds shall be used to fund existing Municipal facilities, exempting those MAP s project described herein and projects involving demolition and replacement of the existing facility.

C. Additional or substituted projects must be placed on the ballot and approved by voters with a vote of 50% plus one.

D. No more than 15% of the net receipts of the MAPs 1% sales tax funds shall be used to fund existing Municipal facilities, exempting those described herein and projects involving demolition and replacement of the existing facility.

E. There is hereby established a limited purpose tax fund to be known as the "Municipal Area Projects Tax Trust Fund" into which all revenues collected pursuant to Subsection 12.80.050A. above shall be deposited. Monies in said limited-purpose Trust Fund shall be accumulated from year-to-year. Monies in said limited purpose trust fund shall be expended only as accumulated and only for the limited purposes (projects and administration, collection, audit, long term operations, maintenance and safety for constructed and related improvements) described in Charter § 14.08(b).

12.80.060 MAPs Citizen Advisory Board.

A. There is hereby authorized the establishment of a MAPs Citizen Advisory Board to review proposed and actual expenditures of such monies from the MAPs Tax Trust Fund and submit recommendations to the assembly and mayor regarding such expenditures, the order of projects funded, and modifications to the list of tax exemptions. The board must be seated and hold its first meeting with quorum at least 60 days prior to expenditure of any monies from the MAPs Tax Trust Fund

1. The formation of the Board shall be at the discretion of the Mayor with appointment approval by the Assembly.

2. The board shall have seven (7) members, appointed by the mayor and confirmed by the assembly, who shall serve for a term of 3 years.

3. The board shall recommend to the mayor and assembly the priority order in which projects should be funded through appropriations as required by the Charter § 14.08.

4. The board shall recommend appropriations for operations, maintenance, security and safety for constructed and related improvements as required by Charter Amendment.

5. The board shall at least on an annual basis provide a report to the mayor and assembly on the status of the tax and any exemptions that they recommend be added, deleted, or changed.

12.80.070 Non-taxable sales, exclusions and exemptions.

A. The following sales are not taxable under this chapter under state or federal law:

1. Sales to an agency of the United States government, an instrumentality of the State of Alaska as that term is defined in AS 39.52.960, a municipality or school district, including the Anchorage School District, a Regional Housing Authority created pursuant to A.S.18.55.996, or a Native entity or tribe included on the federal list published under 25 U.S.C. 5131.

2. Sales to foreign diplomats under the Foreign Missions Act (22 U.S.C. 4301 *et seq.).*

3. Sales to the Alaska Life and Health Insurance Guaranty Association, under AS 21.79.130.

4. Sales of goods related to an orbital space facility, pursuant to AS 29.45.650(h).

5. A purchase made with (a) food coupons, food stamps, or other type of allotment issued under 7 U.S.C. 2011--2036 (Food Stamp Program); or (b) food instruments, food vouchers, or other type of certificate issued under 42 U.S.C. 1786 (Special Supplemental Food Program for Women, Infants, and Children). For purposes of this subsection, the value of a food stamp allotment paid in the form of a wage subsidy as authorized under AS 47.25.975(b) is not considered to be an allotment issued under 7 U.S.C. 2011--2036 (Food Stamp Program).

6. The retail sale of refined fuel.

7. A construction contract awarded by the state or a state agency, or on a subcontract awarded in connection with the project funded under the construction contract.

8. Other sales the municipality is prohibited from taxing under the federal or state Constitutions or laws of the United States or the State of Alaska.

B. *Maximum tax per transaction*. Only the first $2,500.00 of the price in each transaction shall be subject to sales tax levied under this chapter, the amount in excess in each transaction is excluded and not taxable. This rule applies as follows in the circumstances described:

1. The payment of rent for personal property in excess of $2,500.00, and for more than one month shall be treated as separate transactions covering the rental for one month each. A transaction involving payment for services to be rendered or delivered over a period of more than one month for a consideration in excess of $2,500.00 shall be treated as separate transactions occurring one each month over the period of time that the service is rendered.

2. Each night of each individual room rental shall be considered a separate transaction and therefore the maximum tax computation shall be calculated on a per room per night basis.

3. Capital Leases. Contracts to purchase the property at the end of a lease shall be treated as a sale on the effective date of the contract and are subject to the maximum tax per transaction pursuant to subsection (A) of this section.

4. Other Lease Types. Leases that have an option to purchase at the end of the lease are taxed on the principal amount of each lease payment for the term of the lease. If the purchase is made at the end of the lease, the purchase transaction would be treated as another separate transaction. Interest and financing charges related to the lease payment are not subject to tax.

5. Installment Payments. When payments for a single transaction are made on an installment basis the sales tax on the transaction shall be collected on the first payment.

C. The municipality hereby declares the following exemptions from the taxes imposed by this chapter:

1. Sales of food, except prepared food shall be taxable.

2. Sale of prescription medicine or medical goods prescribed by a physician, psychiatrist or other person licensed in the United States to lawfully authorize such prescription.

3. The provision of medical services or counseling services.

4. The sale of gasoline or diesel fuel.

5. Small business transactions for businesses classified as a Cottage Industry business, or as a small manufacturing operation run out of a home by a single individual or a family.

6. Financial service transactions. For purposes of this chapter, financial service transactions are limited to: deposit account services, loan transaction fees, transactions relating to the sale or exchange of currency or securities or precious metals bullion, transactions for conversion of negotiable instruments, safe deposit services, escrow collection services, late fees, overdraft fees, and interest charged on past due accounts.

7. Licensed childcare services, childcare products, and menstrual hygiene products, and contraceptives.

8. Isolated sales by one individual to another when the seller is not generally engaged in the business of selling the same or similar property.

9. Rental of personal property, unless the rental transaction for personal property provides a right of purchase at the end of the rental contract. However, this provision does not exempt motor vehicle rentals that are also subject to the motor vehicle rental tax in chapter 12.45.

10. The sale or rental of real property (including all necessary or customary services provided in order to legally accomplish a sale or rental of real property), except the rental of a room or rooms taxable under chapter 12.20 are also taxable under this chapter.

11. The sale of contracts of insurance.

12. Sale of school classroom items and professional development courses or other goods or services qualifying for the federal income tax educator expense deduction, to those presenting a valid teacher's identification or certificate.

13. Purchases made by nonprofits. The Municipality shall develop an online registration for certifying that a nonprofit is eligible for exemption as a "nonprofit exempt purchaser," at no cost to the nonprofit. Upon certification the nonprofit exempt purchaser shall provide their federal tax identification number to a seller of goods at the time of purchase in order to obtain the permitted exemption.

14. 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.

D. The following sales are exempt from the taxes imposed by this chapter, provided the seller or purchaser, as applicable, is in possession of a valid certificate of exemption:

1. Sales and purchases by a nonprofit organization, provided the sale of goods or services is incidental and all the proceeds of the sale go to the organization and its mission, and is not part of an "unrelated trade or business" as that term is defined by the Internal Revenue Code.

2. Sale of goods for resale.

E. The application of the exemptions provided for in subsections A-D of this section to specific goods and services shall be determined by the department.

F. The Assembly by majority vote may, after formal recommendation from the MAPs Citizen Advisory Board, alter or modify a determination of the department concerning the application of any exemption provided for in subsection A-D of this section to any specific goods or services.

G. The Administration shall establish a Universal Municipal Services Application process allowing households to qualify for, among other services administered by the Municipality, a household exemption from the sales tax. Households with incomes below the federal level of eighty percent (80%) poverty shall be exempt from the sales tax on retail purchases. The implementation of this section shall be determined by the Assembly by ordinance, and shall consist of staffing and administration to establish a program such as, but not limited to, a card or certificate of exemption, an annual rebate, or other streamlined form of exemption for households eligible for exemption.

12.80.080 Dedicated sales tax trust fund.

A. Pursuant to Charter § 14.08(a), there is established a Dedicated Sales Tax Trust Fund. The Trust Fund is dedicated for the net receipts of the one percent (1%) sales tax, after payment of one-third (1/3) of the costs of administration, collection and audit to the Municipality.

1. The Sales Tax Trust Fund shall be invested as prescribed by an investment policy approved by the assembly.

2. The Sales Tax Trust Fund shall be managed by a board of trustees, appointed by the mayor and confirmed by the Assembly, each of whom shall serve for a term of 3 years.

12.80.090 Obligation for payment of tax; disposition of excess collections; liability for uncollected taxes.

A. The purchaser is obligated to pay the aggregated sales tax under this chapter, and the sales tax shall be collected by the seller at the time of the sale transaction or acquisition. The tax rate is applied to the selling price.

1. If a purchaser produces a certificate of exemption issued or recognized by the municipality at the time of the sale transaction, the seller shall not collect the tax. The seller shall retain verification of the exempt status of the transaction in its records. If no verification is retained, the seller is liable for the uncollected taxes.

2. If the purchaser does not produce an exemption certificate, but the transaction is in fact exempt under federal, state, local or other law, the seller is not liable for the uncollected tax, provided verification of the purchaser's exemption is retained in the seller's records or otherwise readily available and reported to the department.

3. Any uncollected sales tax under this subsection, which should have been collected, is a liability of the seller.

4. If the selling price cannot be determined for purposes of calculating the amount of sales tax, the fair market value at the time of sale shall be subject to the sales tax.

B. All sales taxes collected pursuant to this chapter are municipal funds for which the seller is liable to the municipality. The seller is liable to the extent permitted by law for all monies collected from the purchaser as sales tax in excess of the tax imposed by section 12.80.010. The seller shall make reasonable efforts to return excess tax collected to the purchaser. If the seller is unable to return it, the excess tax collected shall be reported and remitted to the municipality with the regular tax return.

C. Any person acquiring an ownership interest in the accounts receivable of a business, whether by purchase, foreclosure, or otherwise, shall also be liable for the payment of taxes, penalties, interest, fees and costs accruing and unpaid to the municipality from those accounts receivable.

D. Any person acquiring an ownership interest in an ongoing business, whether by purchase, foreclosure or otherwise, shall also be liable to the extent permitted by law for the payment of any taxes, penalties, interests, fee or costs owed to the municipality for taxes collected by the former owner or seller of the business.

E. The president and any officer, member, manager or agent of a corporation or limited liability company with control of, supervision of, or charged with the responsibility of filing sales tax returns or remitting sales taxes is personally liable for any unpaid taxes, penalties, interest, fees and costs accruing and unpaid to the municipality. Dissolution of, or sale of, or other change in the form of the corporation or company does not discharge this personal liability.

F. The municipality may pursue collection of unpaid and unremitted taxes as provided in this chapter.

12.80.100 Alaska Remote Seller Sales Tax Code, adoption.

The municipality hereby adopts and incorporates herein by reference the Remote Seller Sales Tax Code, published by the Alaska Remote Sellers Sales Tax Commission, in its entirety as it pertains to collection of sales tax from remote sellers and marketplace facilitators. In case of a conflict between the Remote Seller Sales Tax Code and this chapter, for transactions by sellers within the municipality this chapter shall govern, and for transactions by remote sellers the Remote Seller Sales Tax Code shall govern.

12.80.110 Presumption of taxability; sales price and value.

A. To prevent evasion of the aggregated sales tax and to aid in its administration, it is presumed that all sales of goods or services by a person engaging in business in the municipality are subject to the tax, unless exempt by this chapter; and

B. For purposes of this section, the sales price or value of property, goods or services shall be determined as of the time of acquisition or introduction into the municipality, whichever is latest.

C. If the department has reasonable cause to believe a seller structured a transaction to avoid collecting or remitting the tax levied under this chapter, there is a rebuttable presumption that the substance of the transaction is a taxable sale under this chapter.

12.80.110 Timely filing allowance, seller reimbursement for collection costs and confidentiality of information.

A. A seller authorized to collect the aggregated sales tax under this chapter and who is in otherwise full compliance with this chapter may retain three percent (3%) of the tax collected, up to a maximum of $3,000 in a calendar year, for purposes of offsetting a portion of the costs incurred by the seller in collecting the tax for the municipality, provided the seller's tax return and full remittance is received by the department on or before the due date.

B. If the seller is not in full compliance with this chapter, the seller is not eligible for and may not retain the three percent (3%) costs offset.

C. A seller is not in full compliance if the seller:
   1. has an account with a past-due balance, or
   2. has a missing or incomplete return outstanding, or
   3. is in any manner not in compliance with a municipally approved payment plan.

D. The seller shall report on each tax return the amount retained under this section for that reporting period, and the total amount retained in the calendar year up to the last day of the reporting period.

E. Confidentiality of information
   1. The records of the seller retained pursuant to this chapter shall be considered proprietary and confidential and shall not be disclosed to any person except employees and agents of the Municipality acting in their official capacity and then only for purposes reasonably related to the collection and remittance of the sales tax.
   2. Notwithstanding subsection a., the department may, at its discretion for the sole purpose of enforcing this chapter, share any and all sales tax returns, registration information or other data gathered under this chapter with other federal, state and municipal tax collection agencies and other government agencies only as necessary to enforce this chapter, collect tax monies, or perform an audit.
   3. Violation or aiding a violation of this subsection E. is a Class B misdemeanor.

Section 4. Anchorage Municipal Code chapter 12.25 is hereby amended to read as follows (*the remainder of the chapter is not affected and therefore not set out*):

Chapter 12.25 TAX INCREASE LIMITATION

***   ***   ***

12.25.030 - Ballot information; establishment of baseline.

A. *Ballot information.* In the interest of better citizen understanding of the impacts of their approval of special projects and programs, all municipal programs or projects placed on the ballot soliciting voter approval, except those Municipal Area Projects (MAPs) approved by the voters and listed in chapter 12.80, will include for approval an estimation of operation and maintenance costs for the first full year of operation.

***   ***   ***

(AO No. 84-208(S-A))

***   ***   ***

12.25.040 - Computation of maximum attainable tax revenue amount.

The estimate of maximum attainable tax revenue (next year revenue available) is computed for the next fiscal year according to the following procedures:

A. Define the tax increase escalation amount, (L):
$L = (T - d - e) \times (1 + C + P)$ where the base amount for calculating the next year's tax increase limit shall be the total amount of the municipal taxes to be collected for the current fiscal year and:
   1. L is the allowable tax increase due to population and inflation growth factors.
   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 taxes collected in the prior year, if any, and restricted to reduction of property taxes,
      b. Municipal payments in-lieu of taxes paid or to be paid by any municipality of Anchorage utility, department, agency, public corporation or authority (MPILT),
      c. Auto fees, and
      d. State and federal payments in lieu of taxes levied in the current fiscal year in current-year dollars.

***   ***   ***

B. Define exclusions in accordance with Charter section 14.03(b) and the following guidance:

*** *** ***

8. The taxes used for payment of costs of administration, collection and audit to the municipality from the two percent (2%) sales tax authorized by Charter § 14.08(a).
9. The gross receipts of the one percent (1%) sales taxes authorized by Charter § 14.08(b).

C. The summation of the amounts defined in subsections A and B defines the total tax revenue that may be collected [AVAILABLE FOR NEXT YEAR'S BUDGET PLANNING] and establishes the next fiscal year property tax required, hence the next year's mill levy.

(AO No. 84-208(S-A); AO No. 2003-160, §§ 2, 3, 1-1-04; AO No. 2003-161, § 1, 12-16-03; AO No. 2003-164, § 1, 12-16-03; AO No. 2004-22, § 1, 2-3-04; AO No. 2005-47, § 1, 4-19-05; AO No. 2005-48, § 1, 4-19-05; AO No. 2005-49, § 1, 4-19-05; AO No. 2009-109, § 2, 1-10-10; AO No. 2011-38, § 1, 3-29-11; AO No. 2019-12, § 3, 3-5-19)

Section 5. 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:

*** *** ***

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].

*** *** ***

(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 <u>$250,000.00</u> [$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 <u>$250,000.00</u> [$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*)

*** *** ***

<u>Section 6.</u> The full text of Sections 2, 3, and 5 shall be published conspicuously on the Municipality's web pages, including the elections web pages, no later than the day ballot packages are first mailed to voters pursuant to Title 28, and made available at every accessible vote center and the Election Center on special election day, and at any location established for early voting prior to election day at all times when such location is open for marking and casting ballots.

<u>Section 7.</u> It is the policy intent of the Municipal Assembly that if the sales tax should be approved by the voters and a subsequent sales tax is put before the voters, the retail sales of alcohol beverages as defined in chapter 12.65 as well as marijuana or marijuana products as defined in chapter 12.50 shall be included as taxable items within the subsequent sales tax proposal.

<u>Section 8.</u> The Assembly hereby calls and authorizes a special election of the qualified voters areawide within the Municipality of Anchorage to be held on September 2, 2025, to vote on the proposition set forth in this ordinance. The Municipal Clerk is hereby authorized to take actions reasonable and necessary to conduct said special election.

<u>Section 9.</u> The Charter amendments and voter approvals set forth in the proposition in Section 2 and the Code amendments set forth in Sections 3, 4, and 5 of this ordinance shall become effective on October 1, 2025, if and only if, said proposition is approved by a majority of the qualified voters of the Municipality voting on the proposition during the special Anchorage Municipal election held on September 2, 2025. The remainder of this ordinance shall be effective upon passage and approval.

PASSED AND APPROVED by the Anchorage Assembly this _______ day of _______________, 2025.

____
Chair

ATTEST:

____
Municipal Clerk

MUNICIPALITY OF ANCHORAGE
ASSEMBLY MEMORANDUM
No. AM 224-2025

Meeting Date: March 4, 2025

From: Assembly Members Sulte and Rivera

Subject: AO 2024-105(SA): **AN ORDINANCE OF THE ANCHORAGE MUNICIPAL ASSEMBLY PROPOSING A DEDICATED SALES [~~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 *[~~OR USE~~]* OF GOODS AND SERVICES WITHIN THE MUNICIPALITY, WITH CERTAIN EXEMPTIONS, A MAXIMUM TAX AMOUNT PER TRANSACTION, COMPRISED OF A TWO PERCENT (2%) TAX 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 INVENTORY PERSONAL PROPERTY TAX EXEMPTION TO THE FIRST $250,000 OF VALUE; CALLING FOR A SPECIAL ELECTION; SUBMITTING TO THE VOTERS THE QUESTION WHETHER TO AUTHORIZE USE OF THE MUNICIPAL TRUST FUND CORPUS ESTABLISHED UNDER CHARTER § 13.11 TO FINANCE ADMINISTRATIVE COSTS OF PREPARING FOR THE SALES TAXES BEFORE LEVIED AND COLLECTED;* AND PROVIDING FOR TRANSITION PROCEDURES AND EFFECTIVE DATES.**

The sponsors of the original AO 2024-105 and the -105(S) version propose several changes in this (SA) version. The sponsors considered the variations offered in other substitute versions submitted by other Assembly Members, community feedback, the Finance Department and Treasury Division implementation and administration concerns, and additional research. The result is several changes to the features of this Sales Tax proposal that makes it easier to implement, responsive to the community, and includes additional features to reduce regressivity. The substantive changes from the (S) to the (SA) are summarized as follows:

Timeframe for initial sales tax levy

The Administration's summary of economic effects expresses concern in being able to prepare for implementation and levy "no earlier than July 1, 2026 and no later than July 1, 2027," specifically with the last date to initiate the sales tax levy in the (S) version. Thus, sponsors have adjusted the timeframe in the (SA) so it can be levied no earlier than July 1, 2027 and no later than February 1, 2028. The February date avoids retailers open on New Year's Eve from facing difficulties making the change during the holiday. (p. 3, line 43; p. 8 line 11; p. 9, line 22; and p. 10, line 23)

Removal of use tax

"Use tax" is removed from the ordinance. After thorough discussion with the Administration and Counsel, the utility and benefit of having a use tax clearly outweighs the administrative burden of capturing and enforcing it. Including a use tax along with a sales tax tracks the language of the authorizing state statute, AS 29.45.650, but research shows almost no Alaska municipalities enacted a use tax levy. It is apparently a tool used to capture remote sales, on the internet or otherwise, that's become outdated and unnecessary, particularly in light of the seminal U.S. Supreme Court case *South Dakota v. Wayfair*, 585 U.S. 162, 138 S. Ct. 2080 (2018), which overruled the "physical presence rule" in the Court's precedents. The judicial perspective and effect is described in AM 1018-2024 at p. 2-3 submitted with the (S) version at the December 17, 2024 Assembly meeting. Participating in the Alaska Remote Sellers Sales Tax Commission will capture online and remote sales consistent with *Wayfair.* Moreover, the use tax is a deterrent to evasive tactics by purchasing goods in nearby jurisdictions that have less or no sales tax. Our neighboring cities and boroughs have sales tax at or greater than 3% so there is not much concern for losing sales tax revenues to such evasive strategies. Capturing a use tax requires more staff time and investigation that outweighs the potential revenues. For all those reasons, sponsors decided to remove the use tax component throughout the (SA) version.

Business inventory tax exemption increased

A new Section 5 is added to the (SA) that increases the business inventory personal property tax exemption to the first $250,000, from the current level of $20,000 which has been in place for more than twenty years. The increase is by code amendment, only effective if the sales tax proposition is approved by the voters. (p. 26, line 2)

MAPs list changes

Removal of fleet vehicles. Use of MAPs funds for acquisition and replacement of fleet vehicles for the police department and maintenance and operations department for snow plowing and hauling is removed. Since there is a special tax levy on the April 1, 2025 ballot for these purposes, authorized by AO 2024-131(S) and AO 2024-132(S), it is not prudent to include here too. If those propositions fail, the Assembly has discretion to decide to submit those for inclusion on the MAPs list by amendment to this AO(SA) before ballots are printed for the September 2, 2025 special election or by future proposition.

Housing focus. A focus on supporting housing development through infrastructure development, land acquisition, and investments-including through public-private partnerships- is added to the Chester Creek Sports Complex Redevelopment project and included with the new MAPs for development of the site formerly the

National Archives site. The latter project replaces the Westchester Lagoon Trailside Facility project that was in the (S) version.
<u>Existing MOA facilities improvements or repairs.</u> A new project is added allowing up to 15% of the MAPs 1% net sales tax revenue to be used for improvements or repairs to municipal buildings and facilities that are open to the general public to use.

Tax cap treatment more explicit
A new subsection 14.03(b)(7) is added to the proposed Charter amendments, to avoid any ambiguity about how the 2% sales tax revenue for property tax relief in the subsequent year is to be used in the Tax Cap calculation. (p. 6, line 19)

Taxable transaction cap increased
The maximum transaction amount subject to the tax is increased from $1,000 to $2,500, so no more than $75 in tax could be collected in a single taxable transaction. (p. 2, line 18; p. 18, lines 26-36)

Household exemption eligibility made fluid
At the advice of Counsel, the formula for the Household Exemption is changed in the Charter language in proposed subsection 14.08(e), to authorize the Assembly to determine by ordinance how to establish the threshold to qualify for the exemption. (p. 8, line 21) The implementing language in proposed new Code section 12.80.030, Definitions, and 12.80.070G. do not change the currently proposed calculation at incomes below federal level of eighty percent poverty. If that threshold is problematic on implementation, or federal regulations or guidelines change, then this can be changed by ordinance without needing to ask the voters to amend Charter again.

Alcohol and marijuana exempt, but expires upon reauthorization.
The (S) version had Charter language making alcohol and marijuana taxable unless exempted by the Assembly by ordinance. The (SA) version changes this so they are expressly exempt under the Charter. (p. 8, line 17) However, a new Section 7 is added to the (SA) version to explicitly state the Assembly's intent that when the temporary sales tax is considered for reauthorization in seven years, that alcohol and marijuana should be included as taxable items. (p. 28)

Special election set for September 2, 2025.
The (SA) version includes calling for a special election for this ballot proposition to be held September 2, 2025. (p. 3, line 8; p. 28, new Section 8)

Financing the Municipality's startup costs before sales tax collection begins.
The Administration estimates implementation could take two years, and prior to the sales tax being levied the Municipality could incur approximately $7.7 Million in preparing to administer the tax, with staffing and infrastructure, prior to it being levied and collected. (See summary of economic effects) To fund the startup costs the sponsors included authorization to borrow from the MOA Trust Fund which has a total value of almost $450 Million. Charter § 13.11 requires voter approval to use the corpus of this Trust Fund, so it is included in the proposition text. In the past the Municipality's general fund balance or cash pool were borrowed from on inter-fund

loan terms for similar short-term financing needs, but these resources are lacking and likely unavailable in the next few years. Therefore, this reliable source of the MOA Trust Fund is leveraged for the startup costs, and will be paid back from the sales taxes collected as administrative costs. (p. 3, line 20; p. 4, line 44)

We request your support for AO 2024-105(SA).

Reviewed by: Assembly Counsel's Office
Respectfully submitted:

Randy Sulte, Assembly Member
District 6 – South Anchorage, Girdwood and Turnagain Arm

Felix Rivera, Assembly Member
District 4 – Midtown

MUNICIPALITY OF ANCHORAGE
Summary of Economic Effects -- General Government

AO Number: 2024-105(SA) Title: **AN ORDINANCE OF THE ANCHORAGE MUNICIPAL ASSEMBLY PROPOSING A DEDICATED SALES [~~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 *[~~OR USE~~]* OF GOODS AND SERVICES WITHIN THE MUNICIPALITY, WITH CERTAIN EXEMPTIONS, A MAXIMUM TAX AMOUNT PER TRANSACTION, COMPRISED OF A TWO PERCENT (2%) TAX 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 INVENTORY PERSONAL PROPERTY TAX EXEMPTION TO THE FIRST $250,000 OF VALUE; SUBMITTING TO THE VOTERS THE QUESTION WHETHER TO AUTHORIZE USE OF THE MUNICIPAL TRUST FUND CORPUS ESTABLISHED UNDER CHARTER § 13.11 TO FINANCE ADMINISTRATIVE COSTS OF PREPARING FOR THE SALES TAXES BEFORE LEVIED AND COLLECTED; CALLING FOR A SPECIAL ELECTION;* AND PROVIDING FOR TRANSITION PROCEDURES AND EFFECTIVE DATES.**

Sponsor: **Assembly Members Sulte and Rivera**
Preparing Agency: Finance, Treasury Division
Others Impacted: OMB, IT, Legal

CHANGES IN EXPENDITURES AND REVENUES: **(In Thousands of Dollars)**

	FY25	FY26	FY27	FY28	FY29
Operating Expenditures					
1000 Personal Services	300	$ 1,500	$ 2,300	$ 3,300	$ 3,600
2000 Non-Labor		400	1,400	1,600	1,600
3900 Contributions					
4000 Debt Service					
TOTAL DIRECT COSTS:	**$ 300**	**$ 1,900**	**$ 3,700**	**$ 4,900**	**$ 5,200**
Add: 6000 Charges from Others	$ -	$ -	$ -	$ -	$ -
Less: 7000 Charges to Others		-	-	-	-
FUNCTION COST:			**$ 3,700**	**$ 4,900**	**$ 5,200**
REVENUES GENERATED:	**$ -**	**$ -**		**$150,000 to $178,000**	**$165,000 to $203,000**
REVENUES TO MAPs	**$ -**	**$ -**		**$47,000 to $56,000**	**$53,000 to $66,000**
REVENUES TO SALES TAX TRUST FUND	**$ -**	**$ -**		**$93,000 to $112,000**	**$107,000 to $132,000**
CAPITAL:	**$ 633**	**$ 923**	**$ 1,290**	**$ -**	**$ -**
POSITIONS: FT/PT and Temp	**4**	**11**	**25**	**28**	**28**

New positions in 2025, 2026, and 2027 required to build out new sales tax system, merchant and public outreach.

PUBLIC SECTOR ECONOMIC EFFECTS:

The ordinance specifies a sales tax with a duration of seven (7) years beginning no earlier than July 1, 2027. It is estimated that implementation will require at least two years, and actual collection must begin by February 1, 2028. Prior to the sales tax being levied it is estimated, staffing and infrastructure will cost approximately $7.7M in preparing to administer the tax. It is estimated that the sales taxes with the exemptions specified in the ordinance would levy between $150M and $178M in revenues in FY2028, beginning on February 1, 2028. It is estimated that the Dedicated Sales Trust Fund (Trust Fund) for FY2028 would receive $93M to $112M in net revenues. It is estimated that the MAPs Fund would receive $47M to $56M in net revenues. The Trust Fund balance in 2028 would offset the revenue increase of property tax in FY 2029 by being available for appropriation in FY 2029. During the first full year of administration in 2029, the proposed three percent (3%) sales tax on goods and services would generate between $165M to $203M, leading to between $53M to $66M for the MAPs Fund, and $107M to $132M in Trust Funds, respectively. The expected ranges of revenues and expenditures are listed through FY 2029 are tabulated above. The net proceeds of sales tax revenues generated in a particular year would be available for budgeted expenditures in the following year. A sales tax is inherently volatile. For example, if a shock to the Anchorage economy were to occur in 2029 similary in magnitude to 2020, Treasury estimates that the sales tax in FY 2029 may be expected to decrease to as low as $123M.

The actual amount of revenue generated each year will depend on the interpretation of the definitions and exemptions of the specific ordinances and detailed regulations. Anchorage Municipal Code (AMC) 12.80.070.E through F specifies that the Assembly makes final determinations about how exemptions in AMC 12.80.070.A. through D. are applied to goods and services by the majority vote.

In particular, the realized revenues will depend on how the Assembly will apply the sales tax to construction, transportation, professional, business, personal and other services. If the sales tax is applied broadly to most of these services, then the revenues would be at the high end of the projected range. If the sales tax is applied to fewer services, then the revenues would be closer to the lower end of the range.

The revenue realized will also depend on how subsequent regulations interpret the maximum taxable transaction limit of $2,500 as specified in AMC 12.80.050.B.1 through 5. Businesses with long-term contracts for construction services, freight transportation, facilities maintenance, and professional services may find ways to reduce their tax liability by structuring their service contracts so that they pay only $75 in sales tax on each of their annual contracts with other businesses. Businesses that make large purchases of equipment, vehicles, and other business property may find ways to combine their purchases into a single invoice in one day to pay just the $75 maximum sales tax for the entire bundled purchase. If businesses find ways to significantly reduce their tax liability by restructuring their service contracts and bundling their purchases, then the actual revenues from the proposed sales tax would be toward the lower end of the projected range. The extent that businesses are able to reduce their tax using the $2,500 taxable transaction limits will depend on how the tax is implemented through more detailed regulations. Residents may also find strategies to avoid sales tax on large-dollar transactions.

The revenues collected in the Trust Fund balance at the end of each fiscal year would reduce the property tax of the following year as described in AMC 12.25.040. For example, in FY 2030 an estimated $108M to $138M reduction in the amount of real and personal property taxes would occur due to the collection of sales taxes in FY 2029.

The net impact to MOA revenues would be the 1% sales tax that flows to the MAPs fund, roughly $60M per year increasing over time as tabulated above. For comparison, the 2025 proposed general government revenues are $614M, which do not include revenues from alcohol sales tax, and marijuana tax. The MAPs fund will be expended as approved by the assembly after recommendation from the MAPs Citizen Advisory and Oversight Board. Any projections regarding amounts and timing as to those expenditures are unestimable at this time.

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The Municipality would incur new expenditures to implement, administer, and enforce the proposed sales tax. Initial implementation costs will arise from setting up a new custom computer tax collection system, developing regulations, hiring and training new personnel, and engaging with approximately 14,000 businesses to clarify the regulations and assist with filing tax returns and remitting the tax. The estimated costs for setup and implementation costs are about $2.8M in capital expenditures, and $5.9M in the initial organizational and outreach efforts. These initial expenses are anticipated to occur in 2025 through 2027, ahead of the sales tax being first levied in February 2028. It is unknown whether further software is needed for tracking exemptions for non-profits, residents with income exemption, and other entities. If so, additional expenditures will be necessary, but for the purposes of this summary, these expenditures are not estimated. Entity exemption will likely require additional personnel which would increase the costs of both implementation and annual administration. These costs have not been estimated due to the level of uncertainty as to how to administer these exemptions.

Therefore, annual costs for the first full year of collection and administration are estimated at approximately $5.2M. The operating costs include twenty-eight (28) full-time employees (FTEs) associated with a new sales tax section within the Treasury Division as well as attorney and support resources from the Municipal Law Department and Administrative Hearing Office. The sales tax ordinance will roughly double the size of the Treasury Division. The full amount of the annual operating costs would be incurred starting in the first year that the sales tax is levied in 2028.

The proposed ordinance currently has a proposed expiration of seven (7) years. If the sales tax were not renewed, administrative functions would still continue. Approximately eight (8) employees would be needed to administer the tax in collections, audit, and legal functions continuing into the next full year at a minimum.

The timing of revenue will depend on the levy date determined by the Assembly. The timing of the expenses shown are for illustration purposes, primarily to highlight the one-time startup costs and early phase operational costs that will precede whatever actual date the sales tax goes into effect.

PRIVATE SECTOR ECONOMIC EFFECTS:

The proposed sales tax would affect individuals and businesses differently, depending on their level of spending on taxable goods and services and depending on whether they own property subject to municipal property taxation, and to the degree the MAPs projects individually affect them.

Non-exempt individuals and businesses would incur the 3% cost of the proposed sales tax expenditures on taxable goods and services. With the exemptions specified in AO No. 2024-105(S), analysis indicates that on average 39%-41% of a household's expenditures will be taxable by the sales tax, with effective tax rates ranging from of 1.18% to 1.30% of total expenditures. The average household is expected to pay $834-$892 in sales tax in 2024 dollars.

The property tax mill rate is expected to uniformly decrease by about 2.08 to 2.51 mills in FY 2029 due to the sales tax. The property tax mill rates are expected to decrease by 2.31 to 2.85 mills in 2030 for the full taxable year. Property tax reductions of $231 to $285 per $100,000 of assessed value could be realized by the property owners. The actual amount of property tax relief will depend on the amount of sales tax revenue generated, and the actual costs of Municipal administration. Businesses with assessable real and/or personal property would receive property tax relief in proportion to their assessed value net of exemptions.

Property tax exemptions reduce the base for which property tax relief is applied. Those with residential exemptions and/or senior or veteran exemptions would receive less incremental property tax relief than those with only one of the exemptions or neither.

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The average Anchorage resident household income of $109K in 2024 dollars results in expected resident sales tax of $863 in 2024 dollars. In 2024 dollars, to get at least $863 in reduction of property tax, an assessed value for a homeowner with both senior or veteran exemptions is at least $563K. For a homeowner with only the residential exemption, the assessed value would be $413K. For a homeowner with no exemptions, $338K. Homeowner households with assessed values greater than the expected breakeven assessed value would have a reduction to overall taxation from the Municipality of Anchorage. Roughly 21% of households would receive a reduction to overall taxation from the proposed bill. Another 41% of households (which are also homeowners) would not. The remaining 38% of households that rent would incur the sales tax and receive no property tax reduction.

It is unclear how much sales tax will directly impact businesses. Several entities are listed as exempt as are goods for resale which are also exempted. Very little data exists which can be cited to support any analysis.

Businesses selling goods and services would be required by AMC to assume a fiduciary duty to collect sales tax and hold these monies in trust in the name of the Municipality. Businesses would be responsible for reporting and remitting these tax proceeds to the Municipality within prescribed filing deadlines. Businesses would need to use sufficiently functional cash registers, computer systems or other effective financial tracking systems at the point of sale to account for all gross sales and all taxable sales associated with their business and would be required to correctly document all transactions. Eligible businesses would be granted a three percent (3%) offset, capped at a $3,000, to defray costs of collecting and reporting the sales tax generated by their business. Treasury believes there are approximately 14,000 businesses in Anchorage that would remit general sales tax to the Municipality of Anchorage.

Prepared by: *Glenn Cipriano, Municipal Treasurer*
Loren Crawford, Deputy Municipal Treasurer
Telephone: 343-4092

MUNICIPALITY OF ANCHORAGE

Assembly Information Memorandum

No. AIM 44-2025

Meeting Date: March 4, 2025

From: **ASSEMBLY MEMBERS FELIX RIVERA AND RANDY SULTE**

Subject: **SUPPLEMENTAL DOCUMENTS FOR AO 2024-105(SA)**

For the Assembly's consideration; please see the attached background materials related to AO 2024-105(SA):

- **Exhibit A – October 2024 Sales Tax Estimates for the Municipality of Anchorage**
  A report produced by the University of Alaska Anchorage's Center for Economic Development (CED) and Institute for Social and Economic Research (ISER) regarding the potential economic impacts of Project Anchorage as proposed through AO 2024-105.
- **Exhibit B – February 2025 Updated Sales Tax Estimates for the Municipality of Anchorage**
  An updated report produced by the University of Alaska Anchorage's Center for Economic Development (CED) and Institute for Social and Economic Research (ISER) regarding the potential economic impacts of Project Anchorage, reflecting the changes through AO 2024-105(SA).

Prepared by:	Assembly Legislative Services Office
Respectfully submitted:	Felix Rivera, Assembly Member District 4, Midtown Anchorage
	Randy Sulte, Assembly Member District 6, South Anchorage

PROJECT ANCHORAGE

Project Anchorage Economic Impact Analysis

OCTOBER 2024

October, 2024

Dear Anchorage Residents:

Attached you will find reports produced by the University of Alaska's Center for Economic Development (CED) as well as the University of Alaska Anchorage's Institute for Social and Economic Research (ISER) regarding the potential economic impacts of Project Anchorage. The Project Anchorage proposal, as proposed by the business community, combines a 2% sales tax for dedicated property tax relief with a 1% sales tax dedicated to funding capital investments and projects that will spur economic growth and make Anchorage a more attractive place to live for all residents. The attached report outlines an economist's view on how households of differing income levels may be impacted by the measure, and gives a snapshot based on Project Anchorage's initial proposal.

Throughout the summer and fall of 2024, we met with community groups, trade groups, and civic organizations to share our proposal. We solicited project ideas from all of Anchorage, receiving over 300 project ideas. And, we asked experts for advice on how to create a proposal that incorporates accountability, equity, and transparency measures that will reassure Anchorage voters in April. In October, the measure was introduced at the Assembly as AO 2024-105.

Project Anchorage leadership recognized early on that it is critically important that this economic revitalization measure be right-sized for Anchorage and tailored to the families and businesses that make up our unique community. That is why we commissioned professional economic research based on federal consumer expenditure data, and are advocating for adjustments to the original Project Anchorage proposal based on its results. This research serves as a baseline and has informed recommended improvements to the measure that have been and are being incorporated into the Assembly's introduced AO 2024-105.

We consider this report a jumping-off point for a broader conversation and invite you to reach out to share your questions and ideas as we keep front of mind the goal of making Anchorage a better place to live, recreate, and do business. While we know the public process may result in some changes to the initial proposal (as detailed in this report), we are also committed to preserving our intent to invest in our community for future generations. Get in touch with us at info@projectanchorage.com, we would love to meet and talk with you.

Sincerely,

Project Anchorage Coalition

Anchorage Economic Development Corporation
Anchorage Downtown Partnership
Locally Grown Restaurants
Anchorage Community Development Authority
Anchorage Home Builders Association
Visit Anchorage

Chugiak Eagle River Chamber of Commerce
Northrim Bank
Calista Corporation
Anchorage Chamber of Commerce
RIM Architects
Sadler's Home Furnishings

July 2024

Sales Tax Estimates for the Municipality of Anchorage: 2024 Update

Nolan Klouda, Richelle Johnson, and Ian Mills

University of Alaska Center for Economic Development

Center *for* Economic Development

UAA Business Enterprise Institute

Executive Summary

The Project Anchorage initiative seeks to revitalize the Anchorage economy through several initiatives, including by making public investments in capital projects designed to spur private investment. The proposed mechanism to fund this public investment is a three-percent sales tax. Under the Project Anchorage Proposal, one-third of the new revenues would go into a fund for these special capital projects, and two-thirds would be an offset to reduce property taxes under the Municipality of Anchorage's tax cap. Since the Municipality does not currently impose a sales tax, there is no historical data on which to base estimates for revenues.

This analysis is an update to a prior estimate produced in 2023. It uses updated Consumer Expenditure Survey (CES) data from 2021-2022 and other sources to provide estimates for the potential revenues generated by such a tax. Major findings include:

Sales Tax Quick Facts	
Projected total revenues	$178.9 million
Special capital project revenues	$59.6 million
Visitor share of tax paid	21%
Property tax reduction (2% below cap)	19.1%
Savings per 100,000 in taxable value	$308
Savings for $450,000 home	$1,156

- **A three-percent sales tax would produce almost $180 million in revenue per year**, or about $60 million for each percentage point levied. This assumes the tax is charged 12 months of the year with certain exemptions.
- **Several important consumer categories are assumed to be exempt from the tax**. To reduce the burden on low- and middle-income households, exempt categories would include non-prepared foods, rental housing, medical needs, motor fuels, child care, and other categories described in the report. Purchase amounts over $1,000 would also be exempt.
- **Visitors would contribute about 21% of the total sales tax revenues**. This would include spending on lodging as well as retail goods, tour packages, dining, and other taxable categories.
- **The sales tax proceeds could reduce property taxes by about 19.1%**, assuming that two percent is applied to property tax reduction under the tax cap, and one percent to special capital projects outside the cap. For every $100,000 in assessed taxable value, this would be a savings of $308, or $1,156 for a home valued at $450,000.

The estimates presented here should be taken with caution; while they represent the author's best attempt to quantify consumer spending across several categories, the data on which they are based are imperfect and incomplete. Compared to the largest jurisdictions in Alaska with sales taxes, however, these revenue estimates are low when adjusted for population and economic size.

The Project Anchorage Tax Proposal

The Project Anchorage initiative is led by a coalition of business leaders under the coordination of the Anchorage Economic Development Corporation (AEDC). The goal of Project Anchorage is to spur private investment and economic growth in Anchorage by financing a slate of capital projects to be defined through a process of extensive public input. The initiative is modeled on Oklahoma City's successful Metropolitan Area Projects (MAPS) program, which has been credited with reviving that city economically in the 1990s and 2000s.

The Project Anchorage proposal calls for the implementation of a three-percent general sales tax to be levied in the Municipality of Anchorage. Two-thirds of the revenues from the tax would fall under the Municipality's tax cap, to reduce the amount of property taxes collected by the same dollar amount. The remaining one-third would capitalize a fund for MAPS-style special capital projects, which would be allowed to grow for several years.

The three-percent sales tax would be levied year-round on many categories of consumer spending. It would have a $1,000 cap, meaning that only the first $1,000 of a given transaction would be subject to the tax. Sales tax caps are common in taxing jurisdictions in Alaska, as they limit the tax paid on larger consumer purchases like vehicles or household appliances. In addition, the Project Anchorage proposal includes several exempt categories which would not be subject to the tax. The exemptions are intended to ensure a more equitable tax system. These are:

- Medical
- Rental housing
- Items for resale
- Financial transactions
- Non-prepared foods
- Motor fuels
- Child care
- Purchases above $1,000

How much revenue will it produce?

Since there has never been a general sales tax in the Municipality of Anchorage or at the state level, there is no past data upon which to base revenue estimates. To get around this, we used three primary sources of data:

- The CES from 2021-2022 collected by the U.S. Bureau of Labor Statistics (BLS). [1] These data estimate spending by an average household broken into categories like "apparel" and "food at home." Exempt categories like housing were removed from the estimates.
- Program tax reports published by the Municipality of Anchorage, which provide detail on the gross sales of rooms, tobacco, rental vehicles, marijuana, and alcohol. These items would be subject to the proposed sales tax. Since they reflect true recent sales, they provide a more accurate basis than survey-derived estimates.
- The Alaska 2022-2023 Tourism Impact Model by Destination Analysts, providing estimates of visitor spending in Alaska based on visitor surveys collected in 2022.

Applying the three-percent rate to all of the non-exempt spending categories for Anchorage residents and visitors produces an estimate of $178,867,799 in total annual revenues. The property tax relief amount (two-thirds) would be $119,245,200, leaving $59,622,600 (one-third) for special capital projects.

Taxable Spending and Sales Tax Revenue by Category

	Taxable Spending	Tax Revenue	Percent of total
General resident spending	$4,223,981,705	$126,719,451	71%
General visitor spending	$669,672,212	$20,090,166	11%
Special categories	$1,066,139,021	$32,058,182	18%
Rooms	$384,195,118	$11,525,854	6%
Alcohol	$310,812,241	$9,324,367	5%
Marijuana	$116,302,172	$3,489,065	2%
Rental vehicle	$175,247,401	$5,257,422	3%
Tobacco	$79,582,090	$2,461,474	1%
Total	**$5,959,792,938**	**$178,867,799**	**100%**

Table 1 Sources: Alaska Taxable by the Alaska Department of Commerce, Community, and Economic Development, U.S. Bureau of Economic Analysis, and author's calculations.

How much would visitors pay?

A key consideration for a potential sales tax is to maximize the amount of revenue collected from visitors as opposed to residents. Anchorage received roughly 1.3 million out-of-state visitors in 2022, and the number is growing (aside from Pandemic disruptions).[2] Utilizing the visitor spending survey data from Destination Analysts, we estimate the taxable share of visitor spending in several categories. These data were supplemented by Municipal reports for room and vehicle rental tax, which predominantly reflect visitor spending. Taking these sources together, we estimate that visitors would pay nearly $37 million in sales tax, or about 21% of the total amount collected.

Visitor Spending by Category

Category	Sales Tax Revenue
General visitor spending	$20,090,166
Rooms	$11,525,854
Rental vehicle	$5,257,422
Visitor total	**$36,873,442**

Table 2 Sources: Alaska Taxable by the Alaska Department of Commerce, Community, and Economic Development, U.S. Bureau of Economic Analysis, and author's calculations.

How much revenue do exemptions cost?

Sales tax exemptions for certain essentials like food, housing, and medical care alleviate pressures on low-income households. Other products or services are subject to separate taxes, and may be exempted to avoid double taxation. Below are estimates for two categories (non-prepared food and motor fuels) assumed to be exempt in the baseline estimates, but which could be taxed to increase revenues.

[2] Alaska 2022-2023 Tourism Impact Model, Destination Analysts for the Alaska Travel Industry Association.

Potential Revenue from Exempt Categories

Exemption Category	Potential Tax Revenue
Food at home	$39,837,148
Gasoline, other fuels, and motor oil	$14,848,772
Healthcare	$26,221,508

Table 3 Sources: Alaska Taxable by the Alaska Department of Commerce, Community, and Economic Development, U.S. Bureau of Economic Analysis, and author's calculations.

Many other jurisdictions charge sales tax on non-prepared food. For Anchorage, this would increase revenues from the baseline scenario by over 20% but also make the tax more regressive. It is less common to tax housing, medicine, child care, and certain other categories. This analysis could not produce revenue estimates for all exempt categories as data is not available for all of them.

Will the sales tax be regressive?

Sales taxes are generally considered to be regressive taxes, meaning that lower-income households tend to pay a greater share of their income than higher-income households do. However, the exemptions included in the Project Anchorage proposal will reduce any negative impacts to low- and middle-income households. According to national CES data, four of the exempt categories—healthcare, motor fuels, shelter, and non-prepared foods—together account for almost 60% of total annual spending for the bottom 10% of households by income. The top 10% of households spend roughly 38% of their total expenditures on these categories.

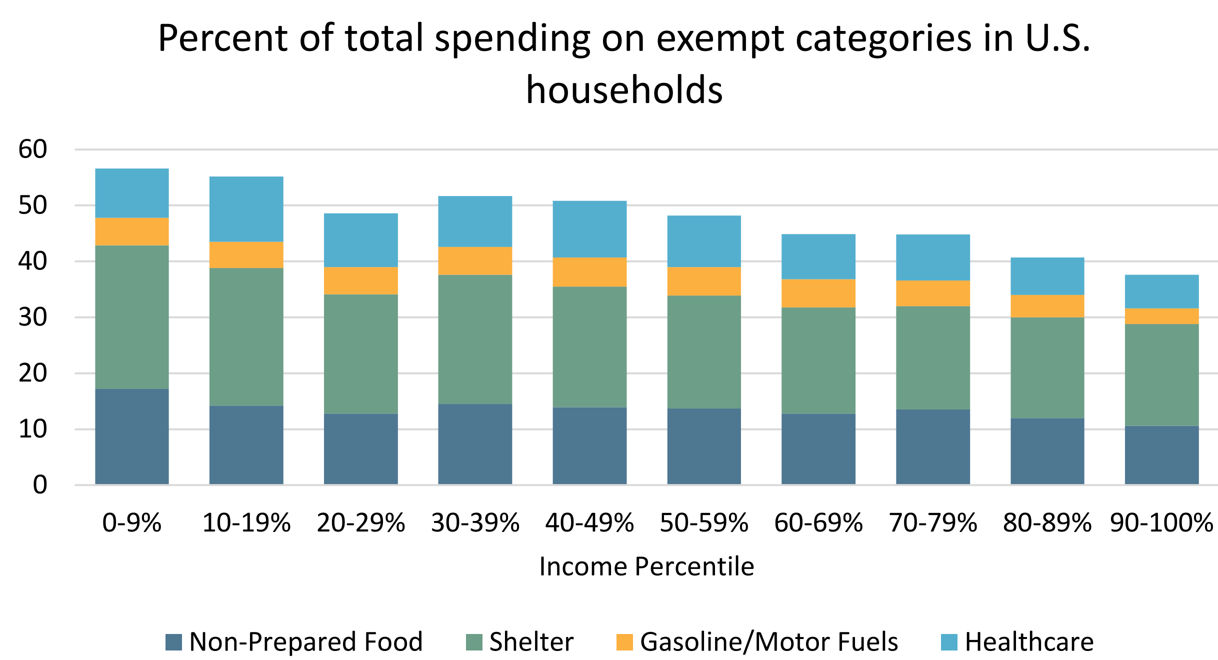

Figure 1 Source: BLS CES, 2021-2023.

It should also be noted that property taxes are regressive as well, since low-income households spend a greater share of their income on housing than higher-income households. Renters also indirectly pay property taxes that their landlords pass to them as part of their rent, a sort of "hidden" tax. As the graph below shows, both sales and property taxes claim a higher share of income for the lowest-income decile than for the highest. Importantly, these data are taken from the national level and do not reflect the specifics of actual or proposed taxation in Anchorage.

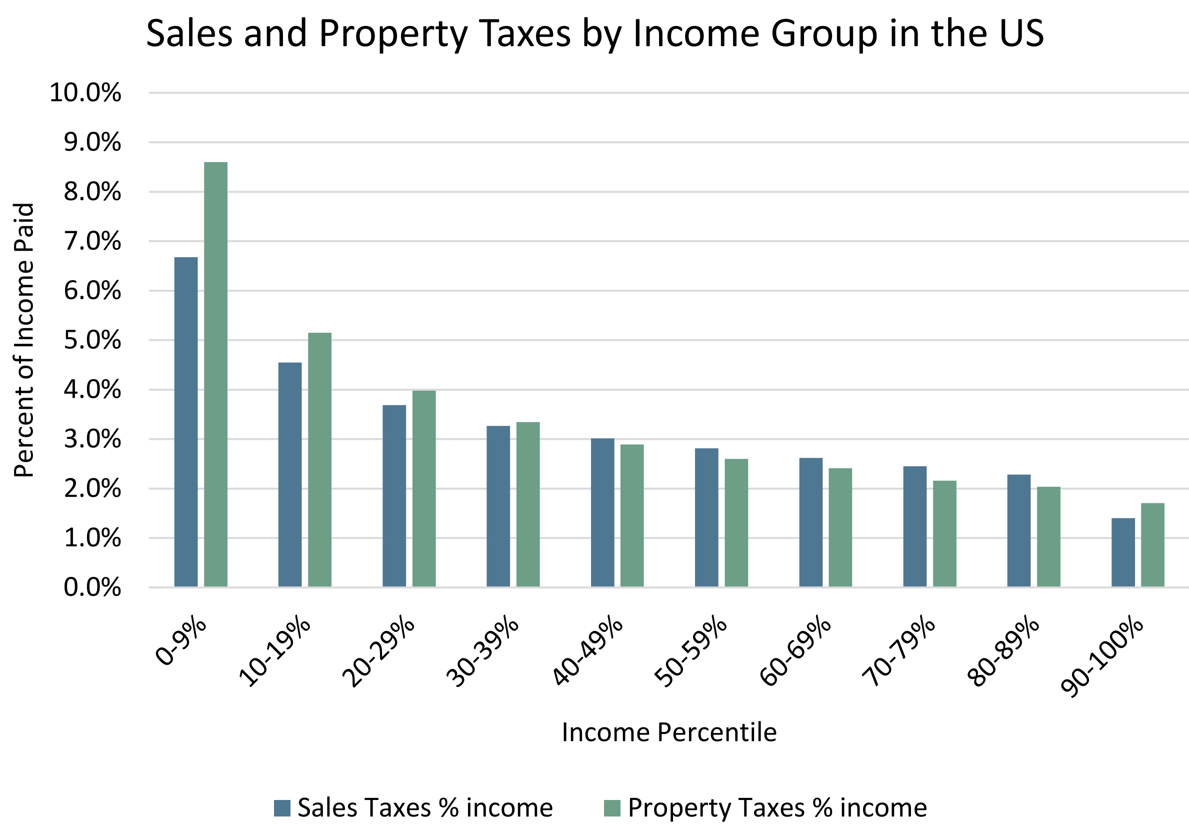

Figure 2 Source: 2015-2016 Annual Social and Economic Supplements (ASEC) by the U.S. Census Bureau. Analyzed by Fleck et. al. 2021.

How much property tax relief is possible?

The Project Anchorage proposal calls for two-thirds of the three-percent levy to be directed to property tax relief, with the remaining one-third for special capital projects. The tables below demonstrate the potential reduction in property taxes for every $100,000 in assessed value, and for a home assessed at $450,000 with a $75,000 residential exemption. In 2024, this home would be taxed at $6,054 for municipal and school district property taxes.[3] This analysis shows that if two percent of a three-percent sales tax is applied to property tax relief, the reduction would be 19% for a year-round tax.

Category	Potential Impact
Sales tax revenue allocated to property tax reduction	$119,304,822
Average percent reduction in property taxes	19.1%

[3] Mill levies in Anchorage vary by service area. This analysis assumes the 2023 mill rate of 17.03, the rate of Tax Districts 1 and 3. According to Municipal Assessor Jack Gadamus, these districts account for 77% of the Municipality's total taxable value. For other service areas, the dollar reduction amounts would vary but the percent reductions would be similar to those shown here.

Reduction per $100,000 in assessed value	$308
Reduction for $450,000 home	$1,156

Table 4 Sources: Alaska Taxable by the Alaska Department of Commerce, Community, and Economic Development, U.S. Bureau of Economic Analysis, and author's calculations.

Are these estimates conservative or optimistic?

One way to compare the sales tax base between different geographies is to examine the breadth of the sales tax—the total taxable spending as a share of gross personal income. For U.S. states, the median sales tax base was 35.7% in 2021.[4] By comparing the tax breadth of the present estimates for Anchorage against other jurisdictions, we can judge whether the estimates or conservative or optimistic.

The estimated sales tax base of $5.9 billion for Anchorage implies a breadth of 27%, below the national median for U.S. states. Comparing the breadth to other Alaska boroughs with year-round sales taxes shows the proposed Anchorage tax to have a narrower breadth, suggesting a conservative estimate. However, most of these other jurisdictions have large seasonal influxes of visitors relative to small populations, and some also tax non-prepared food. This makes meaningful comparison somewhat difficult.

Borough	Tax Rate	Revenue	Breadth
Anchorage	3%	$178,867,799	27%
Juneau	5%	$52,377,949	42%
Kenai Peninsula Borough	3%	$42,900,107	38%
Haines Borough	6%	$3,604,184	37%
Ketchikan	3%	$10,252,860	41%
Petersburg	6%	4,141,309	28%
Wrangell	7%	3,531,981	40%

Table 5 Sources: Alaska Taxable by the Alaska Department of Commerce, Community, and Economic Development, U.S. Bureau of Economic Analysis, and author's calculations.

Limitations of these estimates

It should be recognized that the revenue estimates presented here are based on incomplete data, and reflect assumptions that represent the author's best judgement, but may prove inaccurate. Accurate forecasting of sales tax revenues requires detailed data about Anchorage residents' spending on dozens of categories of goods and services. The CES data used to construct these estimates are more conservative than other measures such as the Personal Consumption Expenditures.[5]

Another challenge is that the most recent CES data is from 2021 and 2022, when consumer purchases were still impacted by the COVID-19 pandemic. This means some purchase categories may have been lower than longer-term averages, while others are higher. The data also cover the entire Anchorage

[4] Jared Walczak, State Sales Tax Breadth and Reliance, Fiscal Year 2021, Tax Foundation.
[5] See the 2019 BLS analysis of Consumer Expenditure Survey and Personal Consumption Expenditures: https://www.bls.gov/cex/cepceconcordance.htm

MSA which includes both the Municipality of Anchorage and the Matanuska-Susitna Valley. The author had to estimate the Anchorage portion.

The impact of a sales tax cap of $1,000 (or another amount) represents another difficulty for these sales tax estimates. Expenditure data used in these estimates does not provide any indication of the number or size of consumer transactions. However, the implied tax base presented here is lower than that of the Kenai Peninsula Borough as a share of gross personal income, which has a $500 cap and exempts non-prepared food. This conservatism helps to mimic the effect of a cap as a revenue constraint.

Sales tax exemptions for select jurisdictions in Alaska

Jurisdiction	Anchorage	Juneau	Fairbanks	Kenai Peninsula Borough	Kenai	Seward	Mat-Su Borough	Wasilla	Palmer	Kodiak
Sales	-	5%	-	3%	3%	4%	-	2.50%	3%	7%
Alcohol	5%	3%	5%	-	-	-	-	-	-	-
Marijuana	5%	3%	5%	-	-	-	-	-	-	-
Room	12%	9%	8%	-	-	4%	8%	-	-	5%
Car Rental	8%	-	-	-	-	-	-	-	-	-
Tobacco	12.26 cents per stick	$3 pack, 45% wholesale	8%	-	-	-	-	-	-	-
Motor fuel	$0.10/gal	-	5%	-	6%	-	-	-	-	-
Alcohol	-	No	-	No	No	No	-	No	No	No
Marijuana	-	No	-	No	No	No	-	No	No	No
Hotels	-	No	-	No	No	No	-	No	No	No
Car Rental	-	No	-	No	No	No	-	No	No	No
Tobacco	-	No	-	No	No	No	-	No	No	No
Motor fuels	-	No	-	No	No	No	-	No	No	No
Non-Prepared Food	-	No	-	Exempt	Exempt	Exempt	-	No	No	No
Rental Housing	-	Exempt	-	No	No	No	-	Exempt	Exempt	No
Construction Materials	-	Exempt	-	Exempt (for builders)	Exempt (for builders)	Exempt (for builders)	-	Exempt	Exempt	Exempt
Sales to/from Nonprofits/ governments	-	Exempt	-	Exempt	Exempt	Exempt	-	Exempt	Exempt	Exempt
Medical	-	Exempt	-	Exempt	Exempt	Exempt	-	Exempt	Exempt	Exempt
Wholesale	-	Exempt	-	Exempt	Exempt	Exempt	-	Exempt	Exempt	Exempt
Childcare	-	Exempt	-	Exempt	Exempt	Exempt	-	Exempt	Exempt	Exempt
Food with vouchers	-									
Cap	-	$12,800	-	$500	$500	$500	-	$500	$1,000	$3,000

Table 6 compiled by Danielle Bailey from a review of local government ordinances and the Alaska Taxable data by DCCED.

Sources and methods

Resident spending

The primary data source used to calculate sales tax revenue estimates was the CES by the U.S. Bureau of Labor Statistics (BLS). The most recent estimates for the Anchorage MSA covered the years 2021 and 2022. Because the Anchorage MSA includes both the Municipality of Anchorage and the Matanuska-Susitna Borough, the author estimated the share attributable only to the Municipality. The BLS uses “consumer units” rather than the more familiar categories of families and households. According to the BLS, there are 199,000 consumer units in the MSA; this analysis estimated there to be 139,065 consumer units within the Municipality of Anchorage. We produced this estimate by adding the number of family households reported in the 2022 American Community Survey 5-Year estimates to the number of individuals living in non-family households—roughly matching the BLS definition of a consumer unit.

CES data breaks down the average consumer unit spending across a variety of common categories like food, medical, housing, and transportation, broken into further subcategories. The author removed exempt categories from the revenue estimates, and determined how much would be spent on the remaining “taxable” categories over the course of a year. These figures were adjusted to 2024 dollars to make up the “general resident spending.”

The Municipality currently taxes rooms, tobacco, rental vehicles, marijuana, and alcohol with special taxes, and the Finance Department publishes data on the taxable spending in each category. Because these data are more accurate than survey-based data, we applied the three percent tax to the 2023 total taxable spending for each, and adjusted the values to 2024 dollars. We removed any redundant categories from the CES spending to avoid double counting. We assumed room and vehicle rental taxes would be paid by visitors.

Visitor spending

The *Alaska 2022-2023 Tourism Impact Model* by Destination Analysts, commissioned by the Alaska Travel Industry Association, was the primary source of visitor spending estimates. We removed spending in redundant categories like lodging (using Municipal room tax data instead) and converted trip spending into daily spending, adjusted to 2024 dollars. We assumed Anchorage would receive 1,300,000 visitors, each spending an average of 3.5 days in Anchorage. These estimates are in line with prior reports.

Other sales taxes in Alaska

Although not used in the calculations of revenue estimates, this analysis made frequent reference to the Alaska Department of Commerce, Community, and Economic Development’s Alaska Taxable report, which is updated annually. This report includes information on the types of taxes collected by jurisdictions across the state, as well as rates and revenues.

October 2024

Effects on Households of a Proposed Anchorage Municipal Sales Tax

Executive Summary

Matthew Berman, Noah Burke

Sponsored by the Anchorage Economic Development Corporation

Executive Summary

A coalition of Anchorage business leaders has proposed a sales tax for the Municipality of Anchorage. The tax would be levied at 3% of taxable expenditures. The proposal would allocate 2/3 of the revenues from the tax (2% of taxable expenditures) allocated to property tax relief, and the remaining one third (one percent of taxable expenditures) set aside to fund a capital improvements program. The tax would be temporary, set to expire after about 8 years. A study led by Nolan Klouda at the University of Alaska Anchorage Center for Economic Development (CED) estimated that the proposed sales tax would generate $180 million annually, with 16% of the total paid by non-Anchorage residents. A subsequent update sponsored by *Project Anchorage* initiative proponents also estimated that the tax would collect $180 million in total but projected 21% would be contributed by non-residents.

The current study revisited the assumptions and data used by the previous reports, and after making minor accounting adjustments, confirmed the total revenue estimate of about $180 million, but with 20.5% ($37 million) derived from non-residents. It took a closer look at the $143 million estimated to be collected from residents and the property tax offsets these households might expect, focusing on the distribution of impacts across Anchorage households with different incomes.

Data for resident spending for this study and the two previous studies came from the Consumer Expenditure Survey (CES), an annual household survey conducted by the US Bureau of Labor Statistics (BLS). The BLS publishes tables containing aggregate household expenditures in various categories, averaged over two adjacent years, for-selected Metropolitan Statistical Areas (MSAs) in the United States, including Anchorage. The BLS makes the individual survey records available for research purposes with certain features masked to protect respondent privacy. These records, termed Public Use Microdata (PUMD), allow researchers to examine the distribution of expenditures across various household characteristics, including income. The Anchorage MSA sample for the CES is relatively small – less than 400 per year --so for this study data over the most recent 4 survey years available – 2019-2022 – were combined to increase the reliability of the results. Reported income and expenditures for the different survey years were adjusted for inflation to early 2024 price levels using the Anchorage Consumer Price Index (CPI). The four-year combined CES sample included 1,538 observations for the Anchorage MSA.

Among the various ways to define income, the analysis examined expenditures and potential local taxes as a percentage of per-capita after-tax household income: household income after taxes divided by the number of individuals in the household. The CES definition of income includes income from all sources, including child support, alimony, SNAP benefits (food stamps), unemployment insurance, and public assistance. Data from the CES for per-capita household income ranked by income decile showed that average after-tax income of the highest-earning 10% of the Anchorage population was 128,465 (Figure A). This amount was 25 times the income of the lowest-income 10% and 5 times that of the income of the second lowest income decile. Although the average household income of the lowest income decile is over $27,000, many of these are households with a large number of children and other family members, creating a low per-capita income.

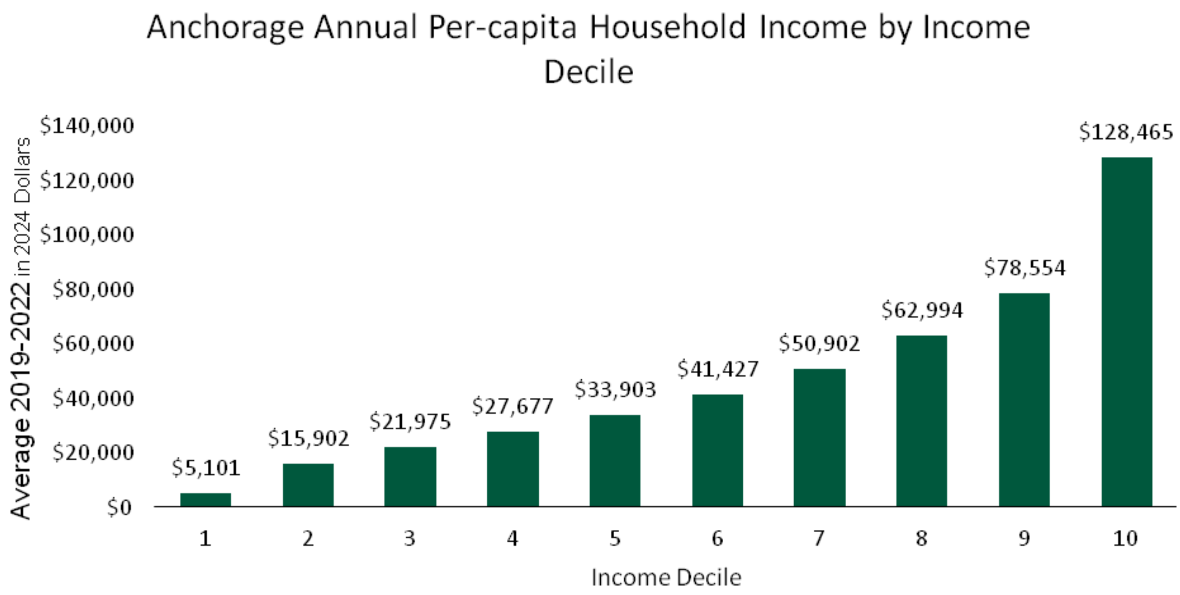

Figure A: Anchorage Annual Per-capita Household Income by Income Decile
Source: Consumer Expenditure Survey

Sales taxes are widely regarded as regressive, meaning that tax payments represent a smaller fraction of income as income increases. Although total household expenditures do rise as income increases, spending increases less than in proportion to income, making a tax on spending regressive (Figure B). Household expenditures for the lowest income decile substantially exceed income. These households are drawing down savings and borrowing to pay for living expenses, but also may be receiving donations from friends, relatives, and religious congregations.

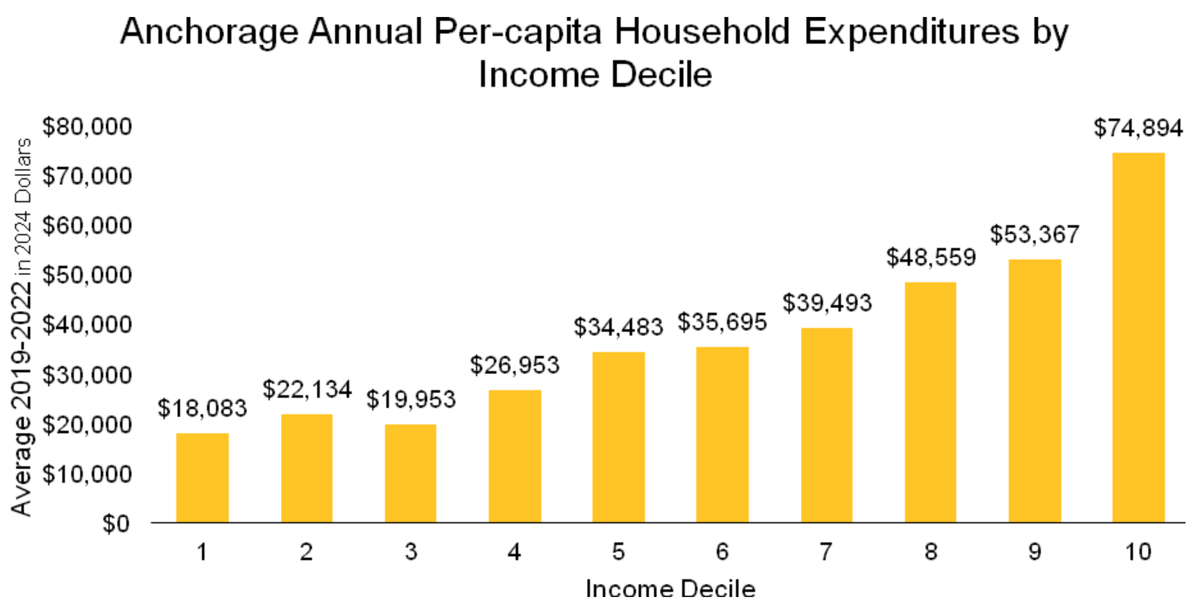

Figure B: Anchorage Annual Per-capita Household Expenditures by Income Decile
Source: Consumer Expenditure Survey

The Anchorage sales tax as proposed contains a number of exemptions from taxation that aim to reduce the impact on low- and middle-income households. Proposed exemptions include food at home, housing rent, childcare, medical care, motor fuels, financial transactions, and resale items. Tax payments would also be capped at $30 on individual purchases. The figures for estimated sales tax payments by income decile show that these exclusions do reduce the regressive impact somewhat (Figure C). Projected sales taxes are roughly proportional to per-capita household income for households that fall in the middle third of the income distribution. However, the proposed tax would still be highly regressive at the lower end of the income scale, and also quite regressive in the upper third of the income distribution.

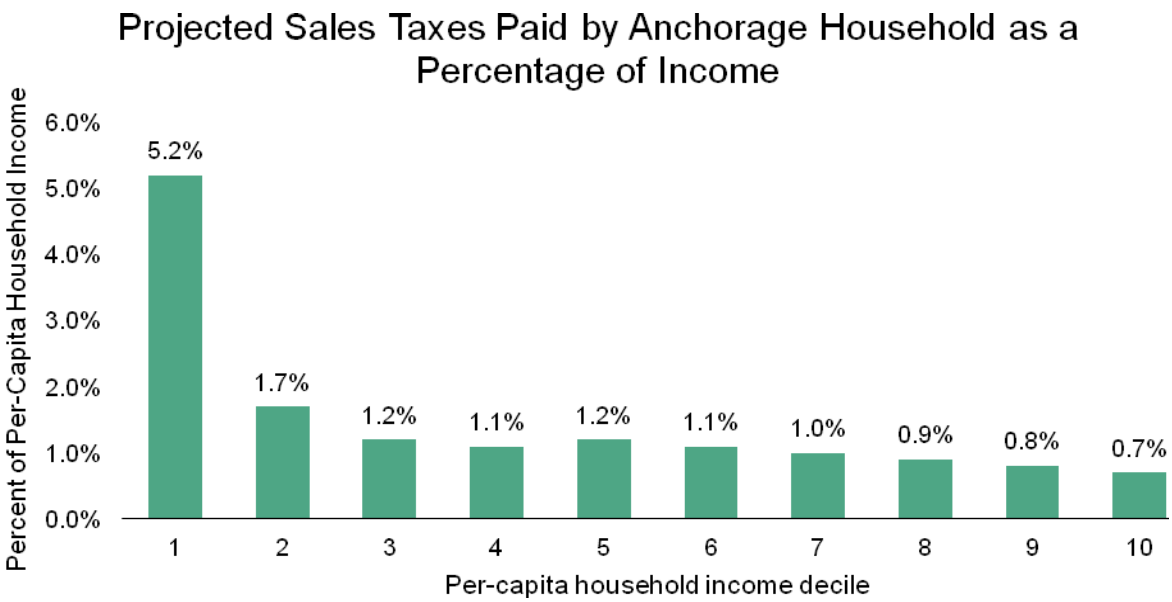

Figure C: Projected Sales Taxes Paid by Anchorage Household as a Percentage of Income
Source: Consumer Expenditure Survey

Property taxes are also somewhat regressive at the national level, so the property tax offset could in theory reduce the regressive effect of the sales tax. That said, the national data combines local jurisdictions with a mix of tax regimes, including cities with income and sales taxes that reduce local property tax levies. Anchorage, which relies primarily on property taxes to fund schools and other public services, therefore might not fit the national pattern. Anchorage homeowners also benefit from exemptions that reduce taxable assessed value and affect property tax payments.

The estimated $180 million annual revenues projected to be collected by the proposed sales tax initiative would yield $120 million in property tax relief. That amounts to about 20% of total area-wide property tax revenues. If the 20% reduction were distributed in the form of an across-the board reduction in the area-wide mill levy, the mill rate would decline by 3.3 mills. Anchorage households that own their own homes would see their property tax bills drop by 20%. Owners of commercial properties and rental homes would see their property tax bills fall, too, by the same percentage. Nearly two-thirds of Anchorage residents own their own homes (including mobile homes and condominiums owned by their occupants). These homeowners receive several local and state-mandated exemptions that reduce their property tax burden. Accounting for the exemptions, Anchorage homeowners account for 40.9% of the total taxable assessed value, with rental property accounting for 28.3 percent, and the remaining 30.8% consisting of commercial real estate (Figure D).

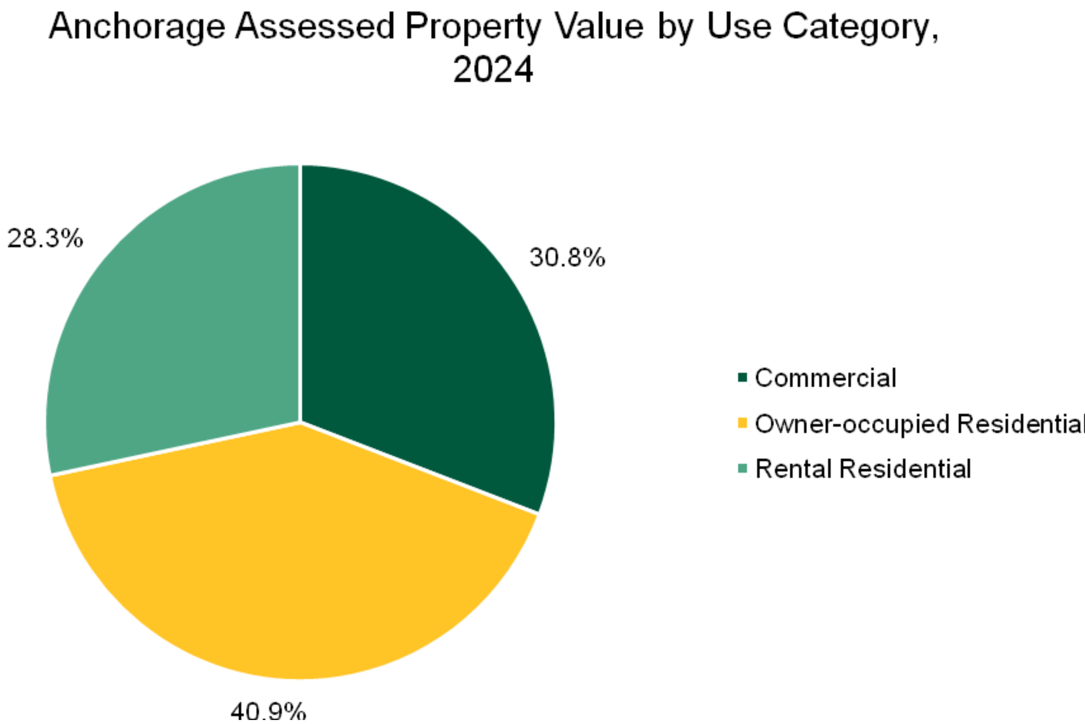

Figure D: Anchorage Assessed Property Value by Use Category, 2024
Source: Municipality of Anchorage Property Appraisal Database

It is important to note that 36% of taxable assessed value of commercial property and 15% of the value of rental housing is owned by non-resident individuals and corporations. The non-resident-owned property amounts to 15.2% of total Anchorage taxable assessed value. Although this percentage is smaller than the 21% of sales tax revenue estimated to be generated by non-residents, it is not clear that the proposed sales tax measure would increase the share of local tax revenues contributed by non-residents after one adds in tax revenues non-residents contribute from lodging and rental cars.

Data from the CES indicate that the distribution of the projected 20% reduction in property tax offsets to owners is highly regressive for households in the lowest 30% of the income scale. but then is relatively constant for the remaining 70% (Figure E). Fewer lower income households own their own homes than higher income households. but for lower income households those that do own their homes, property taxes represent a larger share of their limited incomes.

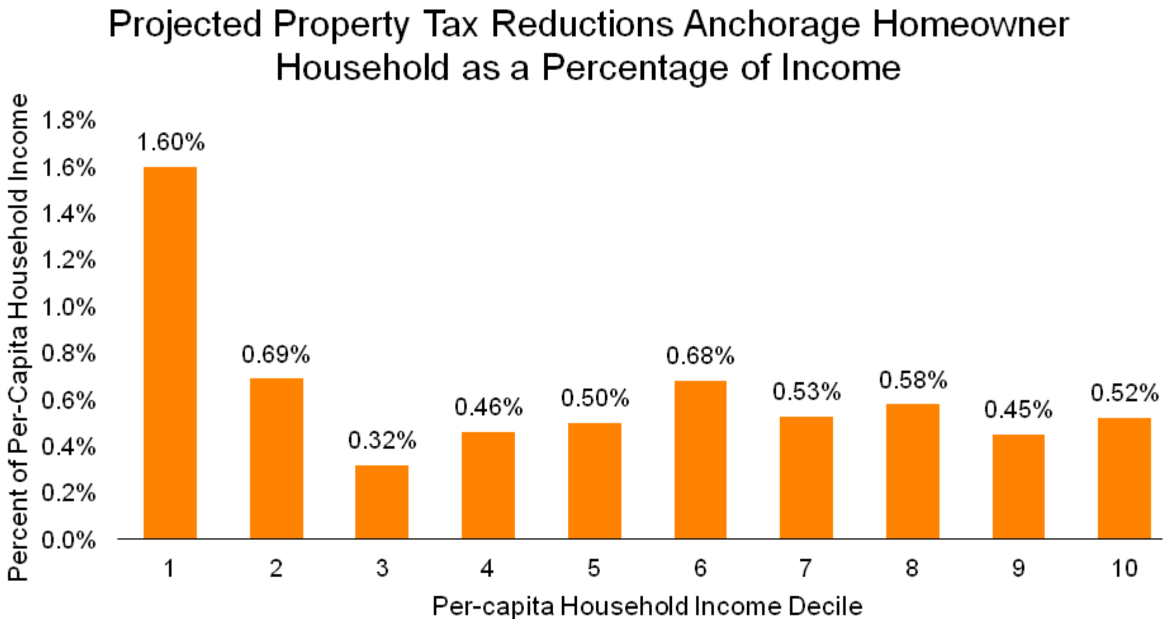

Figure E: Projected Property Tax Reductions Anchorage Homeowner Household as a Percentage of Income
Source: Consumer Expenditure Survey

An important question to consider concerns the extent to which property taxes received by landlords would be passed on to households who rent their homes? Most likely, renters would see little, if any benefit, for a number of reasons. A drop in the property tax mill rate reduces landlord's costs, but competition is required to push those cost savings into rents. Rental housing is currently in short supply in Anchorage, which has seen rapidly rising rents in recent years (26.5% since 2021, according to market surveys). The main obstacle to increased housing supply is lack of available land. Much more land is available in the Mat-Su Borough, which has seen rapid recent population growth, in part due to its status as essentially an overflow market for Anchorage housing. According to Alaska Housing Finance Corporation data, more multi-family apartments were constructed in Wasilla in 2023 (54) than in all of Anchorage (45), despite Wasilla having less than one 20th of Anchorage's population. In a situation such as this where the incremental supply of rental housing in the Anchorage metropolitan area is located in the Mat-Su Valley, rents in Anchorage will be determined largely by the market rent in the Valley, plus the cost renters perceive they avoid by not having to drive regularly to Anchorage. Anchorage property tax reductions are basically irrelevant to that market.

The Anchorage Assembly is exploring ways to increase land available for rental housing, such as amending zoning rules. However, even if successful, it would likely take 5-7 years for enough new construction to be completed to make a meaningful impact on housing supply, leaving little time for competition to drive down rents before the tax would expire. Consequently, it is unlikely that changes in land use codes will be sufficient to reduce rents while the tax is in effect.

The distribution over the income distribution of the net impact for households of the proposed 3% sales tax with two-thirds of revenue allocated to property tax reductions, assuming only property-owning households would receive a tax reduction, is largely similar distribution to the distribution of sales taxes. Assuming that the property tax offset has little effect on rents, the proposed initiative would increase local taxes by an amount that varies from $126 to $236 per year per person for households in the lower third of the income distribution, rising to nearly $700 per person (Fig. F). The per capita net tax change increases over the bottom half of the distribution, but then remains relatively constant over the upper half. These are sample estimates, so the relatively small differences represent random variation.

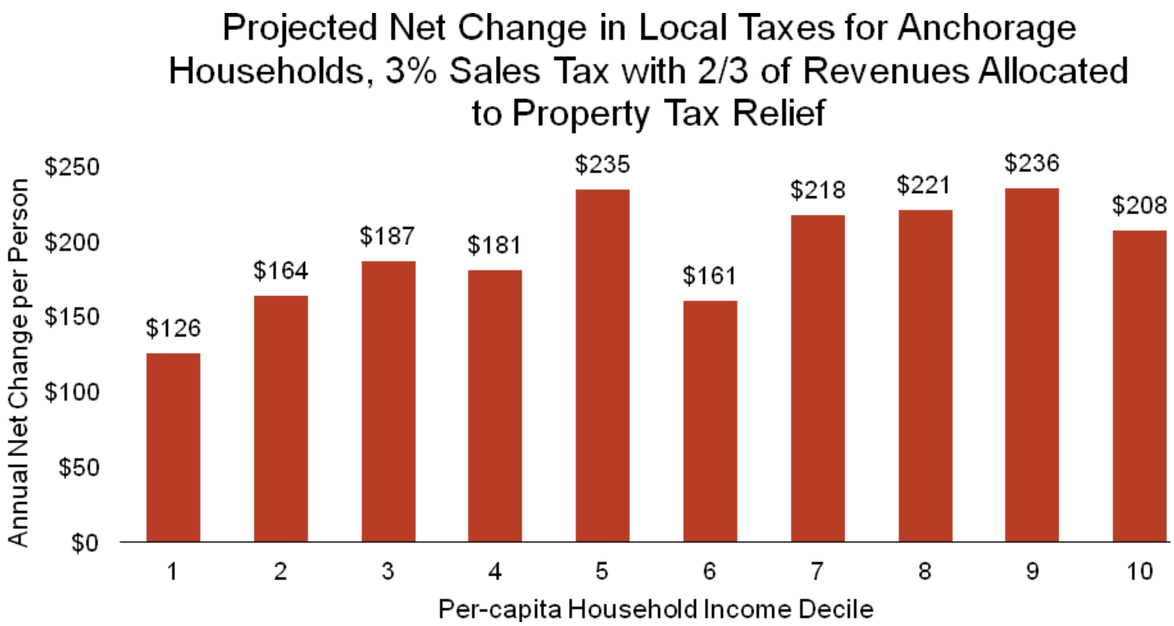

Figure F: Projected Net Change in Local Taxes for Anchorage Households, 3% Sales Tax with 2/3 of Revenues Allocated to Property Tax Relief

When viewed as a percentage of household after-tax income per person, the net impact is highly regressive at both ends of the income distribution, but relatively proportional to income in the middle of the scale (Fig. G). Households with the highest ten percent of per-capita household income would pay much less (0.1% of income) as the median household (0.7%% of income). Households in the lowest decile would pay five times the percentage of their per-capita household income as those in the middle, and households in the second-lowest income decile would pay about a 40% larger percentage than the median household. In the lower half of the income distribution, the sales tax and property tax offset are both regressive. In the upper half, the property tax offset is less regressive than the sales tax and much larger at higher incomes. The combination of the factors increases the regressive effect for higher income households.

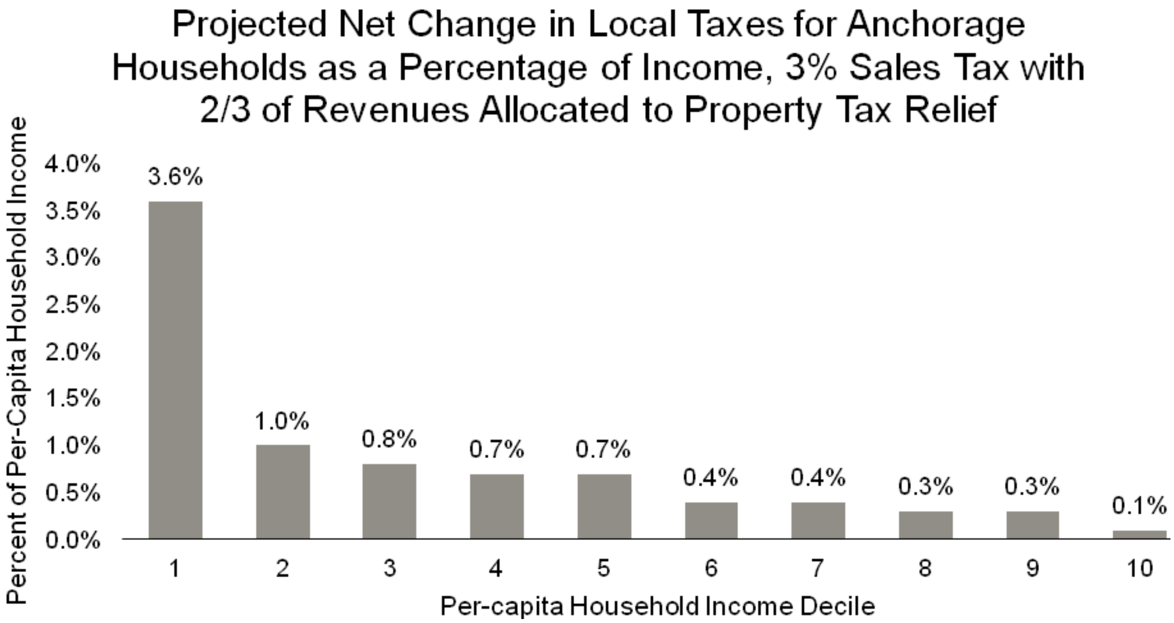

Figure G: Projected Net Change in Local Taxes for Anchorage Households as a Percentage of Income, 3% Sales Tax with 2/3 of Revenues Allocated to Property Tax Relief

The estimates discussed here have a number of important limitations. First, the CES data source is a sample, and as such contains a significant amount of uncertainty due to sampling error. The 90% margin of error for taxable expenditures and therefore sales taxes for each income decile ranges from 0.9% of taxable expenditures to 2% of taxable expenditures, with the higher margins of error associated with the lower income deciles. Property tax offsets are more uncertain, with 90% margins of error ranging from 2% (highest income decile) to 10% (lowest income decile), reflecting the uncertainty in the proportion of households within an income decile owning their own homes, as well as the value of owner-occupied homes for the relatively small sample. For taxpayers that itemize deductions and claim a deduction for property taxes, property tax reductions would cause reduce those deductions, causing after-tax income to decline as well and reducing the net tax reduction as a percentage of income. To the extent that would occur, the estimates of net taxes as a percentage of income would increase somewhat. It is not possible to identify which CES sampled households itemized deductions.

Second, businesses will likely pay some sales taxes. Sales taxes paid by businesses to other businesses are not included in the revenue estimates. Also, households may under-report spending somewhat in household surveys. Consequently, the estimates of tax revenues and impacts on households are conservative estimates. On the other hand, it is unclear how much alcohol, tobacco, and marijuana sold in Anchorage is purchased by non-residents, and some of the revenues may be duplicated in the accounting. The CES questionnaire does not ask about marijuana, which is legal in Alaska but remains a controlled substance under federal law. Finally, all the findings discussed here rely on historical data, and unforeseen future changes in the local economy and population could affect the results.

February 2025

Updated Sales Tax Estimates for the Municipality of Anchorage

Ian Mills and Richelle Johnson, using resources developed by Nolan Klouda

University of Alaska Center for Economic Development, a program of the UAA Business Enterprise Institute

Center *for* Economic Development
UAA Business Enterprise Institute

Note on 2025 Updates

The recently announced revision to the Project Anchorage Sales Tax ordinance proposed by the Anchorage Assembly, AO 2024-15 (SA), contains several noteworthy changes which would have a measurable impact on the resultant revenues. To assess the revenue impacts of the proposed ordinance UA CED's original report has been updated to the extent possible. Numbers in this report have also been updated to reflect additional economic data that has been made available in the time since the original publication.

The changes to the original sales tax proposed in AO 2024-15 (SA) include:

- Exempting alcohol purchases,
- Exempting marijuana purchases,
- Increasing the tax cap on transactions to $2,500, and
- Raising the business personal property tax exemption to $250,000.

The changes made to the details of the proposed ordinance are projected to result in a 6.6% reduction in total revenue. The exemption of alcohol and marijuana from the sales tax would forego the $12.8 million of revenue projected to be generated if those items were to be taxed. Raising the cap on the maximum tax collected per transaction is forecasted to result in approximately $1.4 million in new revenue due to additional value being captured from large transactions. This revenue is projected to primarily come from additional sales taxes levied on the sales of new and used vehicles but would also include revenues from other large consumer purchases such as electronics, off-road vehicles, and luxury goods.

Impacts of Changes to the Proposed Ordinance

Description of Change	Effect on Sales Tax Revenue
Exemption of alcohol purchases	-$9,310,750
Exemption of marijuana purchases	-$3,483,970
Increasing transaction cap to $2,500	$1,410,936
Total Effect	**-$11,383,784**

Table 1 Sources: Alaska Taxable by the Alaska Department of Commerce, Community, and Economic Development, U.S. Bureau of Economic Analysis, and authors' calculations.

Another change introduced in the proposed ordinance is to raise the business personal property tax exemption to $250,000. The impacts of this change have not been quantified in this report for two reasons. First, the amount of revenue the municipality would forego as a result of the change is not directly calculable based on available data, and any estimate would have a large degree of uncertainty. Second, this change will not directly affect sales tax collections or the amount of funds available to be used for MAPs.

Additionally, material has been added to this report examining the impact of exempting lower-income households from the sales tax entirely. The current text of the proposed ordinance includes a provision for such an exemption, albeit lacking in detail. Such an exemption would reduce the revenue of a sales tax, but the magnitude of the reduction depends significantly on the criteria used to determine the eligibility of households.

Executive Summary

The Project Anchorage initiative seeks to revitalize the Anchorage economy through several initiatives, including by making public investments in capital projects designed to spur private investment. The proposed mechanism to fund this public investment is a three-percent sales tax. Under the Project Anchorage Proposal, one-third of the new revenues would go into a fund for these special capital projects, and two-thirds would be an offset to reduce property taxes under the Municipality of Anchorage's tax cap. Since the Municipality does not currently impose a sales tax, there is no historical data on which to base estimates for revenues.

Sales Tax Quick Facts

	Previous Estimates	Updated Estimates
Projected total revenues	$178.1 million	$166.7 million
Special capital project revenues	$59.4 million	$55.6 million
Visitors' share of tax paid	20%	21%
Property tax reduction (2% below cap)	19.0%	17.8%
Savings per 100,000 in taxable value	$307	$287
Savings for $450,000 home	$1,151	$1,078

Table 2 Sources: Alaska Taxable by the Alaska Department of Commerce, Community, and Economic Development, U.S. Bureau of Economic Analysis, and authors' calculations.

This analysis is an update to prior estimates produced in 2023 and 2024. It uses updated Consumer Expenditure Survey (CES) data from 2021-2022 and other sources to provide estimates for the potential revenues generated by such a tax. Major findings include:

- **A three-percent sales tax (as currently under consideration) would produce approximately $167 million in revenue per year**, or about $56 million for each percentage point levied. This assumes the tax is charged 12 months of the year with certain exemptions.
- **Several important consumer categories are assumed to be exempt from the tax**. To reduce the burden on low- and middle-income households, exempt categories would include non-prepared foods, housing, medical needs, motor fuels, childcare, and other categories described in the report. Purchase amounts over $2,500 would also be exempt.
- **Visitors would contribute about 21% of the total sales tax revenues**. This would include spending on lodging as well as retail goods, tour packages, dining, and other taxable categories.
- **The sales tax proceeds could reduce property taxes by about 17.8%**, assuming that two percent is applied to property tax reduction under the tax cap, and one percent to special capital projects outside the cap. For every $100,000 in assessed taxable value, this would be a savings of $287, or $1,078 for a home valued at $450,000.

The estimates presented here should be taken with caution; while they represent the authors' best attempt to quantify consumer spending across several categories, the data on which they are based are imperfect and incomplete. Compared to the largest jurisdictions in Alaska with sales taxes, however, these revenue estimates are low when adjusted for population size and economic activity.

The Project Anchorage Tax Proposal

The Project Anchorage initiative is led by a coalition of business leaders under the coordination of the Anchorage Economic Development Corporation (AEDC). The goal of Project Anchorage is to spur private investment and economic growth in Anchorage by financing a slate of capital projects to be defined through a process of extensive public input. The initiative is modeled on Oklahoma City's successful Metropolitan Area Projects (MAPS) program, which has been credited with reviving that city economically in the 1990s and 2000s.

The Project Anchorage proposal calls for the implementation of a three-percent general sales tax to be levied in the Municipality of Anchorage. Two-thirds of the revenues from the tax would fall under the Municipality's tax cap, to reduce the amount of property taxes collected by the same dollar amount. The remaining one-third would capitalize a fund for MAPS-style special capital projects, which would be allowed to grow for several years.

The three-percent sales tax would be levied year-round on many categories of consumer spending. It would have a $2,500 cap, meaning that only the first $2,500 of a given transaction would be subject to the tax. Sales tax caps are common in taxing jurisdictions in Alaska, as they limit the tax paid on larger consumer purchases like vehicles or household appliances. In addition, the Project Anchorage proposal includes several exempt categories which would not be subject to the tax. The exemptions are intended to ensure a more equitable tax system. These are:

- Medical
- Rental housing
- Items for resale
- Financial transactions
- Non-prepared foods
- Motor fuels
- Childcare
- Alcohol
- Marijuana
- Purchases above $2,500

How much revenue will it produce?

Since there has never been a general sales tax in the Municipality of Anchorage or at the state level, there is no past data upon which to base revenue estimates. To get around this, we used three primary sources of data:

- The CES from 2021-2022 collected by the U.S. Bureau of Labor Statistics (BLS). [1] These data estimate spending by an average household broken into categories like "apparel" and "food at home." Exempt categories like housing were removed from the estimates.
- Program tax reports published by the Municipality of Anchorage, which provide detail on the gross sales of rooms, tobacco, and rental vehicles. These items would be subject to the proposed sales tax. Since they reflect true recent sales, they provide a more accurate basis than survey-derived estimates.
- The Alaska 2022-2023 Tourism Impact Model by Destination Analysts, providing estimates of visitor spending in Alaska based on visitor surveys collected in 2022.

Applying the three-percent rate to all of the non-exempt spending categories for Anchorage residents and visitors produces an estimate of $166,716,561 in total annual revenues. The property tax relief amount (two-thirds) would be $111,199,946, leaving $ 55,572,186 (one-third) for special capital projects.

Taxable Spending and Sales Tax Revenue by Category

	Taxable Spending	Tax Revenue	Percent of total	Difference from 2024 Estimate
General resident spending	$4,240,765,922	$127,222,978	76%	$1,410,935
General visitor spending	$675,897,909	$20,276,937	12%	$0
Special categories	$640,554,859	$19,216,646	12%	-$12,794,720
Rooms	$383,634,063	$11,509,022	7%	$0
Alcohol	$0	$0	0%	-$9,310,751
Marijuana	$0	$0	0%	-$3,483,970
Rental vehicle	$174,991,481	$5,249,744	3%	$0
Tobacco	$81,929,315	$2,457,879	1%	$0
Total	**$5,557,218,689**	**$166,716,561**	**100%**	**-$11,383,784.48**

Table 3 Sources: Alaska Taxable by the Alaska Department of Commerce, Community, and Economic Development, U.S. Bureau of Economic Analysis, and authors' calculations.

How much would visitors pay?

A key consideration for a potential sales tax is to maximize the amount of revenue collected from visitors as opposed to residents. Anchorage received roughly 1.3 million out-of-state visitors in 2022, and the number is growing (aside from Pandemic disruptions).[2] Utilizing the visitor spending survey data from Destination Analysts, we estimate the taxable share of visitor spending in several categories. These data were supplemented by Municipal reports for room and vehicle rental tax, which predominantly reflect visitor spending. Taking these sources together, we estimate that visitors would pay nearly $35 million in sales tax, or almost 21% of the total amount collected.

Visitor Spending by Category

Category	Sales Tax Revenue
General visitor spending	$20,276,937
Rooms	$11,509,022
Rental vehicle	$2,457,879
Visitor total	**34,935,806**

Table 4 Sources: Alaska Taxable by the Alaska Department of Commerce, Community, and Economic Development, U.S. Bureau of Economic Analysis, and authors' calculations.

How much revenue do exemptions cost?

Sales tax exemptions for certain essentials like food, housing, and medical care alleviate pressures on low-income households. Other products or services are subject to separate taxes and may be exempted to avoid double taxation. Below are estimates for three categories (non-prepared food,

[2] Alaska 2022-2023 Tourism Impact Model, Destination Analysts for the Alaska Travel Industry Association.

motor fuels, and healthcare) assumed to be exempt in the baseline estimates, but which could be taxed to increase revenues.

Potential Revenue from Exempt Categories

Exemption Category	Potential Tax Revenue
Food at home	$39,371,162
Healthcare	$25,914,787
Gasoline, other fuels, and motor oil	$14,675,082
Alcohol	$9,310,751
Marijuana	$3,483,970

Table 5 Sources: Alaska Taxable by the Alaska Department of Commerce, Community, and Economic Development, U.S. Bureau of Economic Analysis, and authors' calculations.

Many other jurisdictions charge sales tax on non-prepared food. For Anchorage, this would increase revenues from the baseline scenario by over 20% but also make the tax more regressive. It is less common to tax housing, medicine, childcare, and certain other categories. This analysis could not produce revenue estimates for all exempt categories as data is not available for all of them.

Will the sales tax be regressive?

Sales taxes are generally considered to be regressive taxes, meaning that lower-income households tend to pay a greater share of their income than higher-income households do. However, the exemptions included in the Project Anchorage proposal will reduce negative impacts to low- and middle-income households. According to national CES data, four of the exempt categories—healthcare, motor fuels, shelter, and non-prepared foods—together account for almost 60% of total annual spending for the bottom 10% of households by income. The top 10% of households spend roughly 38% of their total expenditures on these categories.

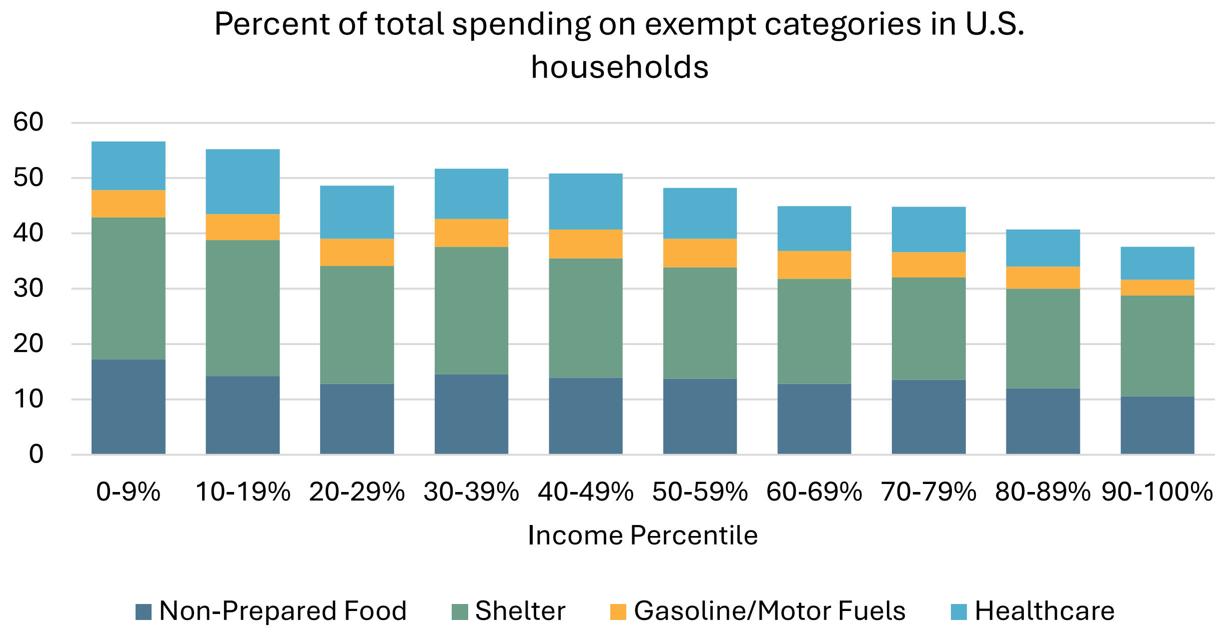

Figure 1 Source: BLS CES, 2021-2023.

It should also be noted that property taxes are regressive as well since low-income households spend a greater share of their income on housing than higher-income households. Renters also indirectly pay property taxes that their landlords pass to them as part of their rent, a sort of "hidden" tax. As the graph below shows, both sales and property taxes claim a higher share of income for the lowest-income decile than for the highest. Importantly, these data are taken from the national level and do not reflect the specifics of actual or proposed taxation in Anchorage.

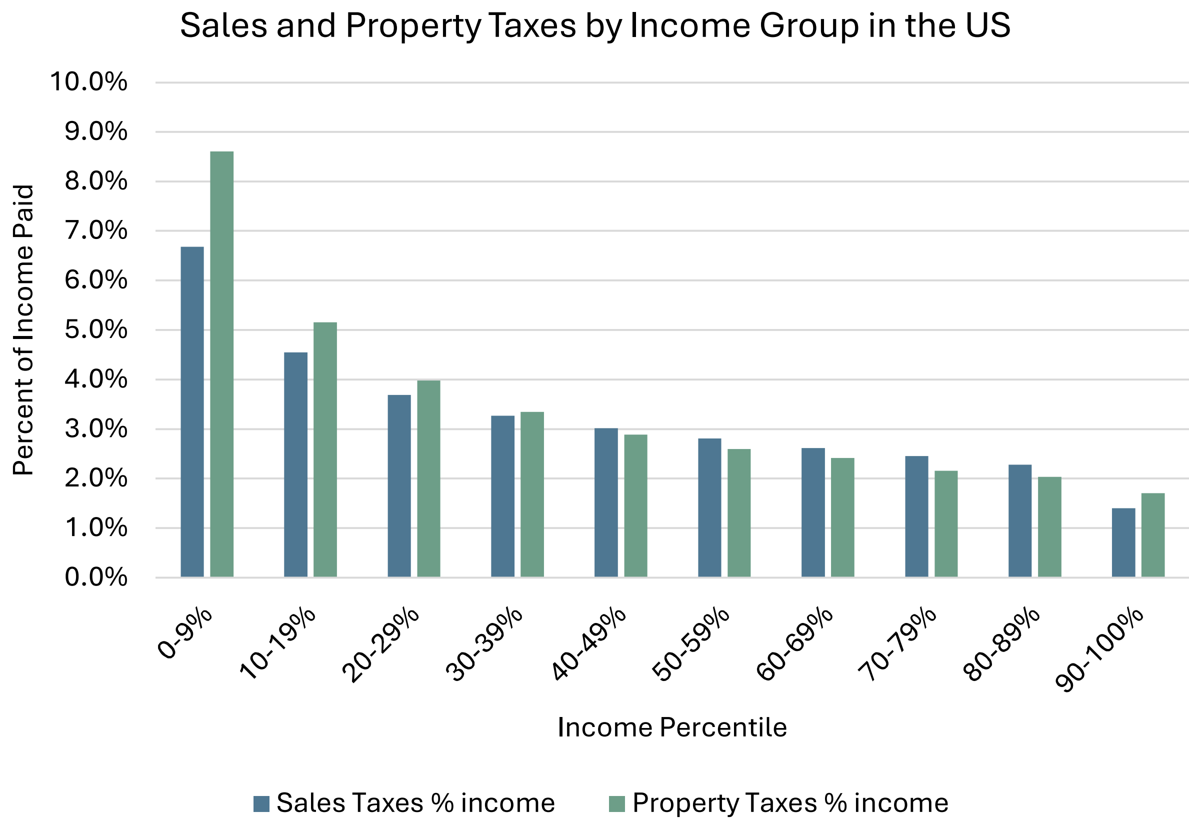

Figure 2 Source: 2015-2016 Annual Social and Economic Supplements (ASEC) by the U.S. Census Bureau. Analyzed by Fleck et. al. 2021.

How can the regressive effects of the taxes be reduced further?

The sales tax currently under consideration as part of Project Anchorage already contains several exemptions designed to reduce the burden one low-income households and is somewhat less regressive than other sales taxes in the United States. However, based on information available at the time of publication, the Institute of Social and Economic Research (ISER) found that the lowest-income households in Anchorage would likely see an outsized increase in their total tax bill because of the sales tax.[3] ISER projections suggest that the effect of the sales tax would be a net increase in taxation equivalent to 3.6% annual household income for the first decile, with the impact reduced to 1.0% for second decile and continuing to decrease for higher income households. This finding suggests that tax relief could be targeted at the lowest one or two deciles of Anchorage's households to mitigate the regressive impacts of the sales tax without excessively narrowing the tax base.

The US Census Bureau provides estimates for the number of Anchorage residents living at various multiples of the federal poverty level. In 2023 (the most recent year for which data is available), it was estimated that 20.25% of individuals in Anchorage had income less than twice the federal poverty level. This corresponds very closely to the bottom two deciles of Anchorage's population.

[3] Effects on Households of a Proposed Anchorage Municipal Sales Tax, ISER, October 2024

Multiple of the federal poverty level	Portion of individuals in Anchorage living below given level
0.5	4.4%
1.25	11.1%
1.5	13.9%
1.85	18.7%
2	20.3%
3	32.9%
4	44.4%
5	56.9%

Table 6 Sources: 2023 ACS 1-year Estimates, Anchorage, Alaska Table S1701

Several recent drafts of the Project Anchorage proposal have included language that would exempt some lower income households from the sales tax by giving them an identification document that could be presented at the point of sale. This is a relatively uncommon mechanism to ease the tax burden for low-income households. Several states with sales taxes (especially those which do not exempt household necessities like groceries) offer a refundable tax credit to low-income households to mitigate the regressive impacts of the sales tax.[4]

Regardless of whether the tax relief takes the form of an exemption or a credit, it will be necessary to verify the income of households as part of the application process. After that, the two options diverge rather substantially. Whereas the exemption can only be offered or withheld, the credit could be scaled according to the income of the qualifying household. Doing so would mitigate the effects of a potential "benefit cliff" which occurs when a small increase in household income causes the household to lose access to the whole exemption or credit. A tax credit system would also eliminate the need to issue identification documents to each qualifying household. This would likely save time and resources and means that recipients of the tax relief would not need to identify themselves every time they make a purchase. Potentially the largest benefit of using a tax credit instead of an exemption is the elimination of the need to address online purchases made by households benefiting from the tax relief. They would pay the sales tax at the point of sale just like all non-qualifying households.

According to ISER's analysis, individuals in the lowest income decile are projected to pay $207 in sales tax annually, and those in the second lowest income decile are projected to pay $273 annually. Based on these figures, if an exemption were to be implemented that effectively eliminated the sales tax for the lowest income decile, it would reduce the revenue generated by the sales tax by approximately $6 million. If an exemption were implemented which exempted the lowest two deciles, the total reduction in revenue would be approximately $14 million.

How much property tax relief is possible?

The Project Anchorage proposal calls for two-thirds of the three-percent levy to be directed to property tax relief, with the remaining one-third for special capital projects. The tables below demonstrate the potential reduction in property taxes for every $100,000 in assessed value for a

[4] Options for a Less Regressive Sales Tax in 2019, Institute on Taxation and Economic Policy.

home assessed at $450,000 with a $75,000 residential exemption. In 2024, this home would be taxed at $6,054 for municipal and school district property taxes.[5] This analysis shows that if two-thirds of a three-percent sales tax is applied to property tax relief, the reduction would be 17.8% for a year-round tax.

Category	Original Estimate	Revised Estimate
Sales tax revenue allocated to property tax reduction	$118,792,930	$111,199,946
Average reduction in property taxes	19.0%	17.8%
Reduction per $100,000 in assessed value	$307	$287
Reduction for $450,000 home	$1,151	$1,078

Table 7 Sources: Alaska Taxable by the Alaska Department of Commerce, Community, and Economic Development, U.S. Bureau of Economic Analysis, and authors' calculations.

Are these estimates conservative or optimistic?

One way to compare the sales tax base between different geographies is to examine the breadth of the sales tax—the total taxable spending as a share of gross personal income. For U.S. states, the median sales tax breadth was 35.7% in 2021.[6] By comparing the tax breadth of the present estimates for Anchorage against other jurisdictions, we can judge whether the estimates or conservative or optimistic.

The estimated sales tax base of $5.4 billion for Anchorage implies a breadth of 33%, below the national median for U.S. states. Comparing the breadth to other Alaska boroughs with year-round sales taxes shows the proposed Anchorage tax to have a narrower breadth, suggesting a conservative estimate. However, most of these other jurisdictions have large seasonal influxes of visitors relative to small populations, and some also tax non-prepared food. This makes meaningful comparison difficult.

Borough	Tax Rate	Revenue	Breadth
Anchorage	3%	$166,716,561	34%
Juneau	5%	$52,377,949	42%
Kenai Peninsula Borough	3%	$42,900,107	38%
Haines Borough	6%	$3,604,184	37%
Ketchikan	3%	$10,252,860	41%
Petersburg	6%	4,141,309	28%
Wrangell	7%	3,531,981	40%

Table 8 Sources: Alaska Taxable by the Alaska Department of Commerce, Community, and Economic Development, U.S. Bureau of Economic Analysis, and authors' calculations.

[5] Mill levies in Anchorage vary by service area. This analysis assumes the 2023 mill rate of 17.03, the rate of Tax Districts 1 and 3. According to Municipal Assessor Jack Gadamus, these districts account for 77% of the Municipality's total taxable value. For other service areas, the dollar reduction amounts would vary but the percent reductions would be similar to those shown here.

[6] Jared Walczak, State Sales Tax Breadth and Reliance, Fiscal Year 2021, Tax Foundation.

Limitations of These Estimates

It should be recognized that the revenue estimates presented here are based on incomplete data, and reflect assumptions that represent the authors' best judgement, but may prove inaccurate. Accurate forecasting of sales tax revenues requires detailed data about Anchorage residents' spending on dozens of categories of goods and services. The CES data used to construct these estimates are more conservative than other measures such as the Personal Consumption Expenditures.[7]

Another challenge is that the most recent CES data is from 2021 and 2022, when consumer purchases were still impacted by the COVID-19 pandemic. This means some purchase categories may have been lower than longer-term averages, while others are higher. The data also cover the entire Anchorage MSA which includes both the Municipality of Anchorage and the Matanuska-Susitna Valley. The authors had to estimate the Anchorage portion.

The impact of a sales tax cap of $2,500 represents another difficulty for these sales tax estimates. Expenditure data used in these estimates does not provide any indication of the number or size of consumer transactions. However, the implied tax base presented here is lower than that of the Kenai Peninsula Borough as a share of gross personal income, which has a $500 cap and exempts non-prepared food. This conservatism helps to mimic the effect of a cap as a revenue constraint.

[7] See the 2019 BLS analysis of Consumer Expenditure Survey and Personal Consumption Expenditures: https://www.bls.gov/cex/cepceconcordance.htm

Sales tax exemptions for select jurisdictions in Alaska

	Anchorage	Juneau	Fairbanks	Kenai Peninsula Borough	Kenai	Seward	Mat-Su Borough	Wasilla	Palmer	Kodiak
Sales	-	5%	-	3%	3%	4%	-	2.50%	3%	7%
Alcohol	5%	3%	5%	-	-	-	-	-	-	-
Marijuana	5%	3%	5%	-	-	-	-	-	-	-
Room	12%	9%	8%	-	-	4%	8%	-	-	5%
Car Rental	8%	-	-	-	-	-	-	-	-	-
Tobacco	12.26 cents per stick	$3 pack, 45% wholesale	8%	-	-	-	-	-	-	-
Motor fuel	$0.10/gal	-	5%	-	6%	-	-	-	-	-
Alcohol	-	No	-	No	No	No	-	No	No	No
Marijuana	-	No	-	No	No	No	-	No	No	No
Hotels	-	No	-	No	No	No	-	No	No	No
Car Rental	-	No	-	No	No	No	-	No	No	No
Tobacco	-	No	-	No	No	No	-	No	No	No
Motor fuels	-	No	-	No	No	No	-	No	No	No
Non-Prepared Food	-	No	-	Exempt	Exempt	Exempt	-	No	No	No
Rental Housing	-	Exempt	-	No	No	No	-	Exempt	Exempt	No
Construction Materials	-	Exempt	-	Exempt (for builders)	Exempt (for builders)	Exempt (for builders)	-	Exempt	Exempt	Exempt
Sales to/from Nonprofits/ governments	-	Exempt	-	Exempt	Exempt	Exempt	-	Exempt	Exempt	Exempt
Medical	-	Exempt	-	Exempt	Exempt	Exempt	-	Exempt	Exempt	Exempt
Wholesale	-	Exempt	-	Exempt	Exempt	Exempt	-	Exempt	Exempt	Exempt
Childcare	-	Exempt	-	Exempt	Exempt	Exempt	-	Exempt	Exempt	Exempt
Food with vouchers	-									
Cap	-	$12,800	-	$500	$500	$500	-	$500	$1,000	$3,000

Table 9 compiled by Danielle Bailey from a review of local government ordinances and the Alaska Taxable data by DCCED.

Sources and methods

Resident spending

The primary data source used to calculate sales tax revenue estimates was the CES by the U.S. Bureau of Labor Statistics (BLS). The most recent estimates for the Anchorage MSA covered the years 2021 and 2022. Because the Anchorage MSA includes both the Municipality of Anchorage and the Matanuska-Susitna Borough, the authors estimated the share attributable only to the Municipality. The BLS uses “consumer units” rather than the more familiar categories of families and households. According to the BLS, there are 199,000 consumer units in the MSA; this analysis estimated there to be 139,065 consumer units within the Municipality of Anchorage. We produced this estimate by adding the number of family households reported in the 2022 American Community Survey 5-Year estimates to the number of individuals living in non-family households—roughly matching the BLS definition of a consumer unit.

CES data breaks down the average consumer unit spending across a variety of common categories like food, medical, housing, and transportation, broken into further subcategories. The authors removed exempt categories from the revenue estimates, and determined how much would be spent on the remaining “taxable” categories over the course of a year. These figures were adjusted to 2024 dollars to make up the “general resident spending.”

The Municipality currently taxes rooms, tobacco, rental vehicles, marijuana, and alcohol with special taxes, and the Finance Department publishes data on the taxable spending in each category. Because these data are more accurate than survey-based data, we applied the three percent tax to the 2023 total taxable spending for each and adjusted the values to 2024 dollars. We removed any redundant categories from the CES spending to avoid double counting. We assumed room and vehicle rental taxes would be paid by visitors.

Visitor spending

The *Alaska 2022-2023 Tourism Impact Model* by Destination Analysts, commissioned by the Alaska Travel Industry Association, was the primary source of visitor spending estimates. We removed spending in redundant categories like lodging (using Municipal room tax data instead) and converted trip spending into daily spending, adjusted to 2024 dollars. We assumed Anchorage would receive 1,300,000 visitors, each spending an average of 3.5 days in Anchorage. These estimates are in line with prior reports.

Other sales taxes in Alaska

Although not used in the calculations of revenue estimates, this analysis made frequent reference to the Alaska Department of Commerce, Community, and Economic Development’s Alaska Taxable report, which is updated annually. This report includes information on the types of taxes collected by jurisdictions across the state, as well as rates and revenues.