

MUNICIPALITY OF ANCHORAGE
ASSEMBLY MEMORANDUM



No. AM XXX-2024

Meeting Date: _____, 2024

From: Assembly Vice Chair Zaletel and Assembly Member Volland

Subject: AO No. 2024-105(S-2) - AN ORDINANCE OF THE ANCHORAGE MUNICIPAL ASSEMBLY PROPOSING A SALES ~~[DEDICATED PROPERTY]~~ TAX AND ECONOMIC DEVELOPMENT MEASURE TO BE SUBMITTED TO THE QUALIFIED VOTERS OF THE MUNICIPALITY THAT WOULD ENACT [A] SALES AND USE TAXES OF THREE PERCENT (3%) IN THE AGGREGATE ON THE SALE AND USE OF GOODS AND SERVICES WITHIN THE MUNICIPALITY, WITH CERTAIN EXEMPTIONS, A MAXIMUM TAX AMOUNT PER TRANSACTION, COMPRISED OF A THREE-FOURTHS OF ONE PERCENT (0.75%) ~~[TWO PERCENT (2%)]~~ TAX DEDICATED FOR THE SOLE PURPOSE OF REDUCING PROPERTY TAXES PROPORTIONATELY THROUGHOUT THE MUNICIPALITY WITHIN THE "TAX CAP" CALCULATION, A THREE-FOURTHS OF ONE PERCENT (0.75%) ~~[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), A THREE-FOURTHS OF ONE PERCENT (0.75%) TAX OUTSIDE OF THE TAX CAP DEDICATED TO PAY FOR PUBLIC SAFETY, SNOW FLEET REPLACEMENT AND AFFORDABLE HOUSING AND PUBLIC TRANSIT DEVELOPMENT AND EXPANSION, AND A THREE-FOURTHS OF ONE PERCENT (0.75%) TAX OUTSIDE OF THE TAX CAP FOR ESTABLISHMENT OF A TRUST FUND DEDICATED TO FUNDING ANY PUBLIC PURPOSE; COSTS OF ADMINISTRATION, COLLECTION AND AUDIT OF THESE SALES AND USE TAXES SHALL BE SHARED PROPORTIONALLY AMONG~~[BETWEEN]~~ THE TAXES; PROVIDING FOR A MAPs CITIZENS ADVISORY AND OVERSIGHT 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; AND PROVIDING FOR TRANSITION PROCEDURES AND EFFECTIVE DATES.

The proposed substitute (S-2) version of AO 2024-105 keeps in place the proposed 3% aggregated sales and use tax, but instead of the two-thirds / one-third split originally proposed, it splits revenues evenly four ways. And, it makes the sales tax permanent, it does not sunset as in the original proposal. For every dollar of sales tax collected, the S-2 provides:

One quarter will be dedicated to property tax relief, to reduce

1 the total amount of property taxes collected in a fiscal year;
2 One quarter will be dedicated to Municipal Area Projects;
3 One quarter will be dedicated to fund Municipal fleet vehicle
4 replacements, specifically for public safety and snow removal
5 ; and
6 One quarter will be dedicated to the general fund to supplement
7 and expand access to federal, state, and local programs.
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9 Additionally, the (S-2) version amends the Charter to specifically exempt
10 households earning 80% or less of the federal area median household income (AMI)
11 for Anchorage, as established by HUD. As an example, the 80% AMI for a
12 household of 4 people is \$96,880. These exemption features reduce the regressive
13 effect of the sales tax on lower income households. The (S-2) is intended to balance
14 the disparate goals of reducing the property tax burden, spurring economic growth
15 and investment, improving our ability to maintain safe streets and communities, all
16 while expanding and solidifying protections for our most vulnerable members of the
17 community.
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19 Moreover, the (S-2) version exempts alcohol, marijuana, and tobacco from being
20 essentially "double-taxed" and increases the business inventory personal property
21 tax exemption to the first \$250,000, from the current level of \$20,000 which has
22 been in place for more than twenty years. The increase is by code amendment,
23 only effective if the sales tax proposition is approved by the voters.
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25 Finally, it is the sponsors' intent that the election date be set at a special election
26 called by the Assembly in 2025, in accordance with the procedures to do so in AMC
27 section 28.20.010.
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29 Counsel has advised and we recognize there are some technical corrections
30 needed to the S-2 version for consistency with this memorandum and ordinance
31 integrity, and intend to submit them prior to the January 7, 2025 regular meeting.
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33 **We request your support for the S-2 ordinance.**
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35 Prepared by: Assembly Counsel's Office
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37 Respectfully submitted: Meg Zaletel, Assembly Vice Chair
38 District 4 – Midtown Anchorage
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40 Daniel Volland, Assembly Member
41 District 1 – North Anchorage
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