

March 24, 2014

Dear Mayor Jensen,

Our schedules are not meshing so I'm sending a written report of the Sales Tax Committee work. We met over several months and discussed many of the tax options that other SE Alaska towns use. These include fish boxes, pull tabs, tobacco and alcohol, out of town sales and others.

We decided not to recommend the fish box tax. The lodges are just getting used to paying bed tax since borough formation but think it should be looked at in the future.

The pull tab discussion drew a crowd. It was decided that pull tab profits do a lot of good things in our community already such as support for Little League, scholarships, maintenance of the Sons of Norway Hall (Historic Register building), etc.

It is not legal to place an added tax on alcohol in Alaska. Juneau's tax was grandfathered in.


Tobacco tax is one that everyone was in favor of but would be considered an excise tax, not a sales tax and will need to be on the ballot as a separate item. A \$1 per item would go a long way towards providing the hospital with capital needs funding. We hope you will support this and have it on the October 2014 ballot.

The toughest decision was what to do about the senior citizen sales tax exemption. Most who testified said they were worried about hurting the poor if it was discontinued. Several said it would be most fair to do away with the exemption and lower it for everyone. Then young families wouldn't be subsidizing seniors who really don't need the help. A compromise was proposed to leave this discount for heating fuel and the WIC approved groceries. This would cover the biggest expenses of seniors and have the other benefit of only the grocery stores and fuel suppliers having to deal with senior exemptions. However, the two seniors on the committee couldn't support any change. Two members said they would have to move away if we made any changes. So there is no recommended change except in the proof of residency. We suggest that the staff use PFD's as proof of residency instead of an Alaskan driver's license. That eliminates people here for 30 days and also lets the state decide who really lives here.

The tax cap increase was decided to match Sitka and Wrangell at \$1500. We were not aware at the time of our meeting that the increase to \$1700 only failed by 2 votes last time it was on the ballot. We are in favor of the raise and hope it will be on the October ballot as well. You and the Assembly can decide on the number. It was noted that there was little discussion about the raise on the last election.

Thanks for the opportunity to look into the sales tax ordinance. I'd also like to thank Jody Tow, Anne Hurt and Cami Pederson from the finance office for all their help and assistance.

Sincerely,


Susan Flint