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INFORMATION RELEASE
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Information on proposal to exempt retail sales onboard cruise ships from CBJ sales tax

What is the issue?

Should the City and Borough of Juneau exempt sales of goods and services sold onboard a cruise ship from the CBJ sales tax while the ship is within CBJ boundaries?

Sales onboard could include food, alcohol and other beverages, salon services and other miscellaneous sundry items not otherwise included in the cost of the passengers' ticket. The major onboard retail stores are closed when the ships are in port.

History of the issue

The City and Borough of Juneau levies a sales tax for goods and services. Although called for under the tax code, CBJ historically has not required cruise lines to collect sales tax from its passengers for sales made on the ship when the ship is within CBJ boundaries.

One cruise line, Magical Cruise Co Limited, registered with the CBJ Sales Tax office and began remitting sales tax on its onboard sales while in CBJ boundaries. This created an inequity within the industry – one cruise line company was collecting sales tax while others were not.

This inequity and the possibility of exempting cruise ships from paying sales tax was brought up during an Assembly Finance meeting last March. The committee directed staff to gather additional information on the issue. The issue was then brought up again during the January 11 Assembly Finance meeting. At that meeting, staff was directed to prepare an ordinance, for consideration, to exempt onboard sales.

Why now?

In April, the Cruise Line International Association (CLIA) sought a sales tax determination on the applicability of CBJ's sales tax code. CBJ's Sales Tax Administrator determined that sales onboard cruise ships are subject to CBJ's sales tax code. CLIA did not appeal the decision. The current plan for city staff is to issue a directive for cruise ship companies to register with CBJ and begin collecting taxes for the 2017 season, unless an exemption is adopted by the Assembly.

What do other Southeast Alaska communities do?

Though the Ketchikan Gateway Borough is the only place in Southeast Alaska that specifically exempts cruise ships from sales tax in its tax code, no community in Southeast currently collects sales tax from sales onboard cruise ships.

How much sales tax could CBJ collect in sales tax from onboard sales each year?

The CBJ sales tax office estimates that between \$50,000 and \$100,000 could be collected in total, per season from cruise ships.

How much revenue is generated by the cruise ship industry for CBJ and the community?

The cruise ship industry generates about \$20.5 million in annual revenue for CBJ.

CBJ collects about \$8 million a year in sales tax from cruise passengers for things they buy and do while they're onshore, like shopping, eating and taking part in tours and activities. This money helps pay for city services and programs that support both cruise industry and CBJ as a whole. CBJ will continue to collect sales tax on all tours provided in Juneau to cruise ship passengers. CBJ also collects about \$12.5 million a year in fee revenue from local and state passenger fee programs.

Next steps

An ordinance to exempt sales onboard cruise ships will be introduced during the Feb. 13 Juneau Assembly meeting. The ordinance is scheduled to have a public hearing and be voted on March 6.

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