Minutes
Tax Exemption Review Committee (TERC)
August 14th, 2014
City Hall Conference Room #224

I. Call to Order
The meeting was called to order at 5:00 p.m. by Mary Becker, Chair.

Committee Members Present: Mary Becker; Jesse Kiehl; Kate Troll; and Jerry Nankervis

Other Assembly members Present: Mayor Sanford

Staff Present: Finance Director Bob Bartholomew, City Manager Kim Kiefer, Deputy Manager Rob Steedle, Sales Tax Administrator Clinton Singletary, Assistant City Attorney Chris Orman, Print Shop Operator Glen Fairchild

II. Approval of Minutes – The minutes for the August 7, 2014 were approved as written

III. Government Exempt Sales by Industry Category
Bob Bartholomew gave an update on government exempt sales by industry category. These are exemptions granted at the Local, State, and/or Federal Level. Construction is the industry with the largest dollar amount of exempt sales.

Jesse Kiehl and Jerry Nankervis followed up with questions regarding construction contracts that do not fall under building permits and whether they are reported twice. Mr. Bartholomew responded they are not reported twice but the construction contractors could report exemptions in other categories (e.g. using Government exemption versus Construction) and might not consistently use the same exemption for their construction projects.

Kate Troll wanted to know whether or not local government exemptions can be changed by local governments or mandated by statute. Mr. Bartholomew did not have an immediate answer and planned to look into it.

IV. Household Income Overview
In addition to the $150,000 property value exemption that the State mandates, CBJ also provides a hardship exemption. Mr. Bartholomew presented a chart that shows median family income and 120% of median family income which is the current cut off point to receive the hardship exemption, as well as the poverty level and Mat-Su Borough’s income cut off point for a hardship exemption. CBJ computes the income threshold for the hardship exemption by adding the income of everyone in the household together based on their tax returns. The Mat-Su Borough is the only other municipality that offers a hardship exemption in addition to the State mandated exemption. The income threshold to receive a hardship exemption in the Mat-Su borough is four times the
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poverty rate. In addition to the threshold, a homeowner cannot own more than one parcel of land and cannot have a net worth exceeding $250,000 including the principal residence.

The discussion on property tax exemptions continued, and Mr. Bartholomew pointed out that the CBJ property tax hardship exemptions results in about $200,000 of lost revenue. Looking at the sales tax, if we used the same hardship income levels as we do for the property tax hardship, we expect a lot more seniors would apply for this than currently file for the property tax exemption.

V. Consumer Price Index Trend
Mr. Bartholomew stated the last time the single sales transaction CAP was adjusted was back in 1991. He then explained the US and AK CPI had increased over that time by 66% and 65%, respectively. If the single item CAP was raised by this amount the CAP would currently be about $12,400. If a 50% adjustment for inflation was calculated, the CAP would be $11,250. Mr. Bartholomew also mentioned the good cooperation they are getting from the business community when requesting information to research exemptions.

It was also noted from the CBJ law department that CBJ does have a lot of control over the sales tax code and can modify what sales categories are eligible for the CAP. Mr. Bartholomew stated that it is important when considering any changes to evaluate the ease of administration for both the vendor community and CBJ.

VI. Out of Borough Sales Discussion (Item added to agenda) -
Mr. Bartholomew discussed information regarding out-of-borough sales. He stated that form his perspective it is important to know if the sales going out of the borough were going to the final consumer or for resale. Basic tax policy is to not tax the sale of a good or service twice. Visitors who come into town to buy goods are taxed, but those who purchase products over the phone or internet are not taxed if the goods are shipped to the customer. If Juneau were to change their out-of-borough exemptions, CBJ would be different than other SE Alaska communities. This change would need further analysis.

VII. Committee Member Questions & Comments
Mr. Kiehl discussed the hardship exemption and whether it should be adjusted. As currently structured, is it simply helping the citizens with way above median home values versus what was intended? He asked how many people are currently getting this exemption, and the answer was 104 senior citizen households.
Mr. Nankervis raised the idea of creating an education program or making classes available, to the business community, to help train them in CBJ tax filing. Mr. Singletary responded that about 10yrs. ago something this was done for the business community with very little interest or response. He will consider ways for providing additional training.

VIII. **Next Meeting Date** – Thursday August 28, 2014

IX. **Adjournment** – The meeting was adjourned at 6:01 p.m.