I. Call to Order

II. Approval of Minutes – December 18, 2014

III. Tax Exemptions – Proposed Changes Adopted by Committee
   A. Finance Director Overview
   B. Public comment on increasing the amount of the sales tax CAP exemption on the sale of a single item or service from $7,500 to $14,000. (pg. 2)
   C. Public comment on senior citizen sales tax exemption changes: (pg. 3)
      i. Remove senior sales tax exemption eligibility for non-Juneau residents.
      ii. Implement an “income (needs) based” eligibility program, setting the household income level at 250% of poverty.
      iii. For seniors with household income above the 250% of poverty level narrow the tax exemption to 3 essential items (food, electricity & heating fuel).

IV. Information Items
   A. Federal Poverty Income Matrix for Alaska (pg. 6)
   B. Financial Summary for the Proposed Tax Exemption Changes (pg. 5)

V. Next Meeting Date

VI. Adjournment
$7,500 Tax CAP on the Sale of a Single Item/Service

**Summary:** Under these two exemptions, only the first $7,500 of the selling price of a single item or a single service is taxed. The maximum sales tax per transaction under these exemptions is $375.

- **Single Item CAP:** That part of a selling price of a single item that exceeds seven thousand five hundred dollars. For purposes of this subsection, a single item is: (A) an item sold in a single sale consisting of integrated and interdependent component parts affixed or fitted to one another in such a manner as to produce a functional whole. (CBJ 69.05.040(21))
- **Single Service CAP:** That part of the periodic selling price of a single service that exceeds seven thousand five hundred dollars. The periodic selling price is the amount owed on a calendar month or invoice basis, whichever is more frequent. (CBJ 69.05.040(22))

**Overview:**
- The sales tax CAP was originally introduced in 1983 to help prevent residents from purchasing high ticket items outside of Juneau. The original cap was $5,000.
- The CAP was last increased to its current level of $7,500 in 1991. Alaska/Anchorage inflation since then increased 65%. Adjusting for inflation since 1992, the $7,500 cap would equal $12,375.
- Nearly $120 million in sales ($68 million in goods & $52 million in services) were exempted under the CAP in 2013.

**Results of Increasing the CAP:**

<table>
<thead>
<tr>
<th>CAP Level</th>
<th>Tax Amount Per Transaction</th>
<th>Estimated Revenue Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>$10,000 (33% increase)</td>
<td>$500</td>
<td>$325,000 - $375,000</td>
</tr>
<tr>
<td>$11,500 (53% increase)</td>
<td>$575</td>
<td>$475,000 - $580,000</td>
</tr>
<tr>
<td>$14,000 (87% increase)</td>
<td>$700</td>
<td>$750,000 - $950,000</td>
</tr>
</tbody>
</table>

**Committee Recommendation**
The committee is recommending that the CAP be raised to $14,000.
Senior Citizen Sales Tax Exemption

Summary: Anyone 65 years of age or older who is a resident of the state is exempt from CBJ sales tax for the sales of goods, services and rentals, with the exception of sales of alcoholic beverages, that are solely for the personal use or consumption of the cardholder, the cardholder’s spouse, or same-sex domestic partner. [CBJ 69.05.045]. The initial exemption was established in December 1979.

Tax Exemption Overview:
- Approx. $57 million in sales were exempted as senior citizen sales during 2013.
- Estimated sales tax revenue exempted in 2013 was $2.8 million.
  - Exemption Sub-categories
    - Food - $550,000
    - Residential Electricity - $130,000
    - Residential Heating fuel - $235,000
    - Non-resident exemption - $195,000

Demographics
As of 2013 the citizens 65 and above were 9.8% of the Juneau population. The Alaska Department of Labor estimates that the growth in senior population will significantly exceed the overall Juneau population growth through 2025. Current estimates are that seniors will be 15% of the population in 2020 and be over 18% by 2025.

Previous Review of the Exemption Program
- 1988 & 1989 Assembly Action – Expanded exemption to all Alaska senior residents & expanded the exemption to include the senior’s spouse.
- 1999 Mayor Fiscal Policy Task Force – Recommendation to phase out the senior exemption based on concern of the growing cost. Assembly took no action on the recommendation.
- 2005 Assembly Tax Policy Subcommittee - recommend a 10 year process, beginning in 2006, evolving towards elimination of the exemption in 2016. Each year, for 10 years, the eligible age would be raised by 1 year transitioning from 65 up to 75 years old. Thus to be eligible you would have to have been 65 by January 1, 2006 and would have benefited from the exemption for 10 more years. There would have been no new seniors, below the age of 65 in 2006, qualifying for the exemption. The exemption would have completely ended in 2016.
- 2006 Senior Sales Tax Exemption Task Force – recommended: 1) removing eligibility for non-Juneau residents, 2) each year, for 10 years, the eligible age would be raised by 1 year transitioning from 65 up to 75 years old, and 3) from 2016 forward residents 75 years of age and older would qualify for the exemption. From 2006 to 2016 seniors below the age of 65 in 2006 would have to wait at least 10 years to become eligible.
Committee Recommendation
The committee is recommending 2 changes to the exemption:

1. Establish and income (needs) based program setting the household income threshold at 250% of household income (2 person household $49,150). Seniors at or below the income level would continue to qualify for 100% of the existing sales tax exemption.

2. For all seniors with household income exceeding the income threshold to reduce to the existing exemption to cover 3 essential items (food, electricity & heating fuel).

Program Administration
CBJ staff has reviewed the program administration issues of the proposed changes to the senior exemption. As currently proposed, two different types of senior cards would need to be issued, with certain seniors qualifying for exemption on all purchases and others receiving exemption on certain items. The proposed change would be a greater administrative burden to both merchants and CBJ staff than the existing senior program. Staff working with merchants will continue to assess how best to implement the proposed changes.
**City & Borough of Juneau**  
**Tax Exemption Review Committee**  
**January 8, 2015**

**Estimated Financial Results for Recommended Changes to Sales Tax Exemptions.**

1. **Inflation since last change 65%.**
   
   Estimated Revenue Gain from Increasing Cap to $14,000 (87% increase): $750,000 - $950,000

2. **Remove Senior sales tax exemption eligibility for non-Juneau residents**
   
   - Current Senior Exempted Sales Tax: $2,800,000
   - Estimated % exempted for non-Juneau residents: 7% - 12%
   - Estimated Revenue Gain: $195,000 - $340,000

3. **All Seniors would be exempt on essentials (food, electricity and heating fuel). Seniors qualifying on a needs-basis would retain full-exemption on all purchases.**
   
   - Current Senior Exempted Sales Tax: $2,800,000
   - Exempting Food Purchases: (550,000)
   - Exempting Residential Electricity: (130,000)
   - Exempting Heating Fuel: (235,000)
   
   **Total current taxes exempted for essentials:** ($915,000)

   **Exempted tax dollars for needs based exemption @ 250% poverty, in addition to essentials:** ($641,000)

   **Estimated Revenue Gain from limiting exemption to essentials & a needs based program:** $1,244,000
### 2014 Federal Poverty Level – Alaska Only (AFPL)

#### Alaska

<table>
<thead>
<tr>
<th>Family Size</th>
<th>% Gross Yearly Income</th>
<th>% Gross Monthly Income</th>
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</thead>
<tbody>
<tr>
<td>25%</td>
<td>50%</td>
<td>75%</td>
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<tr>
<td>1</td>
<td>$3,645</td>
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<tr>
<td>8</td>
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<td>$25,070</td>
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</tbody>
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Please Note:
- The federal poverty guidelines are typically updated at the end of January.