I. Call to Order

II. Approval of Minutes –
   - December 18, 2014 minutes (pgs. 2-4)
   - January 08, 2015 minutes (pgs. 5-11)

III. Property Tax Hardship Exemption Income Qualification (pg. 12)

IV. Other Tax Exemption Items for Committee Discussion
   - Administrative process for exempting essentials for senior citizens only. (pgs. 13-16)

V. Discussion on which Tax Exemptions Changes the Committee wants to Adopt & Forward the Assembly Finance Committee. (pg. 17)

VI. Information Items
   - Financial results from raising the sales tax eligibility age. (pg.18)

VII. Next Meeting Date
    - Adopt final report

VIII. Adjournment
DRAFT Minutes
Tax Exemption Review Committee (TERC)
December 18, 2014 • Meeting Minutes
Assembly Chambers - City Hall

I. Call to Order
The meeting was called to order at 5:03 p.m. by Mary Becker, Chair.

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

Other Assembly Members Present: Mayor Sanford

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

II. Approval of Minutes – December 3rd, 2014 Minutes were approved with corrections.

III. Committee Work Session:
Mr. Bartholomew began with an open question from the last committee meeting, and pointed to page 6 of the handout, covering the single item sales CAP. Mr. Bartholomew discussed the 4 areas of information provided. The committee appreciated the information and asked for time to review and consider before forwarding on to the Assembly as a whole to discuss further. Mary Becker mentioned the $14,000 CAP adjustment, previously adopted, was heading to the Finance Committee after a public hearing.

The Committee next began discussion on Senior Exemption Modifications. Mr. Bartholomew talked about income levels and establishing an income cut-off level of 250% above poverty level for essentials. The Committee agreed after discussion that a motion had previously passed to send the 250% of poverty income level on to Finance Committee.

Mr. Bartholomew next talked about number II on the list, changing eligibility age from 65-70 over 5 years and pointed to a chart on page 17. Ms. Becker asked which scenarios the revenue gains in the chart were based on and Mr. Bartholomew answered they based on the current program. Mr. Bartholomew mentioned when 250% of poverty level was recommended the net growth in revenue would be $900,000.

The Committee discussed the chart further and Kate Troll asked if by doing nothing to modify the age of eligibility if CBJ would lose $300,000 in 2015 and Mr. Bartholomew answered yes. Mr. Kiehl asked that the chart be changed to reflect the age of 65 beginning in 2015 rather than 2016, and Mr. Bartholomew agreed to make that correction.
Minutes – Tax Exemption Review Committee (TERC)
Wednesday, December 18, 2014, 5:00 p.m.

The Committee talked about the Juneau Commission on Aging’s recommendations and their suggestions on item #1-6 from the previous public hearing. Jerry Nankervis asked for clarification on the page 17 chart and Mr. Bartholomew provided the clarification on the numbers. Mr. Nankervis asked if anyone had done the math carrying the number of qualifiers further down the road, like 25 yrs, and Mr. Bartholomew said they had not looked into it that but Alaska Department of Labor may have some numbers that can be referenced.

Ms. Troll made a motion to forward the recommendation of increasing the eligibility age from 65-70 over a 5 year period on to the Finance Committee. Ms. Becker thinks this would be a double-whammy. Mr. Kiehl is curious how they will define “senior” as life span continues to increase and points to Social Security who has raised the eligibility age to 67. The Committee discusses Mr. Troll’s motion and it failed - 2 yeas and 2 nays.

Information Items
Mr. Bartholomew pointed the Committee to page 18 of the packet and Clinton Singletary talked about merchants and the outreach they have done with them and their response on administration of a senior exemption on food only. 3 out of 5 businesses are hesitant with concern over staff and defining “food”, one store thought any change would not be a big deal at all and one wanted to talk to their I.T. staff at corporate, but thought it would be a manual change at the register. Mr. Singletary said they would need more time to get a better idea. Mr. Singletary mentioned he would not like to put too much burden on clerks and seniors at the register and make it more challenging to audit. The Committee disagreed and pointed out examples in which this system already existed. Mr. Singletary and Mr. Bartholomew both agreed it would not be impossible, but felt they had an opportunity currently to not make things more complicated and should use a system that would be easier to administer. Finance is recommending the consideration of a rebate system.

Ms. Troll was interested in hearing more about the rebate system and Mr. Bartholomew explained, ideally there would be 1 rebate on essentials. But there could be multiple amounts based on income level of the senior and Mr. Bartholomew referenced IRS tables as a place to start. Finance is interested in not having to re-issue 3,000 exemption cards and having 2 separate type of cards issued. Mr. Kiehl was concerned about the unfairness of heating fuel for different sized or energy rated homes. Mr. Bartholomew stated that a 4,000 square foot home would get a larger rebate than a 1,000 square foot home. The committee discussed concerns over the rebate system and based on current information supplied was not in support of the rebate system.
Mr. Singletary and Mr. Bartholomew mentioned that currently CBJ does not have the technology, like large private companies and some state organizations to tie our cards to the various merchants systems. The combination of exemptions (needs based and essential) is what makes this difficult to implement and finance may need to look at other recommendations if the committee wants to avoid a rebate system. Ms. Troll asked which would be easiest to implement, a need-based or exemption on essentials, and Mr. Singletary replied need-based would be easiest. Mr. Nankervis was interested in looking more at the rebate system by was also concerned about any unfairness issues, but could appreciate the ease of application for Finance. Ms. Becker did not like the rebate as it was represented in the packet and asked committee if it should be sent on to be reviewed by the Finance Committee. Committee did not have a recommendation for the rebate as it stands.

**Other items to forward to Finance Committee for consideration**

Items discussed included local business licenses; seasonal sales tax; sales tax rate increase combined with food exemption; PILT; vehicle lease Business Personal Property tax. Mr. Kiehl pointed out another item not on the list which was the hardship property tax exemption. Mr. Kiehl made a motion to change the income level of the exemption to 250% of the poverty level and the motion passed, sending this on to the Finance Committee.

Items to be sent on to the Finance Committee include raising the CAP senior exemption on the three essentials and establishing a needs based income threshold of 250% of poverty.

**IV. Next Meeting Dates**

January 8th, 2014, 5:30 P.M. – Public Testimony

**V. Adjournment** – The meeting was adjourned at 6:40 P.M.
Call to Order

Committee Members Present: Chair Mary Becker, Jesse Kiehl, Jerry Nankervis, Kate Troll

Other Assemblymembers Present: Mayor Merrill Sanford, Karen Crane, Loren Jones, Maria Gladziszewski, Debbie White.

Staff present: Bob Bartholomew, Finance Director; Clinton Singletary, Sales Tax Administrator; Kim Kiefer, City Manager; Laurie Sica, Municipal Clerk; Rob Steedle, Deputy City Manager; Chris Orman, Assistant Attorney, Law Department; Mary Norcross, Controller.

Approval of Minutes – None.

Tax Exemptions – Proposed Changes Adopted by Committee

A. Finance Director Overview

Bob Bartholomew provided a list of the other tax exemption and revenue raising ideas reviewed by the TERC. It explained the work of the committee, and listed the exemptions reviewed with decisions made not to pursue any change, which included:

1) Change or eliminate the sales tax exemption for lobbyists
2) Change or eliminate the exemption for out of borough sales
3) Raise the age limit for senior sales tax exemption from 65 to 70, which could be done over a number of years, and
4) If a senior exemption for 3 essential items is adopted, initiate a set dollar year-end rebate/dividend program, vs. one based on actual sales transactions.

Ideas reviewed and moved forward to the Finance Committee included:

1) Raise the sales tax from 5% to 6% for 5 summer months.
2) Review property tax hardship exemption income threshold for consistency with what may be adopted for sales tax. (consider a tiered income approach vs. a single cut-off threshold).
3) Research opportunities for other Payment in lieu of taxes (PILT) agreements.
4) Establish local business license program.
5) Vehicle leasing exemption from Business Personal Property.
6) Exempt food from sales tax, for everyone, and increase the rate from 5 – 6%.
7) Inventory tax.
8) Used vehicle sales/use tax.
Mr. Bartholomew said the TERC originated at the end of last year’s budget cycle. The ongoing FY16 budget was not balanced, and for the FY15 budget it was balance by $3 million in budget cuts, ($2 million operating, $1 million capital), and use of the available fund balance. The Mayor assigned this committee to look at existing tax exemptions for potential revenues as a part of effort to develop a sustainable budget. Additional reductions in excess of $1 million have been proposed by the manager for FY16, and additional revenues are also needed. This committee has held eleven meetings, there has been significant review and discussion, and four changes are proposed. Tonight’s meeting is to get input on those four changes.

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.

Ms. Becker outlined the process for public testimony and provided a 3 minute time limit for individual testimony.

Mr. Bartholomew explained the spending cap, saying it was designed for any individual single sale of a service or an item, if the price exceeds the cap, currently $7,500, there is sales tax on the first $7,500, and anything above that cap is not taxed. This was instituted to keep local businesses competitive with what it cost to purchase a vehicle etc. down south. The cap was established in 1983, and the last time this was changed was in 1991. The committee reviewed, took public testimony on Sept 26, and recommended that the cap be raised from $7,500 to $14,000.

_Max Mertz_, representing the Chamber of Commerce, said he appreciated the Assembly reviewing the tax policy. They submitted a letter on October 9, 2014 with their positions and it continues to represent the opinions of the Chamber. Regarding the tax cap, the proposal to raise it to $14,000 is too high. They suggested $10 – 11,000, which was reasonable. They also asked the Assembly to consider implementing a sunset date for the exemption of 5 years to initiate a re-evaluation.

_Ron Somerville_, said he has always purchased from local businesses when he could but if the cap was raised to $14,000, he would not likely buy a vehicle locally again. The businesses would be crazy to support this. People would be forced to look outside of Juneau for purchases. The inflation price of this cap was not so relevant because most seniors were on fixed incomes.

C. Public Comment on Senior Citizen Sales tax exemption change:
   i. Remove senior sales 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).

Mr. Bartholomew reviewed the history of the program and the financial impact. The exemption was established in 1979. In 1988 and 1989 there was an expansion to
allow any resident of Alaska and to include the senior’s spouse (who might not be 65). In 1999, 2005 and 2006, there were various efforts to review the exemption. There were recommendations for a phased out approach, or raising the age for those not in the program, but no changes were enacted. The exempted revenue totals $2.8 million for 2013. With the senior population slowly growing it was anticipated that exempted revenue would increase by $200 – 250,000 per year (not including revenue lost to property tax). Previous public testimony was taken, two more deliberative meetings took place, and three recommended changes were made by the TERC, as listed above.

CBJ staff has reviewed implementing the combination of a needs based program and essentials only (for those not qualified for needs based) and has commented that it would be a difficult program to administer but staff was continuing to review how it could be done.

*Patrick Owen* said many seniors have lived here a long time and contributed to the community, and removing the sales tax exemption would hurt. He would like to see a better account of the revenues taken in by CBJ and the expenditures, and CBJ needed to live within its needs.

*Dixie Hood* said she was 81 and could not afford to retire. She was lucky to be in good health and said she picked up any income producing jobs she could find. She supported the changes overall, and as a low income senior she was in favor of an income eligibility level and the recommended level seemed appropriate. It would be good to exempt food purchases for every age, less so for heating and energy. She spoke about the state heating assistance program, which was available. She did not support increasing the age for the exemptions. She supported the Assembly raising the mill rate and spoke to that point.

*Mary Anne VandeCastle* with Juneau Commission on Aging, said the committee continued to support the recommendations provided to the TERC about a month ago. She urged a slow, cautious approach and said anyone currently enjoying the tax benefit should not lose it. She said the income cut off was unwieldy to administrate and would have some social ramifications, but was glad to see a recommendation to allow all exemptions on essential items. The JCOA encouraged reissuing cards, and raising the age limit one year until the exemption got to age 70.

*Ron Sommerville* said his main point of concern was that seniors lived on a fixed income. Seniors made a decision to stay in Juneau based on an agreement that this exemption was in place and did not have a lot of options. The exemption was a significant portion of a person’s income. CBJ would create a new administrative problem by ensuring that people qualified every year. Seniors would likely vote against the sales tax ballot measures if the exemption was removed. He said Juneau has one FTE for every 17 residents, and there was no other city that had that high of a ratio. Juneau was a very expensive city to live in. He spoke in favor of grandfathering the exemption for existing seniors in the program now.
Sandi Warner spoke against removing the senior tax exemption but said there needed to be more education about what the exemption covered and did not. She had seen abuses. Businesses have the right to question purchasers. There were big increases on the way in utility rates and garbage rates. She said that “essentials” needed better definition regarding food, electricity, and heating. She suggested taxing tours sold on cruise ships, cruise ship commissions, sales tax on hotel rooms, and said the delinquent sales tax needs to be collected.

Dan Komerick, would like to see the existing seniors be grandfathered in but agreed that something needed to change. He supported ending the exemption for out of town seniors. He said the exemption was optional and people did not have to take advantage of it if they could afford it. His retirement had not kept up with inflation. He suggested cutting spending, eliminating the exemption for lobbyists, increasing the senior exemption from 65 to 70. The needs based program needed to be simplified. He suggested only having the addition 1% tax in the summer months.

Tom Perkins said he has lived here for 57 years, retired 20 years ago and chose to stay here. Eliminating the senior exemption would encourage the exodus of retired people. He always purchased locally. He said the needs based program would be complex to figure out and asked how heating and fuel would be exempted if they were part of condo fees.

Neal Adams said he supported Mr. Perkins comments and would forgo his comments.

Jim Carroll said he has lived here for 48 years and he appreciated the tax exemption and understood it was a difficult issue to bring up. We need to look at senior citizens and how much they volunteer, how much they take advantage of the amenities, pool, skiing, arts, and seniors make up 10% of the population. He suggested requiring seniors to sales tax on purchases of $20 or less. He hoped to stay in Juneau and wished the committee luck with their work.

Howard Shepard, said the exemption was initiated as a way to show that the seniors are valued, and apparently that was no longer the case. The senior’s income from wages and benefits, their pension money, was spent in Juneau. He did not support an income based program based on privacy issues, and said some would comply, but some would refuse to report, some would mis-report, and some would leave town if it were instituted.

Blaine Garrett, said he was a non-retired senior citizen, and said the 5% tax exemption was not mandatory. He gave an example of TSA employees that left Juneau because their 25% cost of living was removed from wages. What will be the next impact in a few years? Maybe next was the free bus service. UAS increased their tuition waiver from 60-65. This exemption should be grandfathered. 75 was too old to wait for this exemption.

Raydene Garrison, spoke about her experience as a state revenue tax auditor and said she questioned the cost of enforcement of an income based tax exemption. She
asked if the program would be based on earned income or investment income and suggested that if some wealthy seniors passed on drawing investment income in a year they could qualify for an exemption. She said that utilities such as sewer/water and garbage should also be considered in the essential list. She had been to few places that required seniors to show their cards. She said the Assembly needed to limit projects and CBJ had bonded itself to death.

Max Mertz said he agreed with Ms. Garrison. The Chamber believed that significant reductions in spending could be made and costs could be controlled. We recognize you can not close the hole without revenue enhancement. The Chamber has supported changing the program, but because of the cost to administer a needs-based program suggests changing it to staples as you define it. The matter still needs broad review at the Finance Committee level. The Chamber supported eliminating tax on essentials and everyone pay an increased sales tax of 6%.

Ella Bentley said she lived in Juneau since 1948 and many have paid a lot of sales tax over the long haul, so requested a break to keep the exemption. She voluntarily pays tax on anything under $20 and on our restaurant food.

Philip Gray said he was in favor of retaining the senior sales tax exemption. He used to qualify for the property hardship exemption but that was raised. He suggested cutting subsidies to recreational facilities such as Eaglecrest and spoke about the high number of city employees. Encourage seniors to remain in the community – we continue to contribute.

Mr. Kiehl said CBJ employees include those at the hospital and airport, which if excluded as in other communities, would make Juneau on an even footing with other communities as far as full time employees.

Wayne Eckles said he had attended a previous meeting and said he was surprised to read in the empire that most seniors supported abolishing the tax, they were at a different meeting than he attended. Some of the recommendations increased administrative costs. He said he had no plans to move even if he had to sell pencils. He thought the matter was important enough for a public vote. There are many ways to reduce costs, spoke about his experience at the indoor shooting range and said that building codes were advisory, not law. The beautiful new high school has many items that were not functional. Many city facilities could be run by volunteers.

Arnold Liebelt said the issue was fairness. He had a family and paid taxes, and the times were changing. When these exemptions were put in place there was a different economy. He worried about an exodus of the middle class, and with the price of oil, things did not look good for the state. People leaving town and taking kids out of school was a worry. There was a demographic shift nationwide, with an increasing senior population and decreasing population of the working age population. The problem was no one’s fault and we are all part of the solution, we need a strong middle class in this town. He suggested getting rid of exemptions entirely, then the tax rates could come down and everyone could share the pain.
You have a difficult job and if you continue the path of making exemptions we won’t solve it. I don’t have a good solution, it is incredibly complex.

Graham Rountree said there are two choices, to get rid of the exemptions or leave it alone. He said the committee should wait and see what happens with the state budget this year as Alaskans may end up with a state income tax or without a permanent fund check. This exemption is too deeply imbedded. Many summer stores make $100,000 a day and do not collect the sales tax.

Gail Smith said she had never been asked to show the card and there were abuses of the program, especially at grocery stores. She could afford to pay taxes as a middle class person. She supports an exemption on food for everyone, and appreciated Mr. Liebelts comments. She encouraged the Assembly to do long range fiscal planning as there were many people coming due for retirement in the community. She was concerned about funding new projects such as a motor-cross or OHV park and was concerned about continued salary increases for municipal employees.

Craig Orsborn encouraged the Assembly to look at the whole picture. He was very concerned that the CBJ chose to spend an additional $2 million by paying non-union employees the wages that the union members had bargained for, but were not union members.

Scott Tiernen said he agreed with Graham Rountree on his comments on the unknown. The recreational facilities were important to young people and we need young people to stay in the community. Many people talk about moving out of town but that was easier said than done and each state had its own benefits and drawbacks regarding the financial picture in their communities. He did not support means testing and said he was in favor of eliminating the senior exemption if it was replaced by an elimination of tax on food and utilities, and everyone paid the remaining taxes.

Ms. Troll commented about the high cost of living in Juneau, which was partially offset by the high median income in the community.

Cheryl Jebe said she was against removing the exemption and against a needs based program as proposed. She said she would support the discontinuance of the program for entry by new people after 2016. She supported getting rid of all exemptions with the exception of food/fuel and utilities. She wanted to see the exemption cards be updated with a bar code to assist businesses. It was a sad day to balance the budget on the heads of senior citizens.

Jeff Boehm said if the matter was alone, inflation would take care of the issue. The budget has to be balanced and these items are designed to come up with quick money. He moved here to start a company and said the cap on sales is foolish. I have people tell me that they will buy something in Seattle because they need a trip and the items there are tax free. He encouraged the assembly to foster grown in a healthy business economy and to get some land on the market for businesses. He
encouraged the Assembly to look at possibility of contracting out the airport and hospital.

Mr. Kiehl said the airport and hospital were self-funded. He asked about the cost of transportation on items purchased down south and Mr. Boehm said that was a fixed cost regardless of going out to purchase something or buying it in Juneau.

IV. Information Items

Mr. Bartholomew said information on the topics below was in the packet and he was available to answer questions. There were no questions from the committee.

A. Federal Poverty Income Matrix for Alaska

B. Financial Summary for the proposed tax exemption changes

V. Next Meeting Date

Mr. Bartholomew asked if the recommended changes were ready to go to Finance. Ms. Becker said she thought another meeting was needed.

Mr. Kiehl said he thought the property hardship exemption was on the table. Mr. Bartholomew said the thought that issue was referred to the Finance Committee. He thought it was not a recommendation of the committee. The Finance Committee could pick up the issues.

Mr. Kiehl wanted to recommend the 250% of poverty level to the Finance Committee. Ms. Troll said she would like to follow up on questions raised tonight, such as exemptions on utilities that are folded into condo fees and how that would be addressed.

Mr. Nankervis said the goal next week was to be done, with a written recommendation to the Finance Committee.

The next meeting was set for Thursday, January 15, at 5:30 p.m. in Conference Room 224.

VI. Adjournment

There being no further business to come before the committee, the meeting was adjourned at 7:25 p.m.

Submitted by Laurie Sica, Municipal Clerk
City & Borough of Juneau  
Tax Exemption Review Committee  
January 15, 2015

Property Tax Hardship Exemption Sliding Scale  
(Based on 250% of the Federal Poverty Level for AK)

Senior Citizen and Disabled Veteran Hardship CBJ 69.10.021 - An individual who otherwise qualifies for a senior citizen or disabled veteran property tax exemption shall qualify for a hardship exemption if the applicant’s gross household income, from all sources in the prior year, does not exceed 120% (*) of the Median Family Income for Juneau as set by the U.S. Department of Housing and Urban Development, or that are no documented extenuating or extraordinary circumstance that results in a one-time expense that, when subtracted from the applicant's household gross family income, results in the applicant's gross family income falling below 120 percent of the Median Family Income for Juneau. If allowed, a hardship exemption will be granted only for that portion of an eligible applicant's real property tax liability in excess of two percent of the applicant’s gross household income as calculated after the senior citizen and disabled veteran property tax exemption required by state law is applied.

<table>
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<tr>
<th>2-Person Family Income</th>
<th>Tier I - 250%</th>
<th>Tier II - 300%</th>
<th>Tier III - 350%</th>
<th>Tier IV - 400%</th>
<th>Totals</th>
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<tr>
<td>% of Hardship Exemption Granted</td>
<td>100%</td>
<td>75%</td>
<td>50%</td>
<td>25%</td>
<td></td>
</tr>
<tr>
<td># of Property Owners</td>
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<td>18</td>
<td>24</td>
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<td>2014 Taxes Exempted - SC/DV Hardship (Actual)</td>
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<td>TIERED Taxes Exempted - SC/DV Hardship (PROJECTED)</td>
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</table>

Note: For FY14, 104 properties owned by seniors qualified for the Property Tax Hardship Exemption. This exemption is calculated after deducting the $150,000 State-directed Senior Exemption (maximum property taxes saved $1,614).

* The Median Family Income for a 2-Person family is $76,100. 120% of median is $91,320.
City & Borough of Juneau  
Tax Exemption Review Committee  
January 15, 2015

Issues when Exempting Essentials

Food
- Food must be defined in a manner that:
  - Is easy to understand for the consumer
  - Does not place an unreasonable burden on the merchant
    - Allows the taxing jurisdiction to readily administer the exemption.
- Exempting food for all based on a definition of food which meets the above principles is the simplest food exemption scenario.
  - Limiting the food exemption to a certain group of people such as senior citizens becomes problematic to the consumer, the merchant and the taxing jurisdiction.
- See page 15 of the packet for previous discussion points on defining food.

Heating Fuel
- Current discussion has focused on residential heating fuel only.
  - Revenue estimates have only reflected standard heating fuel and propane.
  - Wood pellets and firewood have also been mentioned as heating essentials for many people.
    - CBJ staff is unsure of the volume and merchants involved in selling firewood commercially.
- Exempting any type of fuel for residential heating would be least problematic if the exemption applied to all “heating fuel” purchases for residential use.
- Retaining residential heating fuel exemption for only seniors would have the following impacts.
  - Seniors would need to re-register their new CBJ Senior exemption # with fuel provider once cards are re-issued.
  - Seniors living in Condos and apartment buildings that use heating fuel for the entire unit / bldg do not purchase the fuel directly and do not currently pay sales tax.
It may not be practical to develop program to specifically address this challenge.

Electricity
- As with Food and Heating Fuel, exempting residential electricity is simplest if the exemption is not limited to one specific group of people, albeit to a lesser degree.
- Retaining electricity exemption for only seniors would have the following impacts.
  - Seniors would need to re-register their new CBJ Senior exemption # with AEI&P once cards are re-issued.
  - Similar to heating fuel, some seniors living in Condos and apartment buildings may not pay for electricity directly.
    - Electricity could be included in the condo association dues or rent.
    - If so, some seniors would not benefit from an electricity exemption.
    - It may not be practical to develop program to specifically address this challenge.
Food is a popular topic when it comes to sales tax exemption as it represents a basic necessity of life. However, not all foods are essential for life. The problem then becomes, how does a jurisdiction implement a sales tax exemption on only the basic food essentials? Three main points should be considered when developing a “food” definition for sales tax exemption.

1. Is the exemption easy to understand for the consumer?
2. Does the exemption place an unreasonable burden on the merchant?
3. How readily can the jurisdiction administer the exemption?

There are three primary sources for definitions of food: the federal government food stamp (SNAP) program, the WIC program and the Streamlined Sales Tax (SST) agreement.

**Federal Food Stamps / SNAP / EBT**

The Food and Nutrition Act of 2008 defines eligible food as any food or food product for home consumption and also includes seeds and plants which produce food for consumption by SNAP households.

The following items do not qualify under the above definition of food: Alcoholic beverages, tobacco products, hot food and any food sold for on-premises consumption.

Soft drinks, candy, cookies, snack crackers, and ice cream are defined as food and are eligible.

Seafood, steak and bakery cakes are also defined as food.
**Women, Infants & Children (WIC)**

WIC is a nutritional program administered by the USDA. Pregnant, postpartum and breastfeeding women, infants, and children up to age 5 are eligible.

WIC foods include infant cereal, iron-fortified adult cereal, vitamin C-rich fruit or vegetable juice, eggs, milk, cheese, peanut butter, dried and canned beans/peas, and canned fish. Soy-based beverages, tofu, fruits and vegetables, baby foods, whole-wheat bread, and other whole-grain options were recently added to better meet the nutritional needs of WIC participants.

**Streamlined Sales Tax (SST)**

The SST agreement is the result of the cooperative effort of 44 states, the District of Columbia, local governments and the business community to simplify sales and use tax collection and administration by retailers and states.

The SST agreement provides the following food definition:

“Food and food ingredients” means substances, whether in liquid, concentrated, solid, frozen, dried, or dehydrated form, that are sold for ingestion or chewing by humans and are consumed for their taste or nutritional value. “Food and food ingredients” does not include “alcoholic beverages” or “tobacco”.

The SST definition of food is very broad and further guidance is provided by SST in determining if certain types of “foods” meet this definition.

**Summary**

All three programs exclude the following items:

- Beer, wine, liquor, tobacco, or cigarettes
- Foods that are hot at the point of sale.
- Pet foods
- Nonfood items such as tissues, soaps, cosmetics, or other household goods

The SST also allows for member states to exclude “candy,” “dietary supplements” and “soft drinks.” More detailed guidelines for these items are given by SST.
City & Borough of Juneau
Tax Exemption Review Committee
January 8, 2015

Estimated Financial Results for Recommended Changes to Sales Tax Exemptions.

1 Raise the tax cap on individual sale of goods or services from $7,500.
   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
Financial Results from Raising the Senior Sales Tax Eligibility Age

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>Eligibility Age*</td>
<td>66</td>
<td>67</td>
<td>68</td>
<td>69</td>
<td>70</td>
<td>70</td>
</tr>
<tr>
<td>Est. Revenue Loss w/ no change to Senior Ex</td>
<td>3,384,920</td>
<td>3,720,027</td>
<td>4,088,310</td>
<td>4,435,816</td>
<td>4,790,681</td>
<td>5,169,145</td>
</tr>
<tr>
<td>Fiscal Year Budget</td>
<td>FY16</td>
<td>FY16 / 17</td>
<td>FY17 / 18</td>
<td>FY18 / 19</td>
<td>FY19 / 20</td>
<td>FY20 / 21</td>
</tr>
<tr>
<td>Reduction to Loss w/ Eligibility Age Increase</td>
<td>(314,920)</td>
<td>(650,027)</td>
<td>(1,018,310)</td>
<td>(1,365,816)</td>
<td>(1,720,681)</td>
<td>(1,720,681)</td>
</tr>
</tbody>
</table>

*Increase in Eligibility age would become effective in July 1, 2015. Eligible age would increase by one year for 5 years. Anticipate that only a minimal number of cards will be issued during 2015-2018 for new residents meeting the age requirements.