I. Call to Order
Committee work session-no public testimony scheduled

II. Roll Call

III. Approval of minutes
December 3, 2014 minutes (pg. 2)

IV. Committee Work Session to further discuss:
A. Narrowing the Single Item Cap language to large ticket items to keep local businesses competitive (pgs. 6 - 15).
B. Senior Exemption Modifications
   i. The change in cost of exemption/revenue gain for senior hardship eligibility based on income level of 250% poverty (pg. 16).
   ii. The change in the cost of exemption/revenue gain from increasing eligibility age from 65-70 over 5 years (pg. 17).

V. Information Items
A. Clarification from merchants on administration of senior food exemption (pg. 18).
B. Additional analysis of rebate program implementation (pg. 18).
C. List of specific tax exemptions changes adopted by committee to date (pg. 19).

VI. Other items to forward to Finance Committee for consideration
A. Local Business Licenses; seasonal sales tax; sales tax rate increase combined w/ food exemption; PILT; Vehicle lease Business Personal Property tax.

VII. Next Meeting Date
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, Jerry Nankervis and Kate Troll

Other Assembly Members Present: Karen Crane, Maria Gladziszewski, Loren Jones, and 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 – The Minutes from the meetings on October, 23rd and October 29th, 2014 were approved with minor corrections to both October 23rd and 29th Minutes, as noted by Mary Becker.

III. Juneau Commission on Aging Report Presentation:
The Juneau Commission on Aging began by reading to the Assembly their General Comments found on page 9 of the packet. The Commission cited a 2010 senior survey finding nine out of ten seniors wish to remain in Juneau. The Juneau Economic Plan also envisioned increased senior demands for a range of services, as there is no growth projected for 30 years in Juneau and the Commission envisioned seniors playing a big role in helping with increased demands in Juneau. The Commission acknowledged lots of “unknowns” but mentioned seniors tend to have more leisure time to spend volunteering and caregiving; many vital community organizations are run on the energy of seniors.

After the Commission read their report, the Assembly asked questions of them. Jerry Nankervis asked to know more about the tiered tax rebate program the Commission had mentioned. The Commission explained that once a year seniors would produce documents to qualify, if you qualify CBJ would issue a check A, B, C and so-on categories, based on income.

Mary Becker asked Bob Bartholomew if he had had time to look into a rebate program. Mr. Bartholomew said he had, and was talking to the auditors and State officials to learn more about it. Mr. Bartholomew said more levels in a tiered program make it harder to administrate, but it is manageable. Maria Gladziszewski asked the commission about their tiered example as opposed to seniors’ income levels, and the commission said their tiered model gives more privacy to seniors.
Minutes – Tax Exemption Review Committee (TERC)  
Wednesday, December 3, 2014, 5:00 p.m.

Kate Troll asked the commission about increased user fees on senior passes (i.e. Eaglecrest ski area, swimming pools, bus passes). The commission did not look into those. The commission felt that looking at income levels only would not be fair to seniors as there are many variables in their incomes. The Commission drew attention to seniors with large health care bills or raising grandchildren and the extra cost for some is not related to income levels.

The Assembly asked more questions on the Commission’s Recommendation 9 (nine) on page 11 of the packet, which was drawing the most confusion. Seniors felt food and utilities were the most important and should be exempt for all. Ms. Gladziszewski asked the Commission about how they felt about raising sales taxes and the commission had not looked into that.

Jesse Kiehl asked for clarification on the tiered rebate, referring to low income households that spend 40-50% on housing, and at wondered what point do you reach the rebate? Mr. Bartholomew said there were lots of way to determine that level and would talk more to the State and professionals to keep within the guide lines.

Mary Becker continued asked about Recommendation 9(nine) on page 11 of the packet, asking the Commission if they were okay with deleting all exemptions but food. The Commission replied that their organization does not represent all seniors and does not recommend jumping directly into Recommendation 9 (nine), and suggests tracking and seeing how Recommendations 1-6 worked for a few years first.

The Commission was divided in their report but many felt seniors could pay more. The Commission was against removing exemptions all together, however. Raising the exemption age gradually from 65 to 70 years, one year at a time the Commission felt would help as well. The Commission pointed out the taxation of marijuana and the inevitable rise of state oil will also potentially create more revenue for the Borough.

The Assembly asked the Commission more question on rebating seniors, the commission said low income seniors do not want to wait for a rebate and that they needed money now, not as a lump sum.

Ms. Becker thanked the Commission for their hard work and reiterated no matter what is decided, CBJ very much values their senior population and all their hard work in the community.

IV. Committee Work Session Discussing Tax Exemptions
Minutes – Tax Exemption Review Committee (TERC)
Wednesday, December 3, 2014, 5:00 p.m.

Increasing the $7,500 Tax CAP on a single Item/Service
Mr. Bartholomew pointed the assembly to page 12 of the packet showing financial effects on various changes to the CAP. The CAP began in 1983 and was last changed to its current standing in 1991.

Jesse Kiehl motioned to raise the cap to $14,000. Mr. Kiehl said this number builds in layers of inflation and it would be enough to offset the barge cost of shipping up a car.

Mr. Nankervis felt that was too big of a bite, but withdrew his objections and the motion passed unanimously to be voted on by the assembly as a whole.

Senior Exemptions; 4 items deferred from the October 29, 2014 meeting
Mr. Bartholomew pointed the assembly to page 14 of the packet, which had specific dollar values and ease/difficulty to administrate. Mr. Bartholomew talked about the 3,000 new tax exemptions cards that would be handed on based on not doing a rebate.
Mr. Bartholomew also pointed out the difficulty with the cards from the merchants side of the transaction, from sorting the basket of exempt versus non-exempt goods. Mr. Kiehl was curious how this would be any different from programs such as SNAP. Mr. Bartholomew said the CBJ cards do not have the same capability. Clinton Singletary said it is not impossible, it’s just very complicated for small businesses and they would struggle more than the larger stores.

Mr. Bartholomew mention a couple things they needed to do, including research with vendors and what type of card system they would need to have. Ms. Troll pointed out, if it were to pass with the voters and everyone was exempt on food items it would be easier for the merchants to administrate.

The Assembly then discussed exemptions for 3 essential items: food, residential electricity and heating fuel. Ms. Becker asked is AEL&P could sign seniors up for a rebate and Mr. Bartholomew answered yes. Mr. Nankervis wanted to make sure pellets and firewood were included in the heating fuel exemption, as he was hearing from his constituents.

Mr. Bartholomew then explained item #2, Need-based exemptions and the matrix based on federal poverty level. Mr. Bartholomew pointed to examples on page 16 of the packet.

The Assembly discussed need-based and exemptions 2.5 times above poverty level; as well as understanding which exemptions they are including as well as need-based 66% of median income. Ms. Becker was opposed and the assembly took a 5 minute break.
Minutes – Tax Exemption Review Committee (TERC)  
Wednesday, December 3, 2014, 5:00 p.m.

After the returning from the break, Ms. Becker asked to jump ahead to food, electricity and oil exemptions. The exemptions would cut $1.3 million from a segment of 3,000 people, in which Mr. Nankervis disagreed and would move to have it need-based on those items of food, fuel and electricity and was in support of the 2.5 times above poverty level line. Ms. Becker mentioned how groups would like a phased in change, and Mr. Nankervis agreed there would be sticker-shock but did not want to phase in stages. Ms. Troll could not support need-based on sales tax and essentials being exempted. Mr. Bartholomew reminded the body that currently all seniors are exempt from all purchases within the borough.

Mr. Bartholomew talked about the options the assembly had narrowed down:
1) A need-based exemption - At “X” income would be 100% exempt and above that level people would start to pay.
2) Need-based limited to just the 3 essentials: food, electric and heating fuel.

Assembly discussed these options and what the community could afford to do. Ms. Crane and Mr. Kiehl were in agreement on exemptions for essentials only and Ms. Gladziszewski was in support of gradually raising the exemptions age 1 year at a time from 65 to 70 years old.

Ms. Becker moved on to Item 5 of the packet and the committee agreed to not pursue removing out of borough exemption.

V. The committee identified several items that required additional research and analysis to be brought back for the Dec. 18 TERC meeting. Next Meeting Dates December 18th, 2014, 5:00 P.M. – Committee worksession on items still under consideration.

VI. Adjournment – The meeting was adjourned at 7:23 P.M.
City & Borough of Juneau  
Tax Exemption Review Committee  
December 18, 2014

Discussion & Information on Narrowing the Single Item Cap language

1. History & Intent of the Tax Cap on the sale of a single item
   • See attached memo (pg. 7)

2. Additional Information
   o Any narrowing of the cap should be specific to a certain item or types of items sold.
     ▪ For example, the current cap language exempts a single delivery of fuel oil in excess of 50,000 gallons delivered by marine transportation.
   o Revenue estimates for narrowing the single item cap cannot be generated unless a type or group of items is specified by the committee.
     ▪ Examples of types or groups of items that could be used for estimates: Vehicles / auto parts, boats / marine equipment, industrial / heavy equipment, electrical equipment, jewelry sales.
   o Shipping costs vary widely depending on the item in question and the method of shipping.
   o Some items that would qualify under the tax cap could be more easily shipped than others. For example, some items (jewelry, electronics) could be shipped via USPS, FedEx, UPS. Other items can only be shipped via barge or ferry.
     ▪ Recent pricing quotes from a barge line yielded the following:
       • 500 lbs. loaded on pallet would cost $250
       • 1,000 lbs. loaded on pallet would cost $500
     ▪ More detailed and specific quotes could be obtained as needed

3. Prior Assembly Deliberations on Excluding Jewelry from the Sales Tax CAP
   • In 2010 the Finance Committee and Assembly had several discussions and votes regarding excluding “jewelry” sales for the CAP. Excerpts of the minutes from these discussions are attached for review (pg. 9).

4. CBJ Law Department Guidance on Language for Changing City Code on Scope of the Sales Tax CAP.
   • See Attached memo (pg. 14)
MEMORANDUM

TO: Bob Bartholomew
Finance Director

FROM: Clinton Singletary
Sales Tax Administrator

DATE: December 4, 2014

SUBJECT: History and Intent on the Tax Cap on the Sale of a Single Item

On June 7, 1983 the voters had before them three propositions to add a temporary 3% sales tax to the permanent 1% sales tax. The Assembly was concerned that if the temporary sales tax propositions were approved by the voters there would be even more inducement for residents to shop “outside” for expensive items. To preclude residents from purchasing high ticket items outside of the Juneau area where a sales tax may not exist, the Assembly adopted ordinance 83-39 providing for the “cap” on the sale of a single item in May 1983.

That part of the selling price of a single item which exceeds $5,000. A single item is 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. It includes optional accessories for such items as boats and automobiles if the accessories are useful or essential for the operation or use of the item;

The exemption adopted provided for that part of the purchase price that exceeds $5,000 for a single item to be exempt from the sales tax. ($5,000 x 4% tax = $200.00 tax due). The ordinance was also specific to a “single item” not a single invoice. The purpose was to provide sales tax relief when purchasing a single “high ticket” item rather than to exempt all items that may be purchased in a single sale on a single invoice. To qualify as a single item any optional accessories or component parts had to be affixed or fitted to one another to make a functional whole. A couple of examples were provided in the Manager’s Report was as follows:

In the purchase of a boat, the running lights, horn, fire extinguishers, life rings, sails, etc., that are affixed or fitted to the boat would all be figured into the sale price of the boat for the purpose of this exemption; however, a boat trailer, fishing rods and portable ice chest would not be included in the sale price for the purpose of this exemption even though purchased at the same time the boat is purchased.

A bedroom suite totaling more than $5,000 generally would not qualify for this exemption as the component parts of the suite are functionally independent of each other. However, if an individual piece of the suite costs more than $5,000, the part of
the sale price of that individual piece that exceeds $5,000 would qualify for the exemption.

Public notices sent to all merchants further defined a single unit measurement for the “cap” exemption. For example: the price per gallon, per yard, per ton, etc. would have to exceed $5,000 to qualify for the “cap” exemption.

In June, 1991, Ordinance 91-23 raised the cap on the sales of a single item from $5,000 to $7,500. The change was intended to increase sales tax revenues for the City and Borough of Juneau without giving local purchasers significant increased motivation to look outside Juneau for large ticket purchases. Local merchants foresaw no threat from the change and offered no objection.

In December of 1992 the “cap” on the sale of a single item was modified to include services or service contracts. The modification resulted from staff determining that service or extended warranty contracts were purchased at the same time as the “high ticket” item and the exemption was silent on this portion of the transactions. The modification provided that if a warranty is purchased at the same time as the product then the warranty price should be included on the same invoice as the product and the cap exemption would apply to the entire invoice. However, if a warranty was purchased at a later time then the two transactions, purchase of the good and purchase of the warranty, would be considered two separate transactions subject to the sales tax.

That part of a selling price of a single item that exceeds seven thousand five hundred dollars. A single item is 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. Optional accessories, including goods, services, and contracts for services, if useful or essential for the operation of the item, shall be considered part of the functional whole.

In July 1998 the “cap” on the sale of a single item was modified to define and include in the “cap” a marine fuel delivery of over 50,000 gallons. The exemption language was narrowly drafted to allow only for a “marine fuel delivery.” However, it does not specify that the fuel must be used for marine purposes, only that the delivery of the fuel must be made by marine transport. This modification allowed local merchants to compete with merchants who would not create a taxable nexus presence in CBJ. This was considered a win/win situation for CBJ. It allowed local merchants to secure a large contract without completely eliminating the sales tax on the transaction.
City and Borough of Juneau
Assembly Finance Committee Meeting
Wednesday, September 22, 2010 - 5:30 p.m.
Assembly Chambers

I. Call to Order

VI. Sales Tax Single Item Cap – Jewelry
It has been requested that the Committee consider modifying the Sales Tax Code to remove the exemption CAP on the sale of jewelry (luxury items). The CBJ has adopted a sales tax exemption, 69.05.040(21) for the sale of single item that reads as follows –

That part of a selling price of a single item that exceeds $7,500. For the purpose 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;
or
(b) A single delivery of fuel oil in excess of 50,000 gallons delivered by marine transportation to a single customer.

This current exemption is very broad and applies to all tangible single items above $7,500. This would include the sale of jewelry. The CBJ has exempted, on average per year, for the past 4 years just over $2 million in jewelry gross sales. In 2009, we exempted $114,659 in sales taxes. The vast majority of these sales occur in the 2nd and 3rd quarters, 99.58%. The following is the average sales by quarter for the calendar years 2006 through 2009

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Average Sales</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1st quarter</td>
<td>$6,926</td>
<td>0.34%</td>
</tr>
<tr>
<td>2nd quarter</td>
<td>413,573</td>
<td>20.37%</td>
</tr>
<tr>
<td>3rd quarter</td>
<td>1,608,126</td>
<td>79.21%</td>
</tr>
<tr>
<td>4th quarter</td>
<td>1,525</td>
<td>0.08%</td>
</tr>
</tbody>
</table>

It is interesting to note that the sale of single items (all) over the $7,500 cap dropped in calendar year 2009 from 2008, by 33.9% while the sale of jewelry during this same period increased by 6.3%.

It has been recommended that the AFC and Assembly consider modifying the sales tax exemption single item cap to exclude jewelry sales. If the AFC and Assembly wish to
narrow the $7,500 single item cap exemption to excluded jewelry the Sales Tax Administrator has suggested adding exemption limitation wording such as -

“except for any article commonly or commercially known as jewelry, whether real or imitation, sold by the manufacturer, producer, or importer thereof.”

THE CITY AND BOROUGH OF JUNEAU, ALASKA
Meeting Minutes – November 8, 2010

Public Comment:
Wade Bryson, a member of the Board of Directors of the Juneau Chamber of Commerce, said the Board is opposed to this action. He said singling out a particular business is a bad precedent. This may drive away businesses similar to the example of taxation on cruise ships.
By targeting just jewelry and summer tourists, we could lose a jewelry store, whose employees live in the community. We will lose more in the end by implementing this prejudicial action.
The storeowners are not here to defend themselves. At the least, postpone this action so they are able to comment on the matter. This can dissuade other businesses from feeling as if Juneau provides a pro-business climate.
Assembly Action:
MOTION, by Doll, to adopt Ordinance 2010-32.
Mr. Anderson said he remains opposed to this ordinance and asked if this is being done for a public purpose. Cigarettes and alcohol are taxed at a higher rate for a public purpose. We have not heard how much money is forgone on automobiles, or other large ticket items. This is singling out a particular business.
Ms. Danner said her friend worked in the jewelry business as a salesperson and she does not know what the markup is on jewelry but she does know the amount individual clerks are allowed to discount jewelry without manager’s consent. She said the amount is well in excess of CBJ sales tax. She supports the ordinance as it stands.

Roll call vote failed, 3 ayes, 5 nays:
Aye: Crane, Danner, Botelho

Nay: Anderson, Becker, Doll, Dybdahl, Sanford.
V. Ordinance 2010-32 – An Ordinance Amending the Sales Tax Code to Remove the Single Item Cap on Jewelry Purchases (pp. 15 - 18)

At the November 8, 2010 Assembly meeting, Ordinance 2010-32 was voted down. However, Mayor Botelho gave notice of reconsideration. At the November 29, 2010 Assembly meeting, Mr. Sanford made a motion to reconsider Ordinance 2010-32 and requested that this ordinance be forwarded to the Assembly Finance Committee. Mr. Anderson made a motion to split Mr. Sanford’s motion. Mr. Anderson’s motion passed. The motion to refer the ordinance to the AFC passed.

The question before the AFC is to narrow the existing $7,500 single item (for tangible items) sales tax exemption to exclude jewelry. The current code (69.05.040 (21)) exempting sales tax on a single item is very broad and applies to all tangible single items above $7,500, plus fuel oil above 50,000 gallons. The exemption reads as follows:

That part of a selling price of a single item that exceeds $7,500. For the purpose 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; or
(b) A single delivery of fuel oil in excess of 50,000 gallons delivered by marine transportation to a single customer.

The single item sales tax cap was originally adopted in May 1983 to avoid providing an incentive for residents to purchase high tickets items outside of Juneau. The need for the exemption was directed to the first 3% temporary sales tax question being placed before the voters. The cap was originally set at $5,000 and this was considered an acceptable taxation limit to not provide an incentive to purchase cars, boats, equipment, etc. from outside of Juneau.

In June 1991, the cap on the sale of a single item was increased from $5,000 to $7,500. The change was intended to increase sales tax revenues for the City and Borough of Juneau without giving local purchasers significant increased motivation to look outside Juneau for large ticket purchases. Local merchants offered no objection to this change.

The code was later modified, at the request of local merchants, to avoid providing an incentive for the local mines to purchase fuel oil outside of Juneau.

The current code 69.05.040 (21) exempting sales tax on a single item of goods is very broad and applies to all tangible single items above $7,500. The exemption reads as follows:
That part of a selling price of a single item that exceeds $7,500. For the purpose of this subsection, a single item is:
(c) 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; or
(d) A single delivery of fuel oil in excess of 50,000 gallons delivered by marine transportation to a single customer.

The table below shows, by quarter, those jewelry sales that were exempted for calendar years 2006 through 2010 (the 4th quarter of 2010 is not yet available):

<table>
<thead>
<tr>
<th>Year</th>
<th>1st Quarter</th>
<th>2nd Quarter</th>
<th>3rd Quarter</th>
<th>4th Quarter</th>
<th>Totals</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>8,081</td>
<td>346,540</td>
<td>1,083,451</td>
<td>4,890</td>
<td>1,442,962</td>
</tr>
<tr>
<td>2007</td>
<td></td>
<td>428,302</td>
<td>1,798,652</td>
<td>1,290</td>
<td>2,228,243</td>
</tr>
<tr>
<td>2008</td>
<td>19,625</td>
<td>423,266</td>
<td>1,713,414</td>
<td></td>
<td>2,156,305</td>
</tr>
<tr>
<td>2009</td>
<td></td>
<td>456,184</td>
<td>1,836,989</td>
<td></td>
<td>2,293,173</td>
</tr>
<tr>
<td>2010</td>
<td></td>
<td>1,619,456</td>
<td>1,936,890</td>
<td></td>
<td>3,556,345</td>
</tr>
<tr>
<td>Totals</td>
<td>$ 27,706</td>
<td>3,273,748</td>
<td>8,369,395</td>
<td>6,180</td>
<td>11,677,028</td>
</tr>
<tr>
<td>Average Sales</td>
<td>$ 5,541</td>
<td>654,750</td>
<td>1,673,880</td>
<td>1,236</td>
<td>2,333,400</td>
</tr>
<tr>
<td>Average Annual Sales Tax Exempted</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$ 116,700</td>
</tr>
</tbody>
</table>

It should be noted that the current code does include a number of specific, by item, exemptions to the sales tax exemptions. Examples include:
1. The $7,500 sales tax cap was expanded to include the sales of fuel oil (delivered by marine transport) above 50,000 gallons. The single item cap would not normally apply under the single item exemption since each gallon of fuel is considered a separate item.
2. Sales of alcoholic beverages to senior citizens are subject to sales tax while all other goods and services are exempt. (69.05.040 (18))
3. Sales of lobbying services performed by lobbyists who are regulated by applicable state statutes and regulations are exempted. (69.05.040 (35))
4. Sales of aviation fuel and aviation fuel delivery services at the Juneau International Airport. (69.05.040 (28))
5. Sales of building or construction services under specific conditions. (69.05.040 (5))
V. Ordinance 2010-32 - An Ordinance Amending the Sales Tax Code to Remove the Single Item Cap on Jewelry Purchases

After discussion, Mayor Botelho made a motion to table this ordinance indefinitely. Passed with unanimous consent.
To: Tax Exemption Review Committee

From: Christopher F. Orman, Assistant City Attorney

Date: December 11, 2014

RE: Limiting the Sales Tax Cap to Specific Industries – Drafting Ideas

This committee has asked for some examples of how the “sales cap” exemption might be limited and the type of additions which could be included. Below is the current cap exemption followed by examples of how other jurisdictions have limited sales tax exemptions, be it a food sales tax exemption (Michigan – prior to recent “streamlining” legislation) or the scope of a manufacturing sales tax exemption (California – to limit the exemption to specific R&D projects).

Also provided are a few legal grounds related to exempting specific industries, which again notes the rational basis required for such legislation.

Current Exemption:

(21) That part of a selling price of a single item that exceeds $7,500.00. 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. Optional accessories, including goods, services, and contracts for services, if used or essential for the operation of the item, shall be considered part of the functional whole; or
(b) A single delivery of fuel oil in excess of 50,000 gallons delivered by marine transportation to a single customer.

Ideas:

Other communities and cities have used the following language to limit their exemptions:

1. Including language like “The purpose of this exemption is . . .” would help make it clear the legislative intent of the exemption and the scope of the exemption.

2. Along with #1, include a section, say (c), which may state, “The following purchases are not exempt under this exemption: . . . “ and then provide a list of sales which would not be exempt.

Additional Notes:

In City of St. Mary’s v. St. Mary’s Native Corp, 9 P.3d 1002 (Alaska 2000), the Alaska Supreme Court noted removing or changing a tax exemption does not require voter ratification because “repealing the exemption . . . [does] not increase the rate of levy” and thus cannot “be considered a ‘new’ tax.”

In State v. Reefer King Co., Inc., 559 P.2d 566, 66 (Alaska 1976), the Alaska Supreme Court noted “The state may legitimately encourage through tax incentives or exemptions, industries or types of industries which it considers desirable, and this method of encouragement does not deprive other taxpayers, who did not qualify for the benefit, of their equal protection rights.”
City & Borough of Juneau  
Tax Exemption Review Committee  
December 18, 2014

Specific Senior Exemption Options-Revised  
The primary 3 options have been updated to reflect an income level of 250% & 300% Federal Poverty Level for AK.

i. Limit Senior Sales Tax Exemption to food, heating fuel, and electricity

Current Senior Exempted Sales tax 2,800,000  
Limit Exemption to Senior Food Purchases (550,000)  
Limit Exemption to Senior Residential Electricity (130,000)  
Limit Exemption to Senior Residential Heating Fuel (235,000)  

Net Revenue Gain from Limiting Senior Exemption $ 1,885,000

ii. Initiate "needs-based" Senior Sales Tax Exemption

Qualifying Seniors would obtain full exemption on all purchases.

Based on Federal Poverty Level-AK for 2 Person Household

<table>
<thead>
<tr>
<th>Revenue Gain from full taxation</th>
<th>Cost to Implement Needs-Based</th>
<th>Net Revenue Gain</th>
</tr>
</thead>
<tbody>
<tr>
<td>a. 250% of Poverty ($49,150)-Est 34% of seniors would qualify</td>
<td>$2,800,000</td>
<td>($952,000)</td>
</tr>
<tr>
<td>b. 300% of Poverty ($58,980)-Est 40% of seniors would qualify</td>
<td>$2,800,000</td>
<td>($1,120,000)</td>
</tr>
</tbody>
</table>

iii. Initiate Combination of items i & ii.

All Seniors would be exempt on essentials. Seniors qualifying on a needs-basis would also obtain full-exemption on all purchases.

Based on Federal Poverty Level-AK for 2 Person Household

<table>
<thead>
<tr>
<th>Revenue Gain from Taxing non-essentials</th>
<th>Cost to Implement Needs-Based</th>
<th>Net Revenue Gain</th>
</tr>
</thead>
<tbody>
<tr>
<td>a. 250% of Poverty ($49,150)-Est 34% of seniors would qualify</td>
<td>$1,885,000</td>
<td>($641,000)</td>
</tr>
<tr>
<td>b. 300% of Poverty ($58,980)-Est 40% of seniors would qualify</td>
<td>$1,885,000</td>
<td>($754,000)</td>
</tr>
</tbody>
</table>
## City & Borough of Juneau
### Tax Exemption Review Committee
#### December 18, 2014

<table>
<thead>
<tr>
<th>Calendar Year</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eligibility Age*</td>
<td>66</td>
<td>67</td>
<td>68</td>
<td>69</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>4,493,052</td>
<td>4,900,000</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>(1,423,052)</td>
<td>(1,423,052)</td>
</tr>
</tbody>
</table>

*Increase in Eligibility age would become effective in Spring 2015. Anticipate that only a minimal number of cards will be issued during 2015-2018 for new residents meeting the age requirements.*
Information Items

A. Clarification from Merchants on Administration of Senior Food Exemption

- 5 grocery / big box stores were contacted by Sales Tax Office (STO) staff.
- 3 have responded with their company’s concerns / needs for implementing a food exemption for qualifying seniors only.
- All 3 stores that responded said the change would be doable, with certain reservations.
  - All 3 expressed concerns about staff training.
  - One store said their POS system could easily be programmed.
  - Another said it could be done but would require significant effort from the IT staff.
  - The third merchant said it would require the cashier to manually exempt each qualifying food item in order to only have one transaction. Otherwise, the customer would need to split their purchase into two separate transactions.
- One grocery store also expressed concern about how smaller “food” merchants would be able to handle the exemption since they have less sophisticated systems and fewer resources to implement the change.
- STO staff is continuing to pursue additional info from the other affected merchants.

B. Additional Analysis of Rebate Program Implementation

The current senior sales tax revision option proposed by the committee (Option IV-Essentials for all seniors w/ needs based full exemption) is viable if implemented along with a partial rebate program, for seniors receiving the exemption for essentials only.

Without implementing at least a partial rebate program with Option IV, it would be necessary to issue two different senior exemption cards. One card would be for essentials only, while the other card would cover needs-based full exemption on all purchases for the senior.
Having two different senior exemption cards work make program administration for senior citizens, merchants or CBJ staff much more difficult.

A sales tax rebate’s effect on an individual’s income is currently researched in detail. If it is determined that a rebate program would have negative impact for IRS tax purposes or individuals qualifying for other income based assistance programs a rebate is not viable.

Without a partial rebate CBJ staff recommends the committee further consider other changes to senior exemption that would not require the issuance of two levels of senior exemption cards.

C. List of specific tax exemption changes adopted by committee to date

- **Single Item / Single Service Tax Cap**
  - Increase cap to $14,000

- **Senior Sales tax Exemption**
  - Narrow exemption to CBJ residents only.
  - Option IV: Essentials (food, fuel, electricity) exempt for all seniors w/ needs-based full exemption. Income level for qualifying seniors is still under discussion.

- **Exempt Goods Ordered from & Shipped Outside the City and Borough of Juneau**
  - No Change

- **Exempt Lobbying Services**
  - No Change