City and Borough of Juneau  
Tax Exemption Review Committee Agenda  
Friday, September 26, 5:00 p.m.  
City Hall, Room 224

I. Call to Order

II. Approval of Minutes – September 11, 2014 (pg. 2)

III. Spending CAP & Out of Borough Sales Tax Exemptions (pg. 4)  
   • Finance Director Overview  
   • Public comment period

IV. Lobbyist Sales Tax Exemption (pg. 6)  
   • Finance Director Overview  
   • Public comment period

V. Public Comment on Other Tax Exemptions or Revenue Options

VI. Next Meeting Date October 23, 2014  
   • Discuss which Tax Exemptions to put forth for Public Comment.

VII. Information Items:

VIII. Adjournment

Future Agenda Items

1. Poverty Level Income Information – October 23, 2014  
2. PILT Program Overview & Options
I. Call to Order
The meeting was called to order at 5:00 p.m. by Mary Becker, Chair.

II. Roll Call
Committee Members Present: Mary Becker; Jesse Kiehl; Kate Troll; and Jerry Nankervis

Other Assembly members Present: Loren Jones; Karen Crane

Staff Present: Deputy City Manager Rob Steedle, Sales Tax Administrator Clinton Singletary, City Assessor Robin Potter, Assistant City Attorney Chris Orman, Print Shop Operator Glen Fairchild

III. Approval of Minutes – September 4th, 2014
Minutes approved, with exception that Karen Crane wished for her presence to be noted at meeting as it was not noted in Minutes and she was present at meeting.

IV. Discussion on with Tax Exemptions to put forth for Public Comment
Rob Steedle said that all items listed for review have been looked at by the CBJ law department and are legal to be changed as the Assembly sees fit. Ms. Becker asks for comments and Mr. Nankervis believed #1, raising the tax cap on individual sale of goods and services should not be included as raising taxes was not the goal of this committee.

A discussion on #3, senior sales tax exemptions then followed and Mr. Steedle explained in more detail what the chart is meant to convey. Jesse Kiehl felt for #4, needs based exemptions should also include numbers based on 2.5x above poverty line and not just based on median house hold income and would like to see that shown as well. Mr. Kiehl was also uncomfortable with a rebate program to seniors and sees it as extremely challenging from the administrative side and qualifying for the exemption may be easier to administrate. Mr. Nankervis agreed that using the poverty-line as a bench mark and not just median income should be looked into. Assembly was also worried about staffing to handle reimbursement checks. Karen Crane foresees many seniors objecting to having to come in to apply for needs based exemptions cards and assembly hopes that will be addressed during public testimony.

A discussion on #6, elimination the lobbyist sales exemption ensues; Clinton Singletary stated that there are not a lot of questions about that exemption.

Ms. Becker asks assembly if they feel comfortable and are ready for public hearing on the 26th of September. Assembly felt ready for public testimony, but would like to break
the topics down into multiple meetings. Mr. Singletary believes there will be a strong turnout from the business community based on his discussions with them. Assembly agreed to take public testimony on items 1, 2 and 6 on Friday, September 26th 5pm – 7pm in the assembly chambers.

Mr. Steedle asked the committee if they would like more information on PILT before next meeting and the committee would like more research done on it.

A discussion took place with Chris Orman about the legality of out of borough sales to non-residence.

V. Information Items.
Ms. Becker asked for a run down on the chart, State of Alaska Optional Exemptions, presented on page 6 of the Packet. Mr. Steedle walked through the chart. There were some questions on acronyms and meanings, but overall the assembly needed more time to review the chart before questions could be asked.

VI. Next Meeting Date – September 26th, 2014, Public testimony

VII. Adjournment – The meeting was adjourned at 5:44p.m.
$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>$15,000 (100% increase)</td>
<td>$750</td>
<td>$850,000 - $1,050,000</td>
</tr>
</tbody>
</table>

**Challenges/Hurdles to Eliminating the Exemption:**
- Balancing the adjustment for inflation with the current cost for shipping various goods to Juneau.
Goods Sold Out of Borough Tax Exemption

**Summary:** Goods that are ordered from outside CBJ and subsequently shipped outside CBJ are exempt from sales tax. [CBJ 69.05.040(3)].

**Overview:**
- Almost $530 million in sales were exempted as Goods Sold Out of Borough during 2013. Though we estimate approximately $500 million of such sales would qualify for other exemptions, primarily Goods Sold for Resale.
- Sales to the final consumer would become taxable, estimated at $15 - $30 million.
- Estimate a $0.75 - $1.5 million gain in sales tax revenue from removing the exemption.
- Non-resident consumers who travel to Juneau to purchase goods and take them outside the borough for use or consumption currently pay the tax.

**Effect of Eliminating Exemption:**
- Final consumers currently exempted from sales tax would be assessed tax.
- Merchants selling goods for resale would claim the resale exemption.

**Challenges/Hurdles to Eliminating the Exemption:**
- Businesses selling goods in a highly competitive market risk losing some sales to competitors.
- Policy change may conflict with CBJ goal to be a regional hub for retail shopping. Need to evaluate the pros and cons.
Lobbying Services Sales Tax Exemption

Summary: Services provided by State of Alaska regulated lobbyists are exempt. This only applies to the services which are physically provided in the CBJ. [CBJ 69.05.040(35)]

Overview:
- Approx. $3.5 million in sales were exempted as lobbying services during 2013. Lobbyist financial information reported to APOC exceeds this amount substantially. Due to the exemption limited compliance resources have been allocated to this activity.
- Estimated $170,000 gain in sales tax revenue from removing the exemption.

Effect of Eliminating Exemption:
- Not all lobbying services would be taxed.
  - Lobbying services provided for Government entities and certain Non-Profit organizations would still be exempt under the CBJ Sales tax code.
  - Lobbying services provided outside CBJ would not be subject to the sales tax.
  - If services are performed both inside and outside CBJ, the services would need to be apportioned to only pay tax for the services performed inside CBJ.
- Lobbyist services would be taxed similar to most other professional services providers.

Challenges/Hurdles to Eliminating the Exemption:
- Additional record keeping required for service providers.
- Perception that CBJ does not do all it can to be a great capital city host.
- Sales tax Office developing administrative guidelines to simplify the reporting requirements.