I. Call to Order – Roll Call
   - Committee work session no public testimony scheduled except for one invited presenter.

II. Approval of Minutes:
   - October 23, 2014 Minutes (pg. 2)
   - October 29, 2014 Minutes (pg. 5)

III. Juneau Commission on Aging Report Presentation (pg. 9)

IV. Committee Work Session to Continue Discussing the Following Tax Exemptions (pg. 12):
   - Increasing the $7,500 Tax Cap on a single Item/Service
   - Senior Exemptions (first 4 items deferred from the October 29, 2014 meeting)
     i. Narrow the exemption to 3 essential items: food, residential electricity & heating fuel
     ii. Narrow the exemption to a “needs based” program, based on income level (additional income level and senior benefit information) (pg. 14)
     iii. Narrow the exemption to a “needs based” program, based on income level limited to 3 essential items
     iv. Initiate Combination of items i and ii.
     v. Remove eligibility for non-Juneau residents (Committee unanimously recommended yes at 10/29/2014 meeting)
     vi. Other senior tax exemption issues
   - Exempt Certain Essential Items from Sales Tax for all Citizens and Raise Rate

V. List of Other Items Raised in Prior TERC Meetings (To be handed out at meeting)

VI. Information Items
   - Senior Benefit Programs Overview & Income Level Information (pg. 14)
   - Exemption Program Administration Overview (pg. 20)

VII. Next Meeting Date
    - December 18, 2014 – (Public comment)

VIII. Adjournment
DRAFT Minutes
Tax Exemption Review Committee (TERC)
October 23th, 2014 • Meeting Minutes
Assembly Chambers-City Hall

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: Merrill Sanford, Loren Jones; Karen Crane; Ms. Gladziszewski; Ms. White; Staff Present: City Manager Kim Kiefer, Sales Tax Administrator Clinton Singletary, Assistant City Attorney Chris Orman, Print Shop Coordinator Glen Fairchild; Sales Tax Compliance Accountant Mike Kirchner

III. Approval of Minutes – September 26th, 2014 Minutes approved, with one correction; Jerry Nankervis was not present at the September 26th meeting as recorded

IV. Senior Citizen Sales Tax Exemption
Bob Bartholomew began with an overview as senior sales tax and property tax applies to seniors, with the exception of alcohol in 2013; $57million in sales occurred with an estimate of $2.8 million in tax revenue and $5.4 millions combined with sales tax and property tax that was not collected.

Mr. Bartholomew spoke of the 9.8% of Juneau residence over the age of 65 and the projected increase of the population to 15% by 2025. Mr. Bartholomew also explained that twice in recent past committees felt the senior citizen exemptions should be pushed-up to an older age and by 2016 no one should be exempt; no recommendation were implemented.

Mary Becker welcomed all in attendance and pointed out the sign-up sheet locations and gave brief instructions to anyone wishing to give testimony and assembly would like to hear all testimony by 8pm.

V. Public Comments on Senior Citizen Sales Tax Exemption
Pat Watt: Ms. Watt is a member of Juneau Commission on Aging but was speaking on behalf of herself. Ms. Watt said exceptions were a difficult thing to cut but education and quality of life should not be cut. Ms. Watt presented a slide on the “Sales Tax Exemption Course Correction”. A copy of this chart was provided to the assembly and finance director.

Alfreda Dore: Ms. Dore commented on reclaiming past exemption payments.
Marie Darlin: Ms. Darlin was representing herself and also presented copies of her recommendations to the assembly. Ms. Darlin suggested an increase to sales tax from 5 to 6%, raise CAPs and non-profits pay half sales tax rather than being exempt and also felt seniors exemption on paying sales tax on food, electric and heating oil should remain, but out of borough exemption should be removed.

Axel H. Nelson: was represented by his daughter. Mr. Nelson got his property before Alaska was a state and was curious if there was an age or cut off where a person stops paying property tax. Kate Troll asked Mr. Bartholomew if she could look into that.

Howard Shepherd: As he understood it the exemptions where established to seniors on fixed incomes to afford to stay and live in town and removing the exemption would be a 5% cost increase for seniors to live in Juneau.

Linda Thomas: Ms. Thomas was representing Juneau Chamber of Commerce. Chamber wants reduction in government costs and said any tax must be fair to all and supports senior exemption tax removal. Chamber also agrees with an increase from 5 to 6% sales tax would be good and exemptions on food, electric and heating oil tax for everyone.

Denny Dewitt: Mr. Dewitt supported Chambers recommendations.

Don Kussart: Mr. Kussart supported narrowing to 3 essential items, and said Juneau is a very well off community with 22% of seniors making over $100,000 a year and 18% making under $20,000. Ms. Crane asked if he would support raising sales tax from 5 to 6% and Mr. Kussart said he probably would.

Wayne Nicolls: Mr. Nicolls presented a letter signed by 7 co-retirees from the USFS who all retired in Juneau when they could have chosen to move some places cheaper after retiring. They like Juneau and would not like to see the tax exemption removed. Jerry Nankervis told Mr. Nichols the assembly would like to hear his ideas for cost cuts as Mr. Nicolls had some.

Tom Boutin: City needs to prepare for reductions from state and federal funding. Any change in senior exemption should go to a public vote.

Joshua Warren: First focus on fraud and compliance with the program rules. The program growth needs to be addressed and needs based approach can do that.
VI. **Next Meeting Date** – October 29th, 2014

Ms. Troll mentioned the assembly would like to wait to hear more public testimony on senior exemptions from the early November report for the Commission on Aging. Mr. Nankervis wanted to remind assembly what this committee was for, which was to look at exemptions and not to raise taxes. Mr. Crane asked Mr. Bartholomew if any raise in sales tax would have to go before voters and Mr. Bartholomew confirmed it would.

Mayor Sanford asked if this committee would have more public testimony and Mr. Bartholomew said this was the 2nd they had had and would like to go through another work session before going back to public testimony.

VII. **Adjournment** – The meeting was adjourned at 6:04 p.m.
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, and Loren Jones

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, Budget Analyst Elisabeth Jensen

II. **Approval of Minutes** – October 23, 2014 Minutes were not ready to be approved.

III. **Committee Work Session to Discuss Certain Tax Exemptions and Determine if they will be Considered Further and put forth for Public Comment:**

Bob Bartholomew began with an overview of page 2 of the packet, Basic Principles for Sales Tax Exemption originating from the 1986 Committee Working Group to use as guidance. Mr. Bartholomew outlined the bullet points within item III on the agenda, explaining three bulleted items to be exemptions impacting service providers and sellers of goods. The third bullet highlighted Senior Citizen Exemptions. The last two pages of the packet contained levels of income and income categories for the body to review - if the body were to decide they wanted to discuss.

Ms. Becker asked the body if they had questions in regards to Mr. Bartholomew’s overview. Mr. Nankervis opened the discussion by asking about item 3 on page 3, Exempt certain items from Sales Tax for all citizens* - Increase total Sales Tax from 5% to 6%. He asked what the difference would be between 5% and 6%. Mr. Bartholomew said, if you don’t increase Sales Tax from 5% to 6%, the gain of $2.3m would result in a deficit of roughly $6.3m. He went on to explain the Senior Citizen Exemption shrinks because it is net their essentials (food, gas, etc.).

Ms. Gladziszewski asked what the number would be at 5% - if the Assembly were to make no changes except eliminate the Senior Citizen Sales Tax Exemption. Mr. Bartholomew responded with a value of $2.8m.

**Raise the tax cap on individual sale of goods or services from $7,500. Inflation since last change 65%**.

Ms. Becker asked the body if they wanted to discuss increasing the Individual Sales $7,500 cap. Ms. Troll said she would like to discuss this item. She asked if the Assembly
could limit the scope of the cap, to make sure the jewelry stores wouldn’t fall under this exemption and indicated she’d like to return the cap back to the original intent.

Mr. Orman responded by reading a quote from an Alaska Supreme Court decision, that is pertinent. “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 do not qualify for the benefit of their equal protection rights.” (State v. Reefer King Co., Inc., 559 P.2d 56 (Alaska 1976))

Mr. Orman went on to say, as long as this committee in choosing to potentially limit the scope of an exemption, articulates a rational basis for meaning provides a sufficient reason for treating one industry differently than another industry, than it will be affirmed if legally challenged. Hypothetically, with regards to a jewelry store because of the shipment cost vs. vehicles/automobiles and their associated shipment costs, and the reason for the cap, this committee finds and articulates that because of shipment costs and offset costs to maintain competitive and retain a competitive level for the sales of the vehicles would be a rational or legitimate cause for limiting the tax on large items vs jewelry. This is hypothetical with a small item and a large item.

Ms. Crane recalled in 2011, the Assembly attempted to deal with the jewelry stores in just that way and received a tremendous pushback from the business community at the time.

Mr. Bartholomew clarified the sales cap effects sales within the Borough. If a sale goes outside of the Borough, the cap doesn’t apply because it is exempt. Reports of sales skirting taxation need to be addressed through audits. There is freedom to change and have different products taxed differently. Administration effort of tax policy should be considered as well.

Ms. Troll requested staff to provide language that might limit sales tax on big ticket items for locals that need to be cost competitive with shipments from Seattle.

A discussion ensued regarding the potential of tax avoidance, designing exemptions, and linking the tax cap to CPI with updates every five years. A number of members indicated they may be comfortable with raising the sales tax cap to a minimum of $11,500 or $12,500. Another topic of discussion centered upon whether the subject of Sales Tax increase should be discussed within TERC or AFC.

Mr. Bartholomew reminded the committee that the charge for TERC includes deliberations on “other items” and the body may decide to forward or not forward items to AFC.
Ms. Becker asked the body if they preferred to keep this item on the list for further information. The body agreed to keep it on the list.

**Remove the Out-of-Borough sales exemption**
The committee members agreed to remove this item from further review by TERC, leaving “Sale of Goods outside the Borough” status quo.

**Exempt certain items from Sales Tax for all citizens**
The committee members agreed to skip this item for now holding it for decision until after the Juneau Commission on Aging (JCOA) would be able to provide their report to TERC at the next meeting. It was discussed that the report would not be ready until Friday, November 14, 2014.

**Eliminate the lobbyist sales exemption**
Mr. Nankervis and Mr. Kiehl agreed that they were not willing to eliminate the exemption on lobbyist services in order to maintain Juneau as an open and welcome Capital City. Mr. Kiehl observed that what the lobbyist do spend on food and lodging remains taxable. Ms. Becker and Ms. Crane also agreed to keep the exemption and drop it from TERC’s scope. Ms. Troll maintained her objection, but asked that the committee move on, realizing this would simply be a recommendation to Mayor/Assembly.

Mr. Bartholomew reminded the body that if one were to view this policy from an equity perspective, it would be taxed. Realistically, taxing 3/12’s of the lobbyist’s activity – only during the three month Legislative session in Juneau would be challenging. The efficiency of collection could be burdensome - when services are provided in Juneau, tax would be collected; tax would not be collected on services outside Juneau. This could be an administrative burden.

**Limit Senior Citizen Exemption to CBJ residents only**
Ms. Crane, Mr. Nankervis, Mr. Kiehl, and Mr. Becker all agreed to recommend that Senior Citizen Exemptions in CBJ be limited to CBJ Senior Citizen residents only.

**Limit Senior Citizen Sales Tax Exemption to food, heating fuel, and electricity**
Mr. Bartholomew reminded the body that the JCOA goal is to get their recommendations to the TERC by November 14, 2014.

Ms. Becker asked if the body would like to discuss this issue. Mr. Nankervis recommended the committee wait on items 6, 7, 8, & 9 until receipt of the JCOA report.
Mr. Kiehl asked for help to understand Need’s based income and median based income. Mr. Bartholomew encouraged the body to review pages 5 and 6 of the packet, and to let him know if the body needed other cuts of the information. Setting thresholds, households, simplicity of potential program, needs-based and the potential of a rebate were touched on.

Mr. Jones asked if CBJ collects Sales Tax on Food Stamp sales. Staff responded, “No.” Mr. Jones suggested that if a Senior Citizen were to qualify based on poverty level, they may also qualify for Food Stamps and would not be subject to tax anyway. Mr. Bartholomew commented that it depends on the income level that TERC is comfortable with, and Staff can find a measurement tool that matches the policy that the Assembly would like to apply. Mr. Jones asked about the eligibility of non-Senior Citizen Spouses married to Senior Citizens. Mr. Bartholomew advised that a 59 year-old spouse married to a Senior Citizen is currently eligible for the Senior Citizen Exemption.

Ms. Gladziszewski asked for assistance to pick a number, perhaps information on what income currently qualifies for Food Stamps, etc. Mr. Nankervis concurred, and Ms. Becker asked for history regarding the rational for the particular level chosen for hardship property exemption was implemented. Mr. Bartholomew offered to provide information at the next TERC meeting.

Ms. Becker mentioned that there could be other topics from a list that TERC had developed that could still be considered for review by TERC, including Business Licensing. Mr. Bartholomew offered to prepare the current list for TERC to review.

Discussion revolved around meeting times, dates, and the possibility of taking inventory tax off of the list of considerations.

IV. Next Meeting Dates
   a. December 3rd, 2014, 5:00 P.M. – Presentation from Commission on Aging, followed by TERC Worksession
   b. December 18th, 2014, 5:00 P.M. – TERC Public Meeting on committee recommendations

V. Adjournment – The meeting was adjourned at 6:29 P.M.
General Comments

1. We commend the Assembly, and the Tax Exempt Review Committee (TERC), for their painstaking effort to reach a sustainable budget, for making the process transparent, for encouraging community dialogue in addressing the city's budget problem, and for inviting our input.

2. We understand CBJ’s changing financial situation and recognize the senior sales tax exemption is but part of a larger budget problem. We know that the budget impact of the senior tax exemption has been growing, and will get bigger as the proportion of seniors in the population increases. We recognize that, all other things being equal and if this tax exemption is left as is, it could mean future cuts in services affecting the quality of life. However, the senior sales tax must be addressed in the context of the Borough’s overall tax system. Consequently, we make broader recommendations.

3. Seniors choose to live in Juneau because of its community and quality of life. The senior sales and property tax exemptions are appreciated. Our 2010 senior survey found that nine out of ten senior residents wish to remain living here.

4. A growing senior economy offers a promising opportunity for the city as retirees choose to remain here while new residents arrive to assume the jobs they vacate. A retirement industry is often considered an asset for a state or local area and more seniors may help create economies of scale leading to lower costs of medical care.

5. The Juneau Economic Plan envisages increased senior demand for a range of services and facilities. In the years ahead, the community will require investments in facilities such as assisted living, independent and supported senior housing, a full-service senior activity center, and additional transportation and home care services. Whether the financial boost a growing senior economy will bring to Juneau can support the additional services seniors want remains to be seen.

6. While Juneau residents of all ages volunteer in our community, seniors tend to have more leisure time to spend volunteering and caregiving. They are significant patrons of the arts. They serve as mentors, culture bearers, and community historians. Many vital community organizations run on the energy of seniors.

7. The financial circumstances of our senior population vary substantially. According to the Juneau Economic Plan, in 2012, a third of senior households had incomes below $45,000 while at the same time a quarter had incomes exceeding $100,000. Regardless of income, all seniors received an average annual sales tax exemption benefit of $800-$900 and senior homeowners also received an average property tax benefit of $1,500. According to the Alaska Commission on Aging, Juneau has the most expensive health care in Alaska, which is the most expensive state in the nation.

8. Right now approximately half of the CBJ operating revenue comes from sales tax, and half from property taxes. Sales taxes are considered regressive because they tax expenses for essential purchases (food, clothing and shelter), which make up a higher percentage of a lower income family's resources. Property taxes are considered a more progressive form of taxation since those who benefit more, or can pay more, tend to contribute more. Also, sales tax collections
are notably less predictable than property tax collections. The unpredictable nature of sales tax revenues has added to the current budget difficulties. Note that neither Anchorage nor Fairbanks levies a sales tax, only a property tax.

9. The existing sales tax system has many loopholes. Exemptions for lobbyists, non-profit organizations, out-of-borough purchases, and the cap on goods and services are examples. These contribute as much, or more, than the senior exemption to the projected budget problem. All groups in the community should share in making sacrifices to keep Juneau the place we want to live in.

10. The sales tax burden to CBJ residents is uneven. Seniors pay no sales tax while all other residents pay sales tax on every purchase. Many seniors have family in Juneau and are aware of the inequity of the sales tax burden. Seniors are divided on what to do about it. Many feel that seniors should pay a fairer share, especially those who are better off. Others express the opinion that seniors have earned and should keep this benefit regardless. The Commission has wrestled with how to fairly represent these divisions, bearing in mind the best interests of our community as a whole.

11. Many retirees, especially those who earned lower incomes during their working years, now have reduced retirement incomes and at the same time may face increased health care costs or the need to assume financial responsibility for raising grandchildren. They may not have the option of obtaining employment to increase their incomes. Thus, the immediate loss of the sales tax exemption would mean an effective cost of living increase of five percent on purchases. The sales and property tax exemptions are seen as a social contract by many long-term residents, and any change to this perceived promise will be difficult.

**Recommendations:**

While it will take an increase in revenues to close the budget gap, CBJ should also:

- Review user fees and ensure there is equity between revenue generated by users and that generated by tax payers;
- Increase efficiencies and institute cost savings or cuts when possible, but without damaging programs that support education and quality of life.

The result we want is to: (1) protect lower income seniors from increases in day-to-day costs; and (2) make the overall tax burden more equitable.

Change is difficult, and as much as possible adjustments should be phased in so that no one in the community experiences any sudden “sticker shock.” We recommend the following actions, which are listed in priority order. Items 1 through 6 are recommended for implementation first:

1. Close sales tax exemption loopholes (specifically the lobbyist exemption, and out of borough purchases of luxury items.)
2. Raise the sales tax exemption limit on goods and services (the Cap).
3. Review property tax options more thoroughly (including personal property tax) for raising additional needed revenue. For example, Juneau’s Motor Vehicle Registration Tax is the lowest in the state. Property tax is a more progressive tax than sales tax.
4. Reissue senior sales tax exemption cards, and make these available only to Juneau residents. (Since many seniors have difficulty accessing City Hall, make this easy for them by setting up issue stations at the city libraries.) At the time of issue, provide a brochure explaining the authorized use of the card. Provide training to merchants, reminding them that they legally must view and authenticate the card of anyone claiming a sales tax exemption.

5. Begin to increase the eligibility age for the senior sales tax exemption from 65 to 70, one year at a time, so that no seniors currently receiving the exemption lose their eligibility.

6. Determine what, if any, local tax revenue can be expected from the sale of recreational marijuana.

7. We think that the Assembly’s ultimate goal should be to exempt food from the sales tax for all residents.

8. At such time as food is exempted from the sales tax for all residents, then the non-profit sales tax exemptions should be reconsidered.

9. And, when food is exempted from the sales tax, if necessary, replace the senior sales tax exemption with a tiered tax rebate program for lower income seniors. This would offset the sales tax on purchases other than food. A rebate program maintains seniors’ privacy, would provide a useful annual lump sum payment akin to the PFD, and could be administratively simple. Eligibility determination should be made easy for those seniors who aren’t required to file an income tax return. Make the application process simple – with forms available in the libraries, for example. Make allowances for excess health care costs. We do not support creating a means-tested senior sales tax exemption card for several reasons. It requires seniors to broadcast their income status at each retail checkout, it could be administratively complex, and it is fraught with potential inequities.

10. If an income-based approach to the senior sales tax exemption is adopted, then eligibility for the State’s Senior Benefits Program should be the priority category. Above that, median senior income seems reasonable as a cut-off level. We would like to offer further input if this is implemented.

11. Provide relief for lower income seniors by reducing their water/sewer fees. These flat fees are inequitable and pose an unfair burden on them.

Closing Paragraph:

We are pleased that we have been able to arrive at this consensus position. The Commission has spent a significant amount of time and effort in order to fully understand the budget issue and arrive at a recommendation.
The Assembly Tax Review Committee has held multiple meetings to review information on the existing tax exemptions. Through this process the following items have been selected for additional analysis and obtaining public/business feedback.

### Description

<table>
<thead>
<tr>
<th>Description</th>
<th>Revenue Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Raise the tax cap on individual sale of goods or services from $7,500. Inflation since last change 65%.</td>
<td>$325,000 - $375,000</td>
</tr>
<tr>
<td>$10,000 (33% increase)</td>
<td>$325,000 - $375,000</td>
</tr>
<tr>
<td>$11,500 (53% increase)</td>
<td>$475,000 - $580,000</td>
</tr>
<tr>
<td>$15,000 (100% increase)</td>
<td>$850,000 - $1,050,000</td>
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</table>

2. **Specific Senior Exemption Options**

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

   i. 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 the median senior AK household income for 2 person household, $76,100.

      | Revenue Gain from full taxation | Cost to Implement Needs-Based | Net Revenue Gain |
      |--------------------------------|-------------------------------|-----------------|
      | a. 120% of median - $91,320 - Est. 72% of seniors qualify | $2,800,000 | ($2,016,000) | $784,000 |
      | b. Median $76,1000 - Est. 64% of seniors qualify          | $2,800,000 | ($1,792,000) | $1,008,000 |
      | c. 66% of median - $50,000 - Est. 40% of seniors qualify  | $2,800,000 | ($1,120,000) | $1,680,000 |
The Assembly Tax Review Committee has held multiple meetings to review information on the existing tax exemptions. Through this process the following items have been selected for additional analysis and obtaining public/business feedback.

### iii. Initiate "needs-based" Senior Ex on Essentials only

*Qualifying Seniors would obtain exemption on essentials only. All other seniors would be fully taxable.*

Based on the median senior AK household income for 2 person household, $76,100.

<table>
<thead>
<tr>
<th></th>
<th>Gain from Exempting Essentials for all Seniors</th>
<th>Additional Gain from Needs-basing</th>
<th>Total Revenue Gain</th>
</tr>
</thead>
<tbody>
<tr>
<td>a. 120% of median - $91,320 - Est. 72% of seniors qualify</td>
<td>$1,885,000</td>
<td>$256,000</td>
<td>$2,141,000</td>
</tr>
<tr>
<td>b. Median $76,100 - Est. 64% of seniors qualify</td>
<td>$1,885,000</td>
<td>$329,000</td>
<td>$2,214,000</td>
</tr>
<tr>
<td>c. 66% of median - $50,000 - Est. 40% of seniors qualify</td>
<td>$1,885,000</td>
<td>$549,000</td>
<td>$2,434,000</td>
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</tbody>
</table>

### iv. 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 the median senior AK household income for 2 person household, $76,100.

<table>
<thead>
<tr>
<th></th>
<th>Revenue Gain from Taxing non-essentials</th>
<th>Cost to Implement Needs-Based</th>
<th>Net Revenue Gain</th>
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<tbody>
<tr>
<td>a. 120% of median - $91,320 - Est. 72% of seniors qualify</td>
<td>$1,885,000</td>
<td>($1,355,000)</td>
<td>$530,000</td>
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<tr>
<td>b. Median $76,100 - Est. 64% of seniors qualify</td>
<td>$1,885,000</td>
<td>($1,205,000)</td>
<td>$680,000</td>
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<tr>
<td>c. 66% of median - $50,000 - Est. 40% of seniors qualify</td>
<td>$1,885,000</td>
<td>($755,000)</td>
<td>$1,130,000</td>
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</table>

### v. Limit Senior Exemption to CBJ residents only

Current Senior Exempted Sales Tax 2,800,000

Estimated Revenue Gain (7% - 12% of total) $195,000 - $340,000

### vi. Other Senior Tax Exemption Issues

3. **Exempt certain items from Sales Tax for all citizens**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th>Net Gain of above changes:</th>
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<tbody>
<tr>
<td>Increase total Sales Tax from 5% to 6%</td>
<td>8,600,000</td>
<td>$2,300,000</td>
</tr>
<tr>
<td>Eliminate Senior Exemption*</td>
<td>2,200,000</td>
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</tr>
<tr>
<td>Exempt Food for all citizens**</td>
<td>(6,200,000)</td>
<td></td>
</tr>
<tr>
<td>Exempt Residential Heating Fuel**</td>
<td>(1,100,000)</td>
<td></td>
</tr>
<tr>
<td>Exempt Residential Electricity**</td>
<td>(1,200,000)</td>
<td></td>
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</table>

*Based on the rate increase to 6%

**Only reflects the effect of exempting non-seniors
### Potential Benefits Available to Senior Citizens in Juneau, Alaska

#### Needs Based
- Alaska Senior Benefits
- Adult Public Assistance
- Alaska Food Stamps
- Supplemental Security Income
- General Relief for Assisted Living
- General Relief Assistance
- Temporary Assistance
- Alaskans Living Independently
- Heating Assistance Program
- Medicaid
- Medicare
- Pioneer Home Payment Assistance
- Housing Choice Vouchers
- RuRAL CAP Weatherization

#### Non Needs Based
- Property Tax Exemption
- Sales Tax Exemption
- Free CBJ Bus Pass
- UAS Tuition Waivers
- PID (Hunting, Fishing, Trapping License)
- Vehicle Registration Exemption
- National Park Svc Pass
- Free Vaccines
- Free Tax Counseling
- Free Tax Prep
- Free Legal Svcs
- Free Counseling
- Meals on Wheels

#### Senior Discounts
- Dimond Park Fieldhouse
- Dimond Park Aquatic Center
- Augustus Brown Pool
- Treadwell Ice Arena
- Eaglecrest
- Eaglecrest Super Senior
- SAIL Taxi Voucher
- Perseverance Theater
- AK Marine Hwy
- AK Railroad
- Car Insurance
- Southwest Airlines
- Amtrak
- Fred Meyer

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*As of November, 2014*
<table>
<thead>
<tr>
<th>Benefit</th>
<th>Needs Based on</th>
<th>Age Eligibility</th>
<th>Max Benefit</th>
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<tbody>
<tr>
<td>Alaska Senior Benefit</td>
<td>AFPG</td>
<td>65 and over</td>
<td>Up to $3k/yr</td>
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<tr>
<td>Adult Public Assistance</td>
<td>AFPG</td>
<td>65 and over</td>
<td>+$25,000/yr</td>
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<tr>
<td>Alaska Food Stamps</td>
<td>130% of APS</td>
<td>65 and over</td>
<td>$12,984/yr</td>
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<tr>
<td>Supplemental Security Income</td>
<td>FPL</td>
<td>65 and over</td>
<td>$120/person</td>
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<tr>
<td>General Relief for Assisted Living</td>
<td>NTE 300% of max indiv SSI Income</td>
<td>18 and over</td>
<td>+$16,000/yr</td>
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<tr>
<td>General Relief Assistance</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Temporary Assistance</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Alaskans Living Independently</td>
<td>&lt;$2,164/month &amp; meet NFLOC</td>
<td>65 and over</td>
<td></td>
</tr>
<tr>
<td>Heating Assistance Program</td>
<td>225% of FPIG</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Medicaid</td>
<td>AFPL</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Medicare</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pioneer Home Payment Assistance</td>
<td>50% of median income for County (HUD)</td>
<td>65 and over</td>
<td>$10k - $98k/yr</td>
</tr>
<tr>
<td>Housing Choice Vouchers</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>RuRAL CAP Weatherization</td>
<td>@&lt;200% of Poverty Level (US Dept Energy)</td>
<td>Priority for Seniors</td>
<td></td>
</tr>
</tbody>
</table>

AFPG – Alaska Federal Poverty Guidelines*
AFPL – Alaska Federal Poverty Level*
APS – Alaska Poverty Standard*
FPIG – Federal Poverty Income Guidelines*
FPL – Federal Poverty Level*
NFLOC – Nursing Facility Level of Care

Program income levels rely on AFPL Schedule.

As of November, 2014
### 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>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>$3,645</td>
<td>$304</td>
</tr>
<tr>
<td>2</td>
<td>$4,915</td>
<td>$410</td>
</tr>
<tr>
<td>3</td>
<td>$6,185</td>
<td>$515</td>
</tr>
<tr>
<td>4</td>
<td>$7,455</td>
<td>$621</td>
</tr>
<tr>
<td>5</td>
<td>$8,725</td>
<td>$727</td>
</tr>
<tr>
<td>6</td>
<td>$9,995</td>
<td>$833</td>
</tr>
<tr>
<td>7</td>
<td>$11,265</td>
<td>$939</td>
</tr>
<tr>
<td>8</td>
<td>$12,535</td>
<td>$1,045</td>
</tr>
</tbody>
</table>

**As of November, 2014**

Please Note:

- The federal poverty guidelines are typically updated at the end of January.
How Poverty is Calculated in the ACS

Poverty statistics presented in ACS reports and tables adhere to the standards specified by the Office of Management and Budget in Statistical Policy Directive 14. The Census Bureau uses a set of dollar value thresholds that vary by family size and composition to determine who is in poverty. Further, poverty thresholds for people living alone or with nonrelatives (unrelated individuals) and two-person families vary by age (under 65 years or 65 years and older).

If a family’s total income is less than the dollar value of the appropriate threshold, then that family and every individual in it are considered to be in poverty. Similarly, if an unrelated individual’s total income is less than the appropriate threshold, then that individual is considered to be in poverty. The poverty thresholds do not vary geographically. They are updated annually to allow for changes in the cost of living (inflation factor) using the Consumer Price Index (CPI).

Poverty status was determined for all people except institutionalized people, people in military group quarters, people in college dormitories, and unrelated individuals under 15 years old. These groups were excluded from the numerator and denominator when calculating poverty rates.

Since the ACS is a continuous survey, people respond throughout the year. Because the income items specify a period covering the last 12 months, the appropriate poverty thresholds are determined by multiplying the base-year poverty thresholds (1982) by the monthly inflation factor based on the 12 monthly CPIs and the base-year CPI.

For further information on poverty data in the ACS, see “2008 Subject Definitions” at <http://www.census.gov/acs/www/UseData/Def.htm>.

For information on poverty estimates from the ACS and how they differ from those based on the Current Population Survey Annual Social and Economic Supplement (CPS ASEC), which is the official source of poverty statistics for the United States, see “Guidance on Differences in Income and Poverty Estimates from Different Sources” at <www.census.gov/hhes/www/poverty/methods/measure.html>.

## Household 65 Years and Older Income Statistics (2013) *

<table>
<thead>
<tr>
<th>Income Levels</th>
<th># of Households</th>
<th>% Per Income Level</th>
</tr>
</thead>
<tbody>
<tr>
<td>$0-$24,499</td>
<td>289</td>
<td>16%</td>
</tr>
<tr>
<td>$25,000-$49,999</td>
<td>337</td>
<td>18%</td>
</tr>
<tr>
<td>$50,000-$59,999</td>
<td>112</td>
<td>6%</td>
</tr>
<tr>
<td>$60,000 - $99,999</td>
<td>441</td>
<td>24%</td>
</tr>
<tr>
<td>$100,000-149,000</td>
<td>459</td>
<td>25%</td>
</tr>
<tr>
<td>$150,000-200,000 or more</td>
<td>206</td>
<td>11%</td>
</tr>
<tr>
<td><strong>Total Households</strong></td>
<td><strong>1,844</strong></td>
<td></td>
</tr>
</tbody>
</table>

## City & Borough of Juneau
### Tax Exemption Review Committee
### December 3, 2014

### Property Tax Hardship Exemption Income Levels

<table>
<thead>
<tr>
<th>Household Size</th>
<th>Median Income $</th>
<th>120% of Median Income $</th>
<th>66% of Median Income $</th>
<th>Poverty Level Alaska $</th>
<th>200% of Poverty Level Alaska $</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>66,600</td>
<td>79,920</td>
<td>43,956</td>
<td>14,580</td>
<td>29,160</td>
</tr>
<tr>
<td>2</td>
<td>76,100</td>
<td>91,320</td>
<td>50,226</td>
<td>19,660</td>
<td>39,320</td>
</tr>
<tr>
<td>3</td>
<td>85,600</td>
<td>102,720</td>
<td>56,496</td>
<td>24,740</td>
<td>49,480</td>
</tr>
<tr>
<td>4</td>
<td>95,100</td>
<td>114,120</td>
<td>62,766</td>
<td>29,820</td>
<td>59,640</td>
</tr>
<tr>
<td>5</td>
<td>102,700</td>
<td>123,240</td>
<td>67,782</td>
<td>34,900</td>
<td>69,800</td>
</tr>
<tr>
<td>6</td>
<td>110,300</td>
<td>132,360</td>
<td>72,798</td>
<td>39,980</td>
<td>79,960</td>
</tr>
<tr>
<td>7</td>
<td>117,900</td>
<td>141,480</td>
<td>77,814</td>
<td>45,060</td>
<td>90,120</td>
</tr>
<tr>
<td>8</td>
<td>125,500</td>
<td>150,600</td>
<td>82,830</td>
<td>50,140</td>
<td>100,280</td>
</tr>
</tbody>
</table>


2. This amount is used as the cut off for the CBJ Senior Citizen and Disabled Veteran Hardship Property Tax Exemptions

As the TERC is nearing the time to make its recommendations it is important that the administrative and compliance impacts be reviewed as an important point of consideration for the TERC. I will address the various senior program change options in order of overall ease of administration, with the first option being the least intrusive to implement to all involved and last option, combining essentials and needs based, being the hardest to implement.

This analysis is based on the premise, that at least initially, seniors would need to claim exemptions at the check-out counter and not via a “rebate” program.

**Exempt Essentials for all Citizens and Increases Tax rate 1%**

**Pros:**
- Would eliminate the need to issue senior exemption cards.
  - Saves staff time and cost
  - Saves seniors time and paperwork at store check-out
- Would reduce abuse of exemptions since all would have the same exemption.
- Eliminate the need for merchants to document exemption card information.
- Enhance aspects of audit & compliance efforts by Sales Tax Office (STO).

**Cons:**
- Scenario only works if rate is kept at 6%
  - Do not know if this is viable option until after public vote.
  - Voters would have future opportunity to not renew the temporary 1%.
- Would require definition of food
  - Definition of food would need frequent maintenance
  - Audits of merchants who sell food would become more difficult

**Initiate “needs-based” Senior Exemption**

**Pros:**
- Would not require anything new of merchants.
  - Still document senior card info as currently required.
- Reduces the number of exemption cards that needs to be issued.
- Would enhance compliance and reduce fraud
  - Requiring annual renewal would reduce the number of cards in circulation
  - Changing the exemption number each year would require seniors to produce exemption card for merchant.
  - Exemption number could be year based, so merchants would only accept a card for the proper year.
- Could pave the way for rebate program, eliminating the need for senior exemption cards.

**Cons:**
- For seniors to qualify they would annually need to submit income information. There are some inherent inequities in an income based program.
- Increased traffic in the STO
  - Due to regular re-issuing of exemption cards
Limit Senior Exemption to Essentials only

Cons:
- Still requires exemption card (over 3000) to be issued to every eligible Juneau senior.
- Would complicate things for merchants, specifically merchants selling food.
  - Merchants would not be able to exempt entire transactions, only certain qualifying items.
  - Food would not be universally exempt, only for seniors.

Needs-Based on Essentials only

Pros:
- Reduces the number of exemption cards that needs to be issued.
- Would slightly enhance compliance and reduce fraud
  - Requiring annual renewal would reduce the number of cards in circulation
  - Changing the exemption number each year would require seniors to produce exemption card for merchant.
  - Exemption number could be year based, so merchants would only accept a card for the proper year.
- Could pave the way for rebate program, eliminating the need for senior exemption cards.

Cons:
- For seniors to qualify they would annually need to submit income information. There are some inherent inequities in an income based program.
- Would complicate things for merchants, specifically merchants selling food.
  - Merchants would not be able to exempt entire transactions, only certain qualifying items.
  - Food would not be universally exempt, only for seniors.
- Increased traffic in the STO
  - Due to regular re-issuing of exemption cards
  - Might require additional staff
- Seniors could be required to physically appear in STO each year for renew.
  - Not easy to get to City Hall, especially for seniors.

Combination of Exempting Essentials for all Seniors and Needs Based Method for Some

Cons:
- Still requires exemption card (over 3000) to be issued to every eligible Juneau senior.
- Would require two different types of senior exemption cards to be issued.
  - Increases confusion for seniors & merchants
- Complicates transactions for merchants
  - Certain seniors would get full exemption on all items.
  - Other seniors would only get exemption on certain (food) items.
- Complicates audit and compliance processes for STO.

If the committee needs clarification on any of the above points, I would be happy to discuss further.

Sincerely,

Clinton Singletary
Sales Tax Administrator