



KENAI PENINSULA BOROUGH

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**MIKE NAVARRE
BOROUGH MAYOR**

MEMORANDUM

TO: Kelly Cooper, Assembly President
Kenai Peninsula Borough Assembly Members

THRU: Mike Navarre, Mayor

FROM: Larry Persily, Chief of Staff

DATE: July 31, 2017

SUBJECT: Other Alaska municipalities implementing or considering tax increases

Working through the Alaska Municipal League, I asked cities and boroughs statewide if any had recently increased local taxes or were considering tax increases to help cover reductions in state funding and other revenue needs. I received almost two dozen responses:

Matanuska-Susitna Borough

The Matanuska-Susitna Borough assembly will hold a public hearing on Tuesday, Aug. 1, to consider an ordinance asking voters in the Oct. 3 election to approve a 3% sales tax to support education. While the cities of Wasilla, Palmer and Houston each has a sales tax, the borough does not. The borough, however, does have a bed tax (5%), a marijuana sales tax (5%), a cigarette tax (\$2.20 per 20-cigarette pack) and a tobacco products tax (55% of the wholesale price).

Wasilla

The city council voted to put a question on the Oct. 3 ballot, asking voters to increase the city sales tax rate from 2% to 3% for a period of two years or until \$12 million is collected, at which time the rate would fall back to 2.5%. The additional funds would be dedicated to construction of a new police station.

City and Borough of Juneau

The assembly is considering going to voters in October to seek approval for an increase in the 7% bed tax to 9%. Juneau has a 5% general sales tax.

Bethel

The city council approved an ordinance to ask voters in the Oct. 3 election to increase the 12% alcohol tax to 15%, with 20% of the revenues dedicated to health, public safety and social services related to alcohol consumption. Bethel also has a 6% general sales tax and a 12% bed tax.

Kodiak Island Borough

The assembly agenda for Aug. 3 includes discussion of an ordinance to impose a cigarette tax of \$1 per pack and a 45% excise tax on the wholesale price of other tobacco products. As these are excise taxes, not sales taxes, the borough assembly is not required to seek voter approval. The staff report accompanying the proposed ordinance explains: "Due to 2018 budget constraints and recent cuts in federal and state funding, it has become necessary for the borough to expand its tax base."

Unalaska

The city council in January adopted an ordinance asking voters in October to raise the sales tax rate on alcohol, marijuana and tobacco from 3% (the current general sales tax rate) to 6%.

City of Kodiak

The city is looking at possible raising the \$750 cap at which it stops collecting sales tax on each individual transaction, and also is looking into a cigarette tax and reviewing all tax exemptions including the city's senior sales tax exemption. The city's sales tax is 7%, with a 5% bed tax.

Craig

The council put a proposition on the October ballot for voters to decide on a flat-rate bed tax of \$5 per day per room, and also whether to impose a 10% tax on marijuana and marijuana products. Craig already has a 5% general sales tax.

City of Fairbanks

The Fairbanks city council has placed on the Oct. 3 ballot a new property tax levy — up to 0.63 mills — to help replace declining state assistance. The proposition would raise city property taxes annually by a maximum of \$1,713,652, less any municipal assistance funds received from the state. The 0.63 mill levy would be in addition to the city's general property tax levy of 4.9 mills and the Fairbanks North Star Borough general government levy of almost 12 mills.

Fairbanks North Star Borough

The Fairbanks North Star Borough this year raised its general government levy by 0.495 mills to about 12 mills.

Fort Yukon

The city of Fort Yukon is considering an increase in its 3% sales tax rate to 5%.

Petersburg Borough

The borough assembly decided to seek voter approval in October of an increase in the cap on transactions subject to Petersburg's 6% general sales tax. The current limit is \$1,200. The ballot proposition asks voters to approve an increase in the cap to \$1,500.

Kivalina

The city will ask voters in October for an increase in the sales tax rate from 2% to 3%.

Dillingham

Dillingham is considering an excise tax on tobacco products. As an excise tax, approval would be up to the city council; voter approval is not required. Dillingham has a 6% general sales tax, a 10% bed tax, a 10% alcohol tax, and a 2.5% raw fish tax.

St. Paul

Voters last summer approved a 0.5% sales tax increase to a rate of 3.5%. Voters rejected a higher tax on alcohol and tobacco. The city is considering a bed tax.

King Cove

Voters in 2015 approved an increase in the 4% sales tax to 6%.

Ketchikan Gateway Borough

The borough is not considering any new tax increases that would require voter approval, but with the reduction of state funding and cost-shifting from the state, borough staff recognizes the need to begin the process of reducing the number of sales tax exemptions.

Unalakleet

The city administration has considered seeking an increase in Unalakleet's 5% sales tax, but the issue is not before the council for action.

Municipality of Skagway Borough

The borough assembly in July defeated an ordinance to seek voter approval for a 1% increase in the sales tax rate to pay for general obligation bonds for a recreation center expansion project and to fund operation and maintenance of the center. The current sales tax rate is 5% April through September, and 3% the rest of the year. Skagway also has an 8% bed tax.

Sitka

Voters last year defeated a ballot proposition to increase the property tax levy. The proposition failed 976 to 1,772.

Utqiagvik (Barrow)

The mayor has proposed an increase in the 5% bed tax to 10%; voters last year rejected an increase in the bed tax. The city has a 3% general sales tax, in addition to the 5% bed tax and a cigarette tax of \$1 per pack.

Hoonah

The city in February 2017 imposed a 6% excise tax on alcohol and a 15% excise tax on tobacco products. In April, voters rejected a 1% increase in the city's 6.5% sales tax rate.

Seward

The city council this year voted to increase the property tax mill levy from 3.12 to 3.84 mills to cover debt service on \$3 million in general obligation bonds for road improvements.