



**DATE:** April 22, 2025

**TO:** Chair Woll and Assembly Finance Committee

**FROM:** Angie Flick, Finance Director

**SUBJECT:** Seasonal Sales Tax – additional information

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The purpose of this memo is to provide additional information and a discussion framework based on the consideration of seasonal sales tax by this Body at the April 16, 2025 Assembly Finance Committee (AFC) meeting. The conversation and questions were robust and this memo presents progress so far on the requests made.

### **Purpose and Direction**

Several questions were considered by the AFC on the April 16<sup>th</sup> (previous) meeting. Another important question was brought forward to the Body regarding the purpose of the seasonal sales tax: What do you want to accomplish through the seasonal sales tax? Is it a mechanism to increase sales tax revenue or only to offset additional exemptions? The Body's direction with respect to this question is important to work out other scenarios and solutions.

### **Other Jurisdictions**

Please see Attachment A which provides information about other Alaska communities with seasonal sales tax.

### **Important Dates**

In order to place an item on the October 2025 ballot, an ordinance would need to be introduced on June 9 with public hearing and approval by July 28 using the current calendar. If the AFC has continued interest in putting something before the voters in October 2025, this discussion will need to continue in parallel with the FY26 budget discussions. However, the budget work can move forward, and potentially wrap up prior to the seasonal sales tax work being concluded.

### **\*\* DISCLAIMER \*\***

The rest of this memo will outline some HYPOTHETICAL SCENARIOS to outline and demonstrate the impact of the questions above. In no way, shape or form are these intended to represent any action by the Assembly! These are for illustrative purposes only.

### **Additional Seasonal Sales Tax Scenarios**

Based on the discussion at the previous AFC meeting, additional and refined scenarios are presented below for discussion and illustration. While no specific direction was given, the Body seemed warmer towards a smaller swing in a seasonal sales tax compared to a drastic large swing. The tables on the following page provide scenarios leaning toward smaller swings in the sales tax rate.

### **Next Steps**

Staff are continuing to research and answer other questions that were asked on April 16. AFC discussion and direction to refine scenarios is helpful as staff continue to research and answer other questions.

Table 1 - This is generally the same table as was presented at the previous meeting using these assumptions:

- Shift tax burden to the summer and recover cost of exemptions
- Calendar year 2024 as the measuring stick for revenue
- Sales Tax revenue is roughly \$65M annually equivalent to the same amount collected in 2024
- 5% sales tax (includes 1% permanent, 3% temporary and 1% temporary)

Sales tax during:	Status Quo	Seasonal - Small	Seasonal - Small Ex: Food	Seasonal - Small Ex: Food/Utilities
April - September	5.00%	5.75%	6.00%	6.75%
October - March	5.00%	4.00%	4.50%	4.50%
Rate Difference	0.00%	1.75%	1.50%	2.25%
Visitor Paid Sales Tax	\$18.4M	\$21.1M	\$23.1M	\$26.7M
Tax Shift	\$0M	\$2.7M	\$4.7M	\$8.3M

Table 2 – This table uses essentially the same assumptions as Table 1, but removes the 1% temporary tax:

- Shift tax burden to the summer and recover cost of exemptions
- Calendar year 2024 as the measuring stick for revenue
- Sales Tax revenue is roughly \$52M annually
- 4% sales tax (includes 1% permanent, 3% temporary)

Sales tax during:	Status Quo	Seasonal - Small	Seasonal - Small Ex: Food	Seasonal - Small Ex: Food/Utilities
April - September	4.00%	4.60%	5.00%	5.50%
October - March	4.00%	3.00%	3.25%	3.50%
Rate Difference	0.00%	1.60%	1.75%	2.00%
Visitor Paid Sales Tax	\$14.7M	\$16.9M	\$19.1M	\$21.3M
Tax Shift	\$0M	\$2.2M	\$4.4M	\$6.7M

Table 3 – This table removes the 1% temporary tax, but increases the overall Sales Tax Revenue:

- Shift tax burden to the summer, recover cost of exemptions and increase revenue
- Calendar year 2024 as the measuring stick for revenue
- 4% sales tax (includes 1% permanent, 3% temporary)
- Displays both the increased revenue amount and its equivalent mill rate.

Sales tax during:	Status Quo	Seasonal - Small	Seasonal - Small Ex: Food	Seasonal - Small Ex: Food/Utilities
April - September	4.00%	4.75%	5.50%	6.00%
October - March	4.00%	4.00%	3.75%	4.00%
Rate Difference	0.00%	0.75%	1.75%	2.00%
Sales Tax Revenue	\$52.1M	\$58.3M	\$58.5M	\$58.4M
Revenue Increase	\$0M	\$6.2M	\$6.4M	\$6.3M
Visitor Paid Sales Tax	\$14.7M	\$17.4M	\$21.1M	\$21.3M
Tax Shift	\$0M	\$2.8M	\$6.4M	\$9.6M
Mill Rate Equivalent	0	1.00mills	1.02mills	1.01mills