

MEMORANDUM



DATE: December 11, 2023
TO: Assembly
FROM: Angie Flick, Finance Director
SUBJECT: Sales Tax Cap Increase

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The sales tax code provides a cap tax cap on the first \$12,800 of the selling price of a single item or service. The sales tax code also stipulates an adjustment to the level of the cap every two years, consistent with Consumer Price Index (CPI) data over that period for Urban Alaska. The first adjustment was made in 2018, and every two years thereafter. The last adjustment was effective January 1, 2022.

Based on our review of the 2022-2023 Urban Alaska CPI data, effective January 1, 2024, the single item and single service cap level will be increased to \$14,300. As a result, only the first \$14,300 of the selling price of a single item or single service will be subject to the CBJ Sales Tax.

Previous transactions subject to the tax cap would have resulted in sales tax collected of \$640. With this increase, the amount of sales tax to be collected on a "capped" single item or single service is now \$715.