

PETERSBURG BOROUGH

ORDINANCE #2025-06

**AN ORDINANCE AMENDING SECTION 4.28.130 OF THE
PETERSBURG MUNICIPAL CODE RELATING TO THE SALES
TAX EXEMPTION FOR SENIORS TO LIMIT THE EXEMPTION TO
LOW-INCOME SENIORS, AND DIRECTING THAT THE PROPOSED
AMENDMENT BE SUBMITTED TO THE
QUALIFIED VOTERS OF THE BOROUGH**

WHEREAS, Petersburg Municipal Code (PMC) section 4.28.130 provides a sales tax exemption for Borough residents aged 65 and older who have made Petersburg their primary residence for at least one year, spending at least 185 days physically in the Borough in the year preceding their exemption application;

WHEREAS, this exemption has been in place since 1981, when it was approved by the City Council and enacted immediately;

WHEREAS, shortly after the exemption was adopted, the City Charter was amended to require voter approval for any changes to tax exemptions;

WHEREAS, most cities and boroughs in Alaska do not offer a senior sales tax exemption, and several that do limit it to essential items such as food and utilities;

WHEREAS, the percentage of Petersburg residents qualifying for the senior sales tax exemption has significantly increased since its adoption;

WHEREAS, in 1980, the then-City of Petersburg had a population of 2,821, with only 6.1% aged 65 and older, whereas by 2024, the Borough's estimated population was 3,379, with over 24% in this age group;

WHEREAS, this increase in the senior population has resulted in a corresponding increase in tax-exempt sales;

WHEREAS, in 2024, senior tax exemptions applied to over \$7,407,975 in sales, leading to an estimated \$444,478 in lost tax revenue;

WHEREAS, in comparison, in 2008, senior tax-exempt sales totaled \$2,669,053, with a corresponding tax revenue loss of \$160,143;

WHEREAS, while senior tax-exempt sales have increased, the Borough's sales tax rate has remained unchanged for the last 35 years, when it was raised in 1989 from 5% to 6%;

WHEREAS, during this time, while the senior population has been increasing, school enrollment has declined, from 561 students in 2008 to 469 students in 2024;

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WHEREAS, due to this decline, state funding for the Petersburg School District has remained relatively stagnant, while the cost of providing education has increased;

WHEREAS, for years, the Borough contributed approximately \$1.8 million annually to the school district, but due to expiring grants, depletion of COVID-related funds, rising operating expenses, and stagnant state funding, the schools now require a local contribution exceeding \$3.4 million;

WHEREAS, maintaining strong schools is essential to attracting families and sustaining the community's long-term viability;

WHEREAS, the Borough's local school funding comes from sales tax revenue and federal Secure Rural Schools funding, in addition to areawide education property taxes;

WHEREAS, to date, Secure Rural Schools funding has accounted for approximately 30% of the Borough's local contribution to the schools;

WHEREAS, the continuation of the Secure Rural Schools program now faces substantial uncertainty on the federal level, which could lead to a significant budget shortfall for the Borough;

WHEREAS, projections indicate that without additional revenue, the Borough's General Fund reserves will be depleted within five years, and Secure Rural Schools funding will be exhausted in two years;

WHEREAS, since adopting the senior sales tax exemption, the Borough has expanded senior services, including constructing the Mountain View Manor (MVM) Assisted Living Facility, enabling seniors who require assistance or care to remain within the community, and supporting MVM Food Services, which provides weekday dinners for seniors;

WHEREAS, MVM is not self-sustaining and requires an annual \$100,000–\$125,000 subsidy from the General Fund, with an additional \$367,500 transferred in 2024 to cover operating deficits, along with \$40,000 annually for MVM Food Services;

WHEREAS, Petersburg seniors also receive a substantial real property tax exemption, with the first \$150,000 of assessed residential value exempt from taxation;

WHEREAS, in 2024, this state-mandated but unfunded property tax exemption resulted in \$498,414 in lost Borough tax revenue;

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WHEREAS, as Petersburg's population ages, a smaller tax base must support increasing costs of essential services, including senior programs like MVM Assisted Living and MVM Food Services;

WHEREAS, while the Borough remains committed to supporting its senior population, the growing use of the senior sales tax exemption, coupled with loss of federal funding for schools, will place a financial strain on Borough resources;

WHEREAS, to address this imbalance, the Borough Assembly seeks to limit the senior sales tax exemption to low-income seniors who qualify for the State of Alaska Senior Benefits Payment Program;

WHEREAS, the Senior Benefits Payment Program serves individuals with annual incomes below \$34,213 (or \$46,253 for married couples);

WHEREAS, 61 low-income seniors in the Borough currently qualify for the program and would continue receiving the senior sales tax exemption under the proposed amendment;

WHEREAS, if adopted, this amendment is estimated to reduce the Borough's exemption-related tax revenue loss from \$444,478 to \$55,674, generating an estimated \$350,000-\$400,000 in additional annual sales tax revenue while ensuring the exemption benefits those most in need;

WHEREAS, this amendment would not affect existing sales tax exemptions for utilities (electricity, water, wastewater, and garbage) or prescription and medical costs;

WHEREAS, under Borough Charter section 12.02B, any changes to sales tax exemptions must be approved by ordinance and ratified by a majority of Borough voters;

WHEREAS, it is the intent of the Borough Assembly to adopt this amendment and submit the matter to the qualified voters of the Borough at the next regular election.

THEREFORE, THE PETERSBURG BOROUGH ORDAINS, Section 4.28.130, *Exemptions*, of Chapter 4.28, Sales Tax, of the Petersburg Municipal Code, is hereby amended as follows:

Section 1. Classification: This ordinance is of a general and permanent nature and shall be codified in the Petersburg Municipal Code.

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Section 2. Purpose: The purpose of this ordinance is to limit the borough sales tax senior exemption to low-income seniors.

Section 3 Substantive Provisions: 4.28.130 of the Petersburg Municipal Code, entitled *Senior citizen exemption*, is hereby amended as follows. The language proposed for addition is **underlined and bolded**, and the language proposed for deletion is ~~struck through~~.

4.28.130 - Senior citizen exemption.

A sale to a qualified senior citizen is exempt from borough sales tax in accordance with the provisions of this section.

A. For purposes of this section:

1. A qualified senior citizen is a person who has obtained and maintained a senior citizen tax exemption card. A person is eligible to receive a tax exemption card if the person (i) is 65 years of age or older, (ii) has their permanent place of abode within the Petersburg Borough, (iii) has resided within the Petersburg Borough for at least one year immediately preceding the date of application and intends to remain in the Petersburg Borough indefinitely and to make a home in the Petersburg Borough, ~~and~~ (iv) was physically present in the Borough a minimum of 185 days in the 12-month period immediately preceding the date of application, **and (v) meets the eligibility requirements for the State of Alaska Senior Benefits Payment Program, as set out in Alaska Statute 47.45.301 - 47.45.309 and 7 AAC Chapter 47, Article 3. If the State of Alaska discontinues the Senior Benefits Payment Program, the Assembly shall, by resolution, establish alternative low income eligibility requirements.** A person demonstrates residency under this subsection by maintaining a principal place of abode in the borough, by maintaining a valid driver's license or valid voter registration card with a residence within the borough, or by providing other proof of residency within the borough boundaries acceptable to the finance director, including demonstrating eligibility for a permanent fund dividend under AS 43.23.005 at a residence within the borough. **A person demonstrates eligibility under paragraph (v) above by presenting to the borough the program eligibility notification received from the State of Alaska, or other documents deemed acceptable by Assembly resolution.**

~~2. A non-refundable application fee of \$100.00 shall be collected by the finance director, or the director's designee, from those applying for a senior citizen sales tax exemption card. An exemption card issued under this section shall be valid for the remainder of the calendar year in which it is issued, and shall expire automatically on December 31 of the year of~~

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~~issuance, unless sooner terminated due to applicant's lack of continued compliance with the residency requirements imposed under paragraph 1. above. The card fee will be waived to a senior citizen that has signed an affidavit at the borough finance office attesting they are 65 years old or older, is a permanent resident of the borough and all combined household income did not exceed \$20,000.00 during the previous year. In this paragraph, "household" includes the applicant, the applicant's spouse, and any individual claimed as a tax dependent on the federal income tax returns of the applicant or the applicant's spouse.~~

23. A senior citizen sales tax exemption card entitles the card holder to be exempted from borough sales tax, subject to the limitations expressed in the balance of this section.

34. It is the responsibility of the senior citizen to present their sales tax exemption card to local merchants prior to each exempt sale being finalized. Merchants shall keep a record of all senior citizen exempt sales.

B. No person issued or authorized to use a senior citizens sales tax exemption card may use it to obtain a sales tax exemption for:

1. The purchase of alcoholic beverages, marijuana or marijuana products, or tobacco products; or

2. When the goods or services purchased are for use in any trade or business; or

3. For purchases for which the card holder is reimbursed or remunerated by a person or entity on whose behalf the purchase was made and who would not otherwise qualify for a sales tax exemption.

C. No person who has not applied for and received an exemption card may use it to obtain tax exemption. However, in the case where a person is physically unable to leave their home or dwelling to use the card, and proof of physical disability is documented by a physician, the finance director or director's designee may issue a special card authorizing another person to use the special card for the benefit of the person physically disabled. The physically disabled senior may be requested to return their tax exempt card before a new card is issued to a caregiver. The exemption card issued to the caregiver is good for a period of six months and at the end of each six-month period the card must be renewed.

D. A representative of a qualified the senior citizen's nutrition program may obtain from the finance director's office a sales tax exempt card which entitles the representative to purchase goods and/or services for the exclusive use of the senior citizen's nutrition program exempt from the borough's sales tax. No seller within the borough shall charge or collect taxes from the senior citizen's nutrition program representative who displays to him such a valid tax exempt card.

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E. An exemption card which is lost or stolen shall be immediately reported to the finance director. There shall be a replacement card administrative fee of \$25.00.

F. 1. Any person who violates any provision of subsections A. through D. of this section is guilty of a misdemeanor and, upon conviction, shall be fined in an amount not to exceed one hundred dollars.

2. The use of a senior citizen sales tax exemption card in any manner not allowed by this section, shall constitute a violation of the borough code by the card holder (unless the card was reported lost or stolen under subsection E.) and by any person using the card, and shall be punishable by a civil penalty of \$50.00 per violation. The violator(s) are also responsible for any tax which would otherwise have been due, plus interest and penalties thereon, and related administrative costs. If a penalty imposed is not paid, it may be collected in a civil action brought by the borough.

3. A senior citizen sales tax exemption card issued to a card holder who has violated the provisions of this section shall be void and shall be forfeited to and canceled by the finance director.

Section 4 Submittal to Voters:

A. In accordance with subsection 12.02B the Borough Charter, the Borough Clerk shall submit this ordinance to the voters of the borough at the next regular election, to be held on October 7, 2025.

B. The proposition to be submitted to the voters shall read substantially as follows:

Proposition #____

Limiting eligibility for the senior sales tax exemption to low-income seniors.

Shall Section 4.28.130, *Senior citizen exemption*, of the Borough Code be amended to limit eligibility to low-income seniors?

☐ YES

☐ NO

This change would limit eligibility for the borough sales tax senior exemption to those who qualify for the State of Alaska Senior Benefits Payment Program.

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Section 5. Severability: If any provision of this ordinance or any application to any person or circumstance is held invalid, the remainder of this ordinance and the application to other persons or circumstances shall not be affected.

Section 6. Effective Date: This ordinance shall be effective upon adoption. The proposed amendment to PMC 4.28.130, if approved by the voters, shall become effective January 1, 2026.

Passed and approved by the Petersburg Borough Assembly, Petersburg, Alaska this 16th day of June, 2025.

Donna Marsh, Vice Mayor

ATTEST:

Rebecca Regula, Clerk

Adopted:

Noticed:

Effective: