

Submitted by: Assemblymember COFFEY

Prepared by: Department of Assembly

For Reading: March 29, 2005

Postponed indefinitely 10/11/05

ANCHORAGE, ALASKA

AO NO. 2005-51

AN ORDINANCE OF THE ANCHORAGE MUNICIPAL ASSEMBLY TO LEVY A THREE (3) PERCENT SALES TAX ON THE SALE OF GOODS WITH CERTAIN EXEMPTIONS, WITH A CAP AND WITH A REIMBURSEMENT FOR COLLECTION, ALL WITHIN THE TAX CAP AND FOR THE EXCLUSIVE PURPOSE OF REDUCING PROPERTY TAXES PROPORTIONATELY THROUGHOUT THE MUNICIPALITY OF ANCHORAGE, SUBJECT TO A SUNSET PROVISION AND SUBMITTING THE QUESTION OF WHETHER OR NOT TO APPROVE SAID SALES TAX TO THE QUALIFIED VOTERS OF THE MUNICIPALITY AT ITS NEXT REGULAR ELECTION ON APRIL 4, 2006 WITH RE-APPROVAL REQUIRED AT THE APRIL 7, 2009 REGULAR ELECTION.

THE ANCHORAGE ASSEMBLY ORDAINS:

Section 1: That Anchorage Municipal Code, Title 12, is hereby amended by enacting a new Chapter 12.50 to read as follows:

Chapter 12.50

SALES TAX ON THE SALE OF GOODS

- 12.50.010 Sales tax.
- 12.50.020 Definitions.
- 12.50.030 Exemptions.

12.50.10 Sales Tax.

A. A tax of three percent (3%) is hereby levied on the retail sales price of all goods sold within the Municipality of Anchorage except food and prescription medicine, provided that the maximum tax that may be collected on the sale of any one good shall not exceed \$200.00.

B. The sales tax levied on the retail sale of goods pursuant to this Chapter shall be subject to the tax increase limit of the Anchorage Municipal Charter Section 14.03 (the "Tax Cap") and shall therefore be included immediately in the base amount referred to in Section 14.03(c) of the Charter in order that the tax collected shall be in substitution of other taxes.

1 C. The sales tax shall be due, payable and collected from all persons
2 purchasing a good at the time the good is purchased. The sales tax shall be
3 collected by all persons engaged in the retail business of selling goods at the
4 time of the sale. The receipts from the sales tax shall be remitted by the
5 collecting retailer to the Municipality quarterly, provided, however, a collecting
6 retailer may annual retain 1/24th of the tax collected up to a maximum retainage
7 of \$5,000.00 to repay to the retailer a portion of the costs incurred in collecting
8 the tax for the Municipality.
9

10 D. All receipts from the sales tax shall, after payment of the costs of
11 administration, collection and audit, shall be applied to the reduction of real
12 property taxes proportionately throughout all service areas of the Municipality of
13 Anchorage so that the benefits of the reduction in property taxes are shared
14 throughout the Municipality.
15

16 E. The collecting retailer shall maintain such records as are necessary and
17 appropriate to permit the Municipality to audit the collection and remission of the
18 sales tax for a period of three (3) years.
19

20 F. The records of the retailer retained pursuant to sub paragraph E. above
21 shall be considered proprietary and confidential and shall not be disclosed to any
22 person except employees and agents of the Municipality acting in their official
23 capacity and then only for purposes reasonably related to the collection and
24 remission of the sales tax.
25

26 G. The Chief Fiscal Officer of the Municipality shall implement and administer
27 this Chapter and may make recommendations to the Assembly for adoption of
28 such regulations as may be required to implement this ordinance.
29

30 H. Any amendment to this ordinance to increase the amount of the tax or to
31 apply the receipts from the tax to any other purpose besides property tax relief
32 shall require the approval of 60% of the voters.
33

34 I. This sales tax shall expire on April 7, 2009 unless it is re-approved by 60%
35 of the voters at the regular election held on April 7, 2009 as provided in Section
36 3.
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2 **12.50.020** **Definitions.**
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4 1. As used in this Chapter:

- 5
6 a. "Goods" shall mean all tangible personal property sold at retail to
7 the general public either for cash or on credit.
8
9 b. "Food" shall have the same meaning that is used for purchases
10 using food stamps.
11
12 c. "Prescription medicine" shall mean all medicine prescribed by a
13 physician licensed to practice medicine in the State of Alaska.
14
15 d. "Retail" shall mean the sale of goods by a retail merchant that has a
16 retail business license which results in a sale to the end user of the
17 goods, including goods which are then incorporated into other
18 goods or products.
19
20 e. "Wholesale" shall mean the sale of goods by a wholesale distributor
21 who has a wholesale business license to a person or business
22 which is not the end user of the goods.

23
24 **12.50.030** **Exemptions.**
25

26 There shall be no sales tax on the following transactions:

- 27
28 1. Isolated sales of goods by one individual to another when the seller is not
29 engaged in the retail business of selling that good.
30
31 2. Services provided for a fee.
32
33 3. Rental of personal property unless the rental transaction for personal
34 property provides a right of purchase at the end of the rental contract.
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36 4. The sale or rental of real property.
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38 5. The wholesale sale of goods by those who hold a business license as a
39 wholesaler and who do not sell directly to the end user of the goods.
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Section 2: That a ballot proposition in substantially the following form together with the full text of Section 1 of this ordinance shall be submitted to the qualified voters of the Municipality of Anchorage at its next regular election on April 4, 2006.

PROPOSITION _____

SALES TAX ON THE RETAIL SALE OF GOODS SUBJECT TO CERTAIN EXEMPTIONS AND A CAP, A PROVISION FOR COST REIMBURSEMENT AND A SUNSET PROVISION, WITH ONE HUNDRED PERCENT (100%) OF THE TAX RECEIPTS APPLIED IN SUBSTITUTION OF PROPERTY TAXES

Shall Anchorage Ordinance 2005-_____ levying a three percent (3%) sales tax on the retail sale of goods within the Municipality of Anchorage, the receipts of which would reduce property taxes and which provides for certain specified exemptions, with a cap on the sale of individual items, with a reimbursement provision and with a sunset clause, all as provided in the Ordinance, be ratified?

This retail sales tax is subject to (under) the tax increase limitation of the Anchorage Municipal Charter, Section 14.03 (the "Tax Cap"). The sales tax shall not raise additional revenue beyond that allowed by the "Tax Cap."

Imposition of this retail sales tax under this ordinance will reduce property taxes throughout the Municipality of Anchorage on a proportional basis by application of one hundred percent of the receipts from the sales tax being applied to property tax reduction.

Section 3: That a ballot proposition in substantially the following form together with the full text of Section 1 of this ordinance shall be submitted to the qualified voters of the Municipality of Anchorage at its regular election on April 7, 2009.

PROPOSITION _____

RE-APPROVAL OF THE EXISTING SALES TAX ON THE RETAIL SALE OF GOODS SUBJECT TO CERTAIN EXEMPTIONS AND A CAP, WITH REIMBURSEMENT OF COSTS AND WITH TAX RECEIPTS APPLIED ONE HUNDRED PERCENT (100%) IN SUBSTITUTION OF PROPERTY TAXES

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Shall Anchorage Ordinance 2005- _____ which levied a three percent (3%) sales tax on the retail sale of goods within the Municipality of Anchorage, the receipts of which have reduced property taxes and which provides for certain specified exemptions, with a cap on the sale of individual items and with reimbursement for costs, all as provided in the Ordinance, be re-approved?

The retail sales tax shall continue to be subject to (under) the tax increase limitation of the Anchorage Municipal Charter, Section 14.03 (the "Tax Cap"). The sales tax shall not raise additional revenue beyond that allowed by the "Tax Cap".

The retail sales tax shall continue to be applied exclusively to the reduction of property taxes throughout the Municipality of Anchorage on a proportional basis.

Section 4: That Section 1 of this ordinance shall become effective on October 1, 2006, if and only if, the proposition contained in Section 2 of this ordinance is approved by 60% of the qualified voters of the Municipality voting on the proposition at the regular Municipal election April 4, 2006.

Section 5: That Section 1 of this ordinance shall expire on April 7, 2009, unless and only unless, the proposition contained in Section 3 of the ordinance is approved by 60% of the qualified voters of the Municipality voting on the proposition at the regular Municipal election April 7, 2009.

PASSED AND APPROVED by the Anchorage Assembly this _____ day of _____, 2005.

Chair

ATTEST:

Municipal Clerk



MUNICIPALITY OF ANCHORAGE

ASSEMBLY MEMORANDUM

No. AM 205-2005

Meeting Date: March 29, 2005

1 **From:** Assemblymember Coffey

2 **Subject: AN ORDINANCE TO LEVY A THREE (3) PERCENT SALES TAX ON**
3 **THE SALE OF GOODS WITH CERTAIN EXEMPTIONS**
4

5 The attached ordinance is being submitted to propose a 3% sales tax on all goods sold
6 at retail within the Municipality of Anchorage. The purpose of this proposed legislation is
7 to broaden the City's tax base and to provide property tax relief to the thousands of
8 homeowners and business property owners who live in our City.
9

10 The proposed sales tax will be under the existing tax cap, and will not generate new
11 revenue. One hundred percent of the revenue from the sales tax will be used for
12 property tax relief throughout the Municipality. If approved by 60% of the voters, as
13 required by the Home Rule Charter, it will replace existing property tax revenues with
14 sales tax revenues.
15

16 The proposed ordinance provides exemptions for food and prescription medications
17 with a cap of \$200.00 on any "big-ticket" item. The proposal does not tax services, real
18 property rentals, or sale transactions. In addition, it does not tax wholesale transactions
19 nor does it affect other existing City sales taxes.
20

21 The proposed ordinance provides for an annual reimbursement to retailers who collect
22 and remit the tax equal to 1/24th of the amount collected up to \$5,000.00.
23

24 Finally, the ordinance contains a sunset provision which will allow the voters two (2)
25 opportunities to approve this ordinance. The first opportunity will be in April, 2006 when
26 approval by at least 60% of the voters will be necessary to impose the tax. The second
27 vote will be in April, 2009 when the voters will be required, again by a 60% plus one
28 margin, to re-approve the sales tax.
29

30 In addition to the foregoing particulars related to the proposed ordinance, the following
31 additional information is provided:
32

- 33 - Approximately 64% of the City's budget is spent on public safety (police
34 and fire) and public works. These are the essential services of local
35 government.
36

- 1 - Approximately 60% of our City's revenues come from property taxes. In
2 2004, property taxes represented 61% of the City's revenues and, in
3 2005, the number will be approximately 57%.
- 4
- 5 - The other 43% of revenue comes from the City's other taxes (bed tax, car
6 rental tax, cigarette taxes \$35.5 million), program and user fees (\$51.4
7 million), intra-governmental charges (\$21.9 million) and from the State
8 and Federal governments (\$2.2 million).
- 9
- 10 - Assessed valuations of real property have grown by 52% on average over
11 the last five years. In many instances, assessed valuations have
12 increased by as much as 100%.
- 13
- 14 - During the same five (5) year period, the City Budget has grown by
15 approximately 20%.
- 16
- 17 - State revenue sharing has been eliminated.
- 18

19 These facts support the proposition that the City cannot continue its nearly exclusive
20 reliance on property taxes to fund essential services. The City needs to broaden its tax
21 base so that all those who benefit from basic services, are paying for a portion of those
22 services. The proposed sales tax will accomplish that and give our property taxpayers
23 some relief.

24

25 Since this ordinance must be approved by 60% of the voters of Anchorage and since
26 that cannot take place until April, 2006, there will be ample time for discussion and
27 debate. The information gathering process will go on for several months. This will
28 insure that this proposed ordinance accomplishes the goal of broadening the tax base
29 and providing property tax relief. Issues that are not anticipated at this time will surely
30 present themselves. Amendments will surely be suggested and debated. Undoubtedly,
31 some will be adopted. In the end, it is hoped that a well thought out and comprehensive
32 ordinance will be presented to the voters.

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34 Respectfully submitted: Dan Coffey, Assemblymember

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Content Information

Content ID : 002731

Type: Ordinance - AO

AN ORDINANCE OF THE ANCHORAGE MUNICIPAL ASSEMBLY TO LEVY A **THREE (3) PERCENT SALES TAX** ON THE SALE OF GOODS

Title: WITH CERTAIN EXEMPTIONS, WITH A CAP AND WITH A REIMBURSEMENT FOR COLLECTION, ALL WITHIN THE TAX CAP AND FOR THE EXCLUSIVE PURPOSE OF REDUCING PROPE

Author: gray-jacksone

Initiating Dept: Assembly

Date Prepared: 3/24/05 2:05 PM

Director Name: DickTraini

Assembly

Meeting Date 3/29/05

MM/DD/YY:

Public Hearing

Date 5/17/05

MM/DD/YY:

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AllOrdinanceWorkflow	3/24/05 2:06 PM	Checkin	gray-jacksone	Public	002731

M.O.A.
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CLERKS OFFICE

Agenda

CONSENT AGENDA - INTRODUCTION