



## MATANUSKA-SUSITNA BOROUGH

### Department of Finance

350 East Dahlia Avenue • Palmer, AK 99645

Phone (907) 745-4801 • Fax (907) 745-0886

[www.matsu.gov](http://www.matsu.gov)

### Areawide Alcohol Sales Tax Proposal, Ordinance 26-062

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Ordinance 26-062 proposes a 10% areawide alcohol sales tax, which is projected to generate between \$6,000,000 and \$15,000,000 in areawide revenue.

The Borough currently does not collect an areawide alcohol sales tax and is using data from Municipality of Anchorage and the Department of Labor population statistics to project the tax revenue. It is fair to assume there is a margin of error, since we do not have historical data to draw on.

Anchorage generates an average of \$15 million annually with its 5% alcohol sale tax. This is based upon approximately \$300 million reported in total sales. Using a proportional population ratio of the estimated over-21 population, the following are projected annual revenue estimates for the proposed 10% alcohol sales tax in the Matanuska-Susitna Borough.

Anchorage estimated Population:  $287,000 \times .75 = 215,250$

Matanuska-Susitna Borough estimated Population:  $115,000 \times .75 = 86,250$

Proportional Population Ratio  $86,250/215,250 = 40\%$

Range	Potential Annual Reported Sales	Tax Rate	Potential Annual Revenue
20%	\$60,000,000	10%	\$6,000,000
40%	\$120,000,000	10%	\$12,000,000
50%	\$150,000,000	10%	\$15,000,000

Sales information has not been adjusted for elasticity. Elasticity is the percentage loss in sales for each 1% in tax increase.

To administer this tax, it is estimated that two full-time employees would be needed costing approximately \$240,000 annually.