


SUBJECT: AN ORDINANCE OF THE MATANUSKA-SUSITNA BOROUGH ASSEMBLY AMENDING MSB 3.70 TO ESTABLISH A SALES TAX EXEMPTION WITHIN SERVICE AREA NO. 36: TALKEETNA SEWER AND WATER SERVICE AREA SO THAT ONLY THE FIRST \$1000 OF A SALE IS SUBJECT TO THE SERVICE AREA SALES TAX.

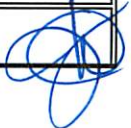
AGENDA OF: January 16, 2018

ASSEMBLY ACTION:

*amended + adopted without  
objection 2-6-18* 

MANAGER RECOMMENDATION: Introduce and set for public hearing.

APPROVED BY JOHN MOOSEY, BOROUGH MANAGER: \_\_\_\_\_

Route To:	Department/Individual	Initials	Remarks
	Originator	NS	For Assemblymember Kowalke
	Finance Director	<i>ay</i>	
	Borough Attorney	<i>BS</i>	
	Borough Clerk	<i>nm</i>	1/8/18 

ATTACHMENT (S): Fiscal Note: YES X NO \_\_\_\_\_  
Ordinance Serial No. 18-005 (3 pp)

**SUMMARY STATEMENT:** This ordinance is coming forward at the request of Assemblymember Kowalke.

On May 16, 2017, the Borough Assembly approved ordinance 17-075 and 17-074. These ordinances adopted MSB 3.70, Service Area Sales Tax and placed the question of establishing a 3% sales tax before the voters residing in Service Area No. 36: Talkeetna Sewer and Water Service Area. The sales tax was approved by the voters and takes effect January 1, 2018.

In formulating and drafting the sales tax, a limit on the total taxable transaction was considered. Initially, the ordinance contained an exemption that any portion of a sale above \$1000 was to be exempt from the sales tax. However, during consideration of the ordinance, the Borough Assembly approved an amendment to remove that provision and allow the sales tax to apply to the entire price of a sale.



That amendment was based on the premise that there are no car dealers other retail establishments of the kind selling "large ticket" items in the Talkeetna Sewer and Water Service Area. When the amendment was made, the Assembly was specifically told that in the future, if the Assembly deems it appropriate, the limit on taxable transactions can be placed by the Assembly without voter approval. However, in the absence of sales data at the time of adoption of the ordinance, the Assembly deemed it appropriate to remove the limit.

Since the sales tax has been approved and plans for implementation have occurred, it is now apparent that an exemption for sales above \$1000 is appropriate.

There are in fact some "large ticket" items in the service area such that a limit or cap is appropriate. Specifically, aircraft maintenance and repair exists in the service area and such services are very expensive. In addition, there is a mountaineering and guide service within the service area with a large cost associated with the services. It is not equitable to have certain purchasers pay a wholly disproportionate amount of the sales tax, and the taxable limit should be added to the existing ordinance.

State law generally provides that a sales tax must be approved by voters. However, AS 29.45.650, provides "notwithstanding other statutes, exemptions may be granted by ordinance." Since this ordinance will establish an exemption from tax for the amount of a good or service exceeding \$1000, it does not need to be placed before the voters. It will be effective upon Assembly approval.

The ordinance here will insert a taxable limit of \$1000 into the existing code by reestablishing the language which was previously removed. As is the case with the ordinance in general, the language largely mirrors that of the City of Wasilla sales tax.

The first change to the existing tax ordinance will insert MSB 3.70.035, which is titled "Maximum Tax Per Transaction." This section generally sets the \$1000 taxable limit and sets forth the rules of its application.



The second change to the existing tax ordinance is adding language to the table of taxes found in MSB 3.70.100(B)(2). That table will be amended to add language to clarify that it is only applicable to the first \$1000 of a sale. The amended table will read:

(2) The amount of sales tax to be added to the price of a sale, rental or service shall be determined in accordance with the following schedule:

Price of sale, rental or service	Tax
Under \$0.17	None
\$0.17 through \$0.50	\$.01
\$0.51 through \$0.83	\$.02
\$0.84 through \$1.16	\$.03
\$1.17 through \$1.50	\$.04
\$1.51 through \$1.83	\$.05
\$1.84 through \$2.16	\$.06
\$2.17 through \$2.50	\$.07
\$2.51 through \$2.83	\$.08
\$2.84 through \$3.16	\$.09
\$3.17 through \$3.50	\$.10

Over \$3.50, continue on same scale up to one thousand dollars (\$1000.00).

**RECOMMENDATION OF ADMINISTRATION:** Adoption of legislation.



# MATANUSKA-SUSITNA BOROUGH FISCAL NOTE

Agenda Date: January 16, 2107

SUBJECT: AN ORDINANCE OF THE MATANUSKA-SUSITNA BOROUGH ASSEMBLY AMENDING MSB 3.70 TO ESTABLISH A SALES TAX EXEMPTION WITHIN SERVICE AREA NO. 36: TALKEETNA SEWER AND WATER SERVICE AREA SO THAT ONLY THE FIRST \$1000 OF A SALE IS SUBJECT TO THE SERVICE AREA SALES TAX.

ORIGINATOR: NS for Assemblymember Kowalke

FISCAL ACTION (TO BE COMPLETED BY FINANCE)	FISCAL IMPACT <input checked="" type="radio"/> YES <input type="radio"/> NO
AMOUNT REQUESTED *	FUNDING SOURCE <u>Sales Tax</u>
FROM ACCOUNT #	PROJECT #
TO ACCOUNT: <u>293.000.000.3xx.4xx</u>	PROJECT #
VERIFIED BY: <u>Barbara Saunier</u>	CERTIFIED BY:
DATE: <u>1/3/18</u>	DATE:

EXPENDITURES/REVENUES:

(Thousands of Dollars)

OPERATING	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023
Personnel Services						
Travel						
Contractual						
Supplies						
Equipment						
Land/Structures						
Grants, Claims						
Miscellaneous						
TOTAL OPERATING						

CAPITAL						
---------	--	--	--	--	--	--

REVENUE	*	→				
---------	---	---	--	--	--	--

FUNDING:

(Thousands of Dollars)

General Fund						
State/Federal Funds						
Other	*	→				
TOTAL	*	→				

POSITIONS:

Full-Time						
Part-Time						
Temporary						

ANALYSIS: (Attach a separate page if necessary) \* Revenue collected is determined by actual sales.

PREPARED BY: Chapman Donald PHONE: \_\_\_\_\_  
 DEPARTMENT: \_\_\_\_\_ DATE: 1/3/18  
 APPROVED BY: \_\_\_\_\_ DATE: \_\_\_\_\_