SUBJECT: AN ORDINANCE OF THE MATANUSKA-SUSITNA BOROUGH ASSEMBLY TO DECREASE THE MARIJUANA SALES TAX LEVY FROM 5% TO 3%.

AGENDA OF:July 21, 2026

ASSEMBLY ACTION:

AGENDA ACTION REQUESTED: Introduce and set for public hearing.

Route To	Signatures
Originator	6/24/2026 X NS for Assm Bowles Signed by: Nicholas Spiropoulos
Finance Director	Recoverable Signature X Cheyenne Heindel Signed by: Cheyenne Heindel
Borough Attorney	6/24/2026 X Nicholas Spiropoulos Signed by: Nicholas Spiropoulos
Borough Manager	6/24/2026 X Michael Brown Signed by: Mike Brown
Borough Clerk	7/2/2026 X Lonnie McKe... Signed by: Lonnie McKechnie

ATTACHMENT(S): Ordinance Serial No. 26-082 (2 pp)
Fiscal Note (1 pp)
Marijuana Sales Tax Rate Memo (1 p)

SUMMARY STATEMENT: This ordinance is sponsored by Assemblymember Bowles to decrease current marijuana sales tax from 5% to 3%.

The purpose of this ordinance is to provide for a modest relief in expenses and burden for an important local industry. As discussed at a recent Borough Assembly meeting, legal marijuana businesses provide an important function by ensuring a safe product which is responsibly produced in a safe manner for the public.

Voters in the Matanuska-Susitna Borough approved a 5% sales tax on marijuana at the regular Borough election in 2016. While state law would require voter approval to raise the sales tax above 5%, the Borough Assembly can lower or raise it within the 0 to 5% range without voter approval. *See Alliance of Concerned Taxpayers, Inc. v. Kenai Peninsula Borough*, 273 P.3d 1128 (Alaska 2012).

Marijuana is already heavily taxed by the State of Alaska and heavily regulated which is costly to the industry. A modest decrease in the Borough’s sales tax rate helps ensure that responsible users are able to access the products in the legal market. Higher costs, including taxes, can lead people to the black market where the product is unregulated, may pose a danger, and pose additional public safety risks.

RECOMMENDATION OF ADMINISTRATION: Introduce and set for pubic hearing.

MATANUSKA-SUSITNA BOROUGH
FISCAL NOTE

Agenda Date: May 19, 2026

SUBJECT: AN ORDINANCE OF THE MATANUSKA-SUSITNA BOROUGH ASSEMBLY TO DECREASE THE MARIJUANA SALES TAX LEVY FROM 5% TO 3%.

FISCAL ACTION (TO BE COMPLETED BY FINANCE)	FISCAL IMPACT **YES** NO
AMOUNT REQUESTED approx.. <$774,417> *	FUNDING SOURCE Marijuana Sales Tax revenue
FROM ACCOUNT # 100.000.000 3xx.xxx	PROJECT
TO ACCOUNT:	PROJECT #
VERIFIED BY: 6/24/2026 X Liesel Zanto Signed by: Liesel Zanto	

EXPENDITURES/REVENUES: **(Thousands of Dollars)**

OPERATING	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031
Personnel Services						
Travel						
Contractual						
Supplies						
Equipment						
Land/Structures						
Grants, Claims						
Miscellaneous						
TOTAL OPERATING						
CAPITAL						
REVENUE		<774.4>				

FUNDING: **(Thousands of Dollars)**

General Fund		<774.4>				
State/Federal Funds						
Other						
TOTAL		<774.4>				

POSITIONS:

Full-Time						
Part-Time						
Temporary						

ANALYSIS: (Attach a separate page if necessary) * Based on FY25 reported sales and tax collections.

APPROVED BY:	6/24/2026 X Cheyenne Heindel

Signed by: Cheyenne Heindel

OR 26-082
IM 26-128

MATANUSKA-SUSITNA BOROUGH
Department of Finance
350 East Dahlia Avenue • Palmer, AK 99645
Phone (907) 745-4801 • Fax (907) 745-0886
www.matsu.gov

Areawide Marijuana Sales Tax Rate Decrease Proposal, Ordinance 26-082

May 14, 2026

Ordinance 26-082 proposes to decrease the current 5% Marijuana Sales Tax rate to a 3% rate. The fiscal year 2027 budget included marijuana sales tax revenue in the amount of $1,750,000. This proposal would decrease the expected revenues to $1,048,863.

Based on FY2025 reported sales and tax collections, reducing the Houston (3%) and Palmer (2%) sales tax rates to 0% and 1% respectively, and reducing the outside city limit rate from 5% to 3%, would result in an estimated annual revenue loss of approximately **$774,417**. The largest impact would come from the outside area reduction, which accounts for about **$682,796** of the total estimated loss.

FY2025 Actual Revenue and Proposed Revenue Loss

Area	FY2025 Sales Tax Paid / Revenue	Current Rate	Reported Sales	Proposed Rate	Proposed Revenue	Estimated Revenue Loss
Houston	$74,006	3%	$2,466,875	1%	$24,669	($49,337)
Palmer	$42,284	2%	$2,114,199	0%	$0	($42,284)
Outside	$1,706,990	5%	$34,139,795	3%	$1,024,194	($682,796)
Total	**$1,823,280**		**$38,720,870**		**$1,048,863**	**($774,417)**

*City of Houston collects a 2% tax. City of Palmer collects a 3% tax.

The average sales tax collected for marijuana from 2022-2025 is $1,806,325 with reported sales being an average of $39,656,657.

No additional staff is needed to administer this tax change.

Staff does recommend that the change be implemented on July 1, 2027, to allow the change to be included in the fiscal 2028 budget and prevent a potential deficit in unassigned fund balance. The fiscal year 2027 unassigned fund balance is projected to be $8,352 at June 30, 2026, with the marijuana sales of $1,750,000.

IM 26-128
OR 26-082