



# MATANUSKA-SUSITNA BOROUGH

## Department of Finance

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### Areawide Owner-Occupied Residential Real Property Exemption and 1.5% Sales Tax Proposal, Ordinance 26-072

May 26, 2026

Ordinance 26-072 proposes an Owner-Occupied Residential Real Property Exemption and a 1.5% areawide sales tax (with exemptions for sales within the Cities). The exemption will result in a \$75,000 reduction in taxable value for each owner-occupied residential real property that has been granted after filing an application. This cost will be offset with a 1.5% areawide sales tax which exempts sales within the Cities.

The Borough currently does not collect an areawide sales tax and is using data from within the cities to project what sales tax revenue may look like outside of the cities. It is fair to assume there is a margin of error, since we do not have historical data to draw on.

1. **Sales taxes reported by each jurisdiction in Fiscal Year 2024.** These figures include online sales within the cities.

Fiscal Year 2024				
Location	Gross Sales	Sales Tax Rate	Sales Tax Revenue	1% Sales Revenue
Wasilla	\$1,001,009,160	2.5%	\$25,025,229	\$10,010,092
Palmer	\$370,306,433	3.0%	\$11,109,193	\$3,703,064
Houston	\$31,320,350	2.0%	\$626,407	\$313,204
Talkeetna	\$35,154,700	3.0%	\$1,054,641	\$351,547

2. **Online Sales.** Per the Census Bureau's Quarterly Retail E-Commerce Sales Report, US online retail spending annually is approximately \$3,600 per capita. Using a base taxable population of 73,832 (outside city limits), that leads to an **online taxable sales per person of \$3,600.**

Online Sales				
Taxable Population	73,832	Low Range (-10%)	Mid Range	High Range (+10%)
Taxable Sales Per Person	\$3,600	\$2,392,157	\$2,657,952	\$2,923,747

3. **Direct sales outside of the cities.** Since the Borough has no historical data to support an analysis of how much revenue might be generated from direct sales outside the cities, this analysis used a ratio from the McDowell study (page 15) that shows the rest of the Borough’s sales tax revenue at approximately 50% of the city of Wasilla’s total sales.

Direct Sales Outside the Cities						
Location	Adjusted Gross Sales @ 1%	1% Sales Tax Revenue	Adjusted Gross Sales @ 2%	1% Sales Tax Revenue	Adjusted Gross Sales @ 3%	1% Sales Tax Revenue
Outside of Cities	\$492,997,011	\$4,929,970	\$489,243,227	\$4,892,432	\$485,489,443	\$4,854,894

4. **Estimating total sales tax revenue.** Total revenue is arrived at by combining the following estimates:
- Projected online sales from outside of the cities and within the Borough.
  - Projected direct sales from outside of the cities and within the Borough.

	1%	1.5%	2%
Online sales from outside cities (3 - Low Range)	\$2,392,157	\$3,588,235	\$4,784,314
Direct sales outside of the cities	\$4,929,970	\$7,338,648	\$9,784,865
Total projected sales tax revenue	\$7,322,127	\$10,926,884	\$14,569,178

5. **Estimated Cost of \$75,000 Owner-Occupied Residential Real Property.** The Borough Assessor estimated that there are a total of 38,528 eligible properties. Of this amount 11,917 are already receiving an exemption from the senior or disabled veteran program. Under this proposed code section, a property can only benefit from one exemption type. After the properties with an existing exemption are removed there are 26,611 properties eligible.

Eligible Residents	Cost if 50% apply (13,306)	Cost if 75% apply (19,958)	Cost if 100% apply (26,611)
26,611	\$7,938,692	\$11,907,442	\$15,876,787

To administer this tax, it is estimated that three full-time employees would be needed costing approximately \$360,000 annually.