MATANUSKA-SUSITNA BOROUGH INFORMATION MEMORANDUM IM No. 26-129

SUBJECT: AN ORDINANCE OF THE MATANUSKA-SUSITNA BOROUGH ASSEMBLY ADOPTING MSB 1.10.170 AND MSB 3.35, 3 PERCENT AREAWIDE SALES TAX, ENACTING AN AREAWIDE REAL PROPERTY TAX CAP OF 4 MILLS, AND SUBMITTING THE PROPOSITION TO THE VOTERS AT THE NOVEMBER 3, 2026, REGULAR BOROUGH ELECTION.

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 Assym Bernier 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): Fiscal Note (1pp)
Ordinance Serial No. 26-083 (48 pp)
Sales Tax Projections Memo (3 pp)

SUMMARY STATEMENT: This ordinance is sponsored by Assemblymember Bernier to allow the Borough to levy a 3% areawide sales tax within the entire Matanuska-Susitna Borough and enact an areawide real property tax cap of 4 mills. State law allows the Matanuska-Susitna Borough to institute a sales tax, but requires that it be approved by the voters before it can take effect.

Currently, the MSB Assembly establishes the mill rate for areawide real property taxes and sets the rate on an annual basis. Historically, the assessments of land and structures were reasonable but in recent years with the Covid pandemic and the upward shift in nationwide inflation, property assessments have exponentially grown making the tax burden two, three, and sometimes four times more than recent years. The current system of taxation in the Matanuska-Susitna Borough places an overwhelming burden of taxes on real property rather than spreading the tax burden evenly across all aspects of activity throughout the entire Borough.

The intent of this ordinance is to capture a wider tax revenue source rather than continue place the overwhelming burden of taxes on those residents that own real property. This shift will lower the tax burden for all borough residents owning real property while capturing transient activity in our Borough such as tourism, hospitality, and entertainment. This proposed ordinance will be placed on the November 3, 2026 ballot for all Borough residents to vote whether to approve this shift in the tax structure.

<u>Key Differences between real property tax and sales tax</u>

Property Tax:
Based on an assessed value of land and structures which perpetually increase. The tax amount is determined by multiplying the assessed value of property by the local tax mill rate.

Sales Tax:
Based on the price of goods and services sold at that time. It is calculated as a percentage of the sale price at the time of purchase.

Property Tax:
Required to be paid in no more than 2 installments each year. Tax burden never goes away.

Sales Tax:
Paid at the time of purchase, making it a one time payment for each transaction.

Property Tax:
Paid only by real property owners, including individuals and businesses. Tax is levied again and again every year even if the real property is owned outright.

Sales Tax:
Paid by all consumers in the borough at the point of sale when purchasing taxable goods and services. Paid once and never again during continual ownership of the goods.

The sales tax proposal here largely mirrors the sales tax currently levied within the cities and the Talkeetna Sewer & Water Service Area. This means that the administration of the sales tax will not be something new, unusual, or unique.

Of note, MSB 3.35.040 will require taxation of all sales and rentals delivered into the Matanuska-Susitna Borough if the seller is not located in the Borough but provides goods or services over $100,000 annually or conducts more than 200 transactions annually in the Borough. In plain terms, this means that internet sales are taxed. In 2018, the United States Supreme Court ruled that a business does not have to be physically located in a State to satisfy the demands of due process, which requires that there be some definite link, some minimum connection, between a state and the person, property or transaction it seeks to tax. See South Dakota v. Wayfair, Inc., 138 S.Ct. 2080 (U.S. 2018). The Matanuska-Susitna Borough is aware of the holding and the policy reasons for the State of South Dakota enacting the tax at issue in Wayfair and is adopting this proposed sales tax for the same reasons. The requirement that taxes on interstate commerce must apply to an activity with a substantial nexus with the taxing authority is established when the taxpayer or collector avails itself of the substantial privilege of carrying on business in that jurisdiction. The Borough's sales tax ordinance as it applies to non-resident sellers is generally copied from the South Dakota law.

The sales tax to be implemented in this ordinance applies areawide and does not exempt any sales taxes currently levied by the cities within the Borough.

The areawide sales tax will become effective on April 1, 2027 only if the ballot proposition in the ordinance is approved by a majority of the qualified areawide voters voting on the proposition at the regular Borough election on November 3, 2026.

In addition, if the sales tax proposal is approved, the Matanuska-Susitna Borough code will be amended to read that the borough may not levy an areawide real property mill rate above 4 mills. The Matanuska-Susitna Borough Assembly will still consider and vote on a budget for FY 2028. However, it is anticipated that the areawide sales tax will fund approximately ½ of the revenue currently collected by real property taxes only.

RECOMMENDATION OF ADMINISTRATION: Introduce and set for public hearing.

MATANUSKA-SUSITNA BOROUGH
FISCAL NOTE

Agenda Date: July 21, 2026

SUBJECT: AN ORDINANCE OF THE MATANUSKA-SUSITNA BOROUGH ASSEMBLY ADOPTING MSB 1.10.170 AND MSB 3.35, 3 PERCENT AREAWIDE SALES TAX, ENACTING AN AREAWIDE REAL PROPERTY TAX CAP OF 4 MILLS, AND SUBMITTING THE PROPOSITION TO THE VOTERS AT THE NOVEMBER 3, 2026, REGULAR BOROUGH ELECTION.

FISCAL ACTION (TO BE COMPLETED BY FINANCE)	FISCAL IMPACT **YES** NO
AMOUNT REQUESTED *	FUNDING SOURCE Tax revenue
FROM ACCOUNT #	PROJECT
TO ACCOUNT: xxx.xxx.xxx 3xx.xxx	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						

FUNDING: **(Thousands of Dollars)**

General Fund						
State/Federal Funds						
Other						
TOTAL						

POSITIONS:

Full-Time						
Part-Time						
Temporary						

ANALYSIS: (Attach a separate page if necessary) *The fiscal impact depends on property values and actual property and sales taxes collected.

APPROVED BY:	Recoverable Signature X Cheyenne Heindel

Signed by: Cheyenne Heindel

OR 26-083
IM 26-129

MATANUSKA-SUSITNA BOROUGH

Department of Finance

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Areawide Mill Rate Cap of 4 mills and 3% Sales Tax Proposal, Ordinance 26-083

June 23, 2026

Ordinance 26-083 proposes an Areawide mill rate cap of 4 mills and a 3% areawide sales tax. FY2027 areawide property taxes are projected to generate $129,576,700 with a mill rate of 7.955. Based upon the below analysis, finance anticipates that the combination of 3% areawide sales tax and 4 mill property tax would result in total revenue of $129,532,947.

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. **Price Elasticity of Demand.** As referenced in the McDowell Group study, a new or increased sales tax can reduce gross sales for some industries, as consumers choose not to purchase at a higher price and/or seek lower-cost alternatives elsewhere. The degree to which an industries' sales are impacted by price changes, known as the price elasticity of demand, varies by industry. With a large commuter population accustomed to driving to Anchorage from the Mat-Su, imposition of a borough-wide sales tax would likely impact gross sales of the wholesale and retail trade industries most within the borough and would increase Mat-Su resident spending with Anchorage retailers. **This analysis uses the McDowell Group study's assumption that gross sales decrease by 1.5% for each 1 percentage point increase in the sales tax**. The table below shows the gross sales for each area under 6%, 7%, and 8% sales tax rates, and projects the revenue.

Price Elasticity of Demand						
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
Wasilla	$985,994,023	$9,859,940	$978,486,454	$9,784,865	$970,978,885	$9,709,789
Palmer	$364,751,837	$3,647,518	$361,974,538	$3,619,745	$359,197,240	$3,591,972
Houston	$30,850,545	$308,505	$30,615,642	$306,156	$30,380,740	$303,807
Talkeetna	$34,627,380	$346,274	$34,363,719	$343,637	$34,100,059	$341,001
Total		$14,162,238		$14,054,404		$13,946,569

3. **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

4. **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 @ 6%	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

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

Total projected sales tax revenue				
	1%	1.5%	2%	3%
City sales tax adjusted for elasticity (1 & 2)	$14,162,238	$21,081,605	$28,108,807	$41,839,708
Online sales from outside cities (3 - Low Range)	$2,392,157	$3,588,235	$4,784,314	$7,973,856
Direct sales outside of the cities	$4,929,970	$7,338,648	$9,784,865	$14,564,683
Total projected sales tax revenue	$21,484,365	$32,008,489	$42,677,985	$64,378,247

6. Based on the proposed assessed valuation from the fiscal year 2027 budget 1 mill equals approximately $16,288,700.

1 mill property tax	2 mill property tax	3 mill property tax	4 mill property tax
$16,288,700	$32,577,400	$48,866,100	$65,154,800

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