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 Owner-Occupied Residential Real Property Exemption and 1% Sales Tax Proposal, Ordinance 26-072 August 4, 2026

Ordinance 26-072 proposes an Owner-Occupied Residential Real Property Exemption and a 1% 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.

The following outlines the revenue assumptions based on a proposed amendment which proposes an areawide 1% sales tax with the same residential property tax exemption. This amendment is projected to raise approximately $21,484,365 annually.

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. 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.