

Municipal Sales Taxes

Alaska Statutes 29.45.650-710 authorize the levy of sales and use taxes at the municipal level. The statutes give broad authority to municipalities to levy taxes on sales, rents and services provided within the municipality. There are only a couple of limitations placed upon municipalities in regards to levying a sales tax. Orbital space facilities are exempt from the levy of sales tax and alcohol may not be taxed unless other items are similarly taxed. A borough may not levy a sales tax on food coupons, food stamps, or other types of certificates issued under the federal Food Stamp Act. A borough may not levy or collect a sales or use tax on (1) physical transfer of refined fuel, unless in connection with a sale or use in the borough, or (2) wholesale sales or transfers of fuel refined in the borough. A sale is in the borough if the fuel is delivered to the buyer in the borough. Local ordinance may grant other exemptions.

A general law municipality that levies a sales tax may levy a use tax on the storage, use or consumption of tangible personal property; however, the use tax rate must equal the rate of sales tax and may only be levied on buyers. These limits do not apply to home rule municipalities.

There are no limits by statute on the rate of levy for sales or use taxes for a municipality. Such taxes are defined in Title 43 as taxes imposed with respect to transfer for a consideration of ownership, possession or custody of tangible personal property or rendering of services measured by the price of the tangible personal property transferred or services rendered and which is required by state or local law to be separately stated from the sales price by the seller or which is customarily separately stated from the sales price, but does not include a tax imposed exclusively on the sale of a specific commodity or article or class of commodities or articles.

Title 29.45.810, exemption from municipal taxation, states that for a party to a contract approved by the legislature as a result of submission under the SGA, the property, gas, products and activities associated with such approved, qualified project are exempt, as specified in the contract, from all taxes identified in the Act that would be levied and collected by a municipality under state law as a consequence of the participation by the party in the approved project.

Revenues by Tax Type

At an April 16, 2004 MAG meeting, there was general discussion of sales and use taxes and the differences between municipalities' taxes and tax rates, exemptions, administrative procedures, and transaction caps. There was discussion about sales/use tax restrictions during construction and/or operations. Finally, there was discussion about whether the administrative complexity or the administrative costs would be balanced by potential savings to a successful applicant.

The following tables show each municipality's tax types, tax revenues and percentage of total tax revenue by type. The information was taken from Alaska Taxable 2003.

Municipality of Anchorage

Tax	Tax Revenues	% of Total Tax
Property Tax	\$315,874,931	
General Sales Tax	0	
Bed Tax	\$ 11,007,248	
Alcohol Tax	0	
Tobacco Tax	\$ 5,349,091	
Other Special Use Tax	\$ 4,682,406 (car rental tax)	
Other Special Use Tax	\$ 202,860 (aircraft tax)	

City of Delta Junction

No sales or special taxes

City of Fairbanks

Tax	Tax Revenues	% of Total Tax Revenues
Property Tax	\$8,076,192	
General Sales Tax	0	
Bed Tax	\$1,786,026	14.46%
Alcohol Tax	\$1,162,927.83	9.41%
Tobacco Tax	\$799,567	6.47%
Other Special Use Tax		

Fairbanks North Star Borough

Tax	Tax Revenues	% of Total Tax Revenue
Property Tax	\$68,013,870	
General Sales Tax	0	
Bed Tax 8%	\$1,305,822	2%
Alcohol Tax 5%	Effective July 1, 2004	
Tobacco Tax 8%	Effective July 1, 2004	
Other Special Use Tax		

Haines Borough

Tax	Tax Revenues	% of Total Tax Revenue
Property Tax	\$1,818,643	
General Sales Tax 5.5%	\$1,899,249	
Bed Tax 4%	\$ 101,683	
Alcohol Tax		
Tobacco Tax		
Other Special Use Tax 4%	\$ 191,192 (Tour Tax)	

Kenai Peninsula Borough

Tax	Tax Revenues	% of Total Tax Revenue
Property Tax	\$41,693,443	
General Sales Tax 2%	\$14,370,582	
Bed Tax	0	
Alcohol Tax	0	
Tobacco Tax	0	
Other Special Use Tax	0	

City of North Pole

Tax	Tax Revenues	% of Total Tax Revenue
Property Tax	\$ 755,335	
General Sales Tax 3%	\$1,336,630	
Bed Tax	0	
Alcohol Tax	0	
Tobacco Tax	0	
Other Special Use Tax	0	

North Slope Borough

Tax	Tax Revenues	% of Total Tax Revenue
Property Tax	\$199,653,165	100%
General Sales Tax*	0	
Bed Tax	0	
Alcohol Tax	0	
Tobacco Tax	0	
Other Special Use Tax	0	

*NSB receives a payment in lieu of taxes for economic development

City of Seward

Tax	Tax Revenues	% of Total Tax Revenue
Property Tax	\$ 712,175	
General Sales Tax 3%*	\$2,165,586	
Bed Tax 4%	\$ 217,482	
Alcohol Tax	0	
Tobacco Tax	0	
Other Special Use Tax	0	

Effective April 1, 2003 the sales rate is 4%

Skagway

Tax	Tax Revenues	% of Total Tax Revenue
Property Tax	\$1,148,146	
General Sales Tax 4%	\$2,531,977	
Bed Tax 8%	\$ 91,782	
Alcohol Tax		
Tobacco Tax		
Other Special Use Tax		

Valdez

Tax	Tax Revenues	% of Total Tax Revenues
Property Tax	\$20,260,164	
General Sales Tax	0	
Bed Tax 6%	\$ 256,803	
Alcohol Tax	0	
Tobacco Tax	0	
Other Special Use Tax	0	

Transactions Limits/Exemptions for General Sales Tax

Evaluating the cost/benefit of sales taxes requires discussing the various transaction limits and exemptions municipalities have in their sales tax code. A complete list of exemptions for all municipalities that levy a sales tax is attached.

City of North Pole: seventeen exemptions from sales tax. The transaction cap amount is \$200.00. With a 3% sales tax, the maximum tax per transaction is \$6.00.

Haines Borough: 31 exemptions from sales tax, no transaction limits, with the exception of the sale of construction materials and services exceeding \$10,000.00. Construction materials are defined as those items becoming a permanent part of the structure. Contractors may apply for a numbered sales tax exemption permit which exempts the purchaser from paying sales tax on the particular project.

The Haines Borough defines “retail sale” as any sale of real or tangible personal property, including barter, credit, installment and conditional sales, for any purpose other than resale in the regular course of business. The delivery of property in the Borough by a seller whose principal place of business is outside the Borough to a buyer or consumer is a retail sale made within the Borough if such retailer maintains any office, distribution, or sales house, warehouse or any other place of business, or solicits business or receives orders through any agent, salesperson, or other type of representation within the Borough.

City of Skagway: 22 exemptions from sales tax in code, no specific transaction limit. However, sales of building and construction materials exceeding \$2,500 for use on any one construction project approved by a city building permit and paid for by any one purchaser during any 12-consecutive month period is exempt from sales tax. In addition, contracts and subcontracts for any new construction and reconstruction services on projects and structures for industrial, commercial, residential, and nonprofit purposes are exempt.

City of Seward: 15 exemptions from sales tax. The sales tax is applied only to the first \$500 of each separate sale, rent or service transaction. A transaction involving payment for services or personal property to be rendered or delivered over a period of more than one month for a consideration in excess of \$500 shall be treated as several separate transactions.

Kenai Peninsula Borough: approximately 22 exemptions from sales tax. Taxes are assessed on the first \$500 per transaction. KPB has an exemption for sales of building construction materials for owner/builders and only if the materials become part of the permanent structure. The borough charges a fee of \$100 for a tax exemption certificate for owner/builders.

On taxing jurisdiction, KPB code states the rate of tax to be added to the sale price is based on the place of sale, which for goods and merchandise is the location of the retail outlet; the same rule applies if the invoice includes a charge for installation. When goods are delivered into the borough from outside of the borough and the seller maintains an ongoing physical presence in the borough, the location of the seller’s in-borough presence will determine the place of sale. If a seller has no ongoing physical presence in the borough but has established nexus with the borough, the point of delivery will determine the place of sale. If the seller has no ongoing physical presence in or nexus with the borough the sale is not subject to the borough sales tax. Nexus means the seller has established a connection within the borough by use of marketing techniques or sales, which establish or maintain a market for its goods in the borough.

Other Points of Discussion

In order to determine the cost/benefit of eliminating or modifying municipal sales/use taxes for purposes of a contract under the SGA, the following are items that may warrant further discussion:

- Materials/goods particular to gas pipeline project
- Point of sale for materials/goods
- Likely tax amount for applicant given sales tax rates, exemptions and transaction limits
- Cost of administration of modifying or exempting gas pipeline materials/goods/services from existing taxes
- Ease of expanding existing exemptions, i.e. construction materials, for gas pipeline materials/goods/services