

SENIOR SALES TAX EXEMPTION  
TASK FORCE

REPORT TO ASSEMBLY  
OF THE  
CITY AND BOROUGH OF JUNEAU

APRIL 25, 2006

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## MISSION

The Senior Sales Tax Exemption Task Force (Task Force) was appointed by the Mayor of the City and Borough of Juneau in December 2005 to develop a set of available options that involve the eventual elimination of the Senior Sales Tax Exemption including present impacts and future projections for the existing senior sales tax exemption. The Task Force shall decide on agreed upon facts.

A copy of the Mission Statement is labeled Attachment A.

## METHODOLOGY

The Task Force began meeting approximately weekly on January 17<sup>th</sup> 2006. The Task Force schedule calls for a report with the developed options to the Assembly no later than April 30, 2006.

The Task Force received information or report copies from City staff regarding various aspects of the status of the optional senior sales tax exemption program including; projected growth of senior citizens and costs based on U.S. Census Data; the CBJ property tax exemption program for seniors; the CBJ Budget; the League of Women Voters Budget Survey for 2004; copies of reports of the Mayor's Task Force on Fiscal Policy and the Assembly Finance Committee Tax Policy Subcommittee; and, a copy of the report "Revisiting State Tax Preferences for Seniors" by the Center on Budget and Policy Priorities (Attachment B).

The Task Force agreed the census data showed the growth in the number of seniors was continuing and accelerating and that the program was an administrative burden to merchants. The census data is labeled Attachment C.

The Task Force developed fourteen potential options to eliminate or change the senior sales tax exemption. These options were submitted for public comment to identify any options which the Task Force should also consider (Attachment D).

The Task Force reviewed the comments from the public and developed five options to change or eliminate the senior sales tax exemption (Attachment E). The Five Options were accompanied by a list of points to explain the Five Options (Attachment F). The public was asked to choose one option which "If the Assembly has to eliminate the senior sales tax exemption, what is the best way to do it?" The citizens were also asked to provide a specific alternative for Assembly consideration if the five options did not suit their preferences.

The Task Force held four public hearings regarding the five options.

1. Friday March 31, 2006 at the Juneau Senior Center
2. Tuesday April 4, 2006 in the Assembly Chambers

3. Thursday April 6, 2006 at the Douglas Library

4. Friday April 7, at the Valley Library

Approximately 70 people attended each public hearing. 16 to 22 people testified at each hearing.

### PUBLIC COMMENT SUMMARY

Of the people who testified and submitted written comments, most expressed their preference that the Assembly not change the senior sales tax exemption but, the Assembly should eliminate non-Juneau residents from the program. Of the people willing to express a preference as to which of the five options is the best way to eliminate the senior sales tax exemption, the majority favored grandfathering in current Juneau residents and eliminating non-Juneau residents. The majority of speakers did not want to have a rebate program, or an annual payment subject to appropriation by the Assembly, or a means test for sales tax exemption eligibility.

Some seniors and non senior citizens expressed the opinion the sales tax exemption is nice but we can no longer afford it and it is time to end the program. Other seniors and non seniors expressed the view the program is subject to abuse.

When the five alternatives were outlined, some people said the Assembly should be more aggressive in collecting delinquent sales taxes, cut funding for Eaglecrest, the ice rink and the swimming pool or cut the fat at the City. Some seniors suggested firing the City Lobbyist for failing to restore municipal revenue sharing and get someone who can do the job.

### OPTION

Following a review of the public hearing comments the Task Force identified an option to change the senior sales tax exemption labeled "Senior Sales Exemption Task Force Recommendation".

Our Recommendation grandfathers in current Juneau residents and age eligible seniors who relocate to Juneau but gradually raises the age of eligibility to 75 as the grandfathered seniors grow older. As of December 31, 2016 and thereafter, only those 75 or over would be eligible. This option continues the program indefinitely. If between now and 2016 it is determined that the program must be eliminated in its entirety, the Assembly should consider continuing to raise the age of eligibility.

The effect of Our Recommendation on current Juneau residents who have already reached 65 is nil. The effect on others who will have to wait until they are 75 is probably minimal.

Our Recommendation bases residency on Permanent Fund Eligibility with a Juneau address and eliminates eligibility for non residents. Our Recommendation partially relieves the burden on merchants. Our Recommendation is for three year periods with renewal upon written application at no charge to the eligible senior. Our Recommendation would require a fee for the initial card.

## POLICIES AND PROGRAM RECOMMENDATIONS

If the Assembly has to change or eliminate the senior sales tax exemption, it is the recommendation of the Task Force that any new revenues generated not be used to expand city services or the numbers of employees. It is our further recommendation that the Assembly express an intent to use such revenues to lower the overall tax burden for all taxpayers and to help maintain Senior Citizen Services such as Care A Van.

## SUMMARY

The Senior Sales Tax Exemption Task Force presents this report with Our Recommendation to the Assembly and thanks you for the opportunity to serve our community.

## SENIOR SALES TAX EXEMPTION TASK FORCE RECOMMENDATION

If the Assembly decides to change the Senior Sales Tax Exemption, the Senior Sales Tax Exemption Task Force recommends the following option with the following terms of eligibility. If between now and 2016 it is determined by the Assembly that the program must be eliminated in its entirety, the Assembly should consider continuing to raise the age of eligibility.

The sales tax exemption eligibility age would increase by one year per calendar year as follows:

On this Date	The Qualification Age Is
12/31/2006	65
12/31/2007	66
12/31/2008	67
12/31/2009	68
12/31/2010	69
12/31/2011	70
12/31/2012	71
12/31/2013	72
12/31/2014	73
12/31/2015	74
12/31/2016	75

- Only age qualified Juneau residents are eligible for the sales tax exemption.
- Juneau residency shall be determined by Permanent Fund eligibility with a Juneau Address for the age qualified person.
- Any person who is age qualified and relocates to Juneau after the new ordinance takes effect shall be eligible for the exemption.
- Resident spouses of eligible Juneau residents shall also be eligible.
- All senior sales tax exemption cards issued prior to the effective date of the new ordinance shall become void and replaced with a new card which shall be renewed every three years, without charge, for qualifying Juneau residents.
- Initial eligibility and renewal applications shall be submitted in written form by the qualifying resident.

The benefit of this approach would be –

- First, it allows the existing Juneau seniors to be grandfathered in.
- Second, it provides an exemption to seniors when they are most likely to need financial assistance (age 75 and over).
- Third, age demographics projections show that the greatest number of individuals over 65 will be in the 65 to 75 age group. Thus, eliminating individuals between 65

and 75 will have a significant impact (likely a reduction great than 50%) on the total number of seniors qualifying.

- Fourth, it is likely that seniors over 75 purchase less than seniors between 65 and 75. As such, eliminating this age group will also reduce the average per person dollar impact.
- Fifth, since the total number of seniors qualifying will be reduced, it helps reduce the exemption accounting/tracking costs incurred by merchants.