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October 9, 2014

Honorable Mayor Merrill Sanford
And
Assembly Members
City and Borough of Juneau
155 S. Seward
Juneau, Alaska 99801

Dear Mayor Sanford and CBJ Assembly;

The Juneau Chamber of Commerce appreciates the work of the Assembly and its Tax-Exempt Review Committee (TERC) to evaluate the CBJ's tax code and the suggested recommendations for changes to the code. The Governmental Affairs Committee and Chamber Board have followed the TERC's progress closely, attending all meetings, and have surveyed and discussed this matter with our membership.

Based on our work to date, the Chamber Board has developed the following positions with respect to the options currently being discussed. We make these recommendations in the hope that it will help to inform you on what is important to the Chamber and our membership as you develop concrete proposals. We make these recommendations in an air of collaboration and seeking a good, sustainable solution to the CBJ's current budget concerns. Solving CBJ's structural budget issues will take a community effort, which will require all to sacrifice some.

The following is the basis for our position:

First, we believe there are significant reductions in spending that are possible without impacting services. The CBJ must continue a deliberative process to identify significant cost reductions in the near term and adopt policies to control costs in the longer term. Our position will be supported only with meaningful and significant reductions; however, we recognize that cost reductions must be accompanied by revenue adjustments to address ongoing budget concerns.

Second, while we believe everyone needs to participate in resolving our budget woes, it is important to remember that any tax must be based on sound public policy and be fair and equitable to all taxpayers. As such, no tax should disproportionately target or benefit one group

Third, we believe the budget solution needs to be a community solution. All stakeholders need to be willing to sacrifice some in order to address ongoing budget concerns.

Fourth, the Chamber of Commerce believes revenue should come from sales tax as opposed to property tax. Sales tax is broader-based and we believe is a better focus for an adjustment to revenue.

Accordingly, the Chamber makes the following recommendations.

First, the CBJ should provide a broad-based exemption from sales tax for food, home electricity, fuel (heating and propane) for every Juneau resident. The Assembly should retain the exemptions for medical services and medicine. The CBJ should also retain the hardship exemption for property tax. These exemptions should accompany a 1% increase in the annual sales tax – from 5% to 6% along with the elimination of the separate senior sales tax exemption. Such a change will protect seniors, especially those with the lowest incomes, from paying sales tax on staples, provide benefit to struggling younger families, and it would greatly reduce the compliance and administrative burden on businesses and the CBJ for administering the senior sales tax exemption. This change will also result in needed additional revenue to the CBJ. We believe such a change is fair, reduces the regressive nature of the sales tax and accomplishes the CBJ goal of making Juneau less expensive for young families while retaining protection for a significant component of the senior exemption.

Second, the Chamber will oppose any change to the Out of Borough Exemption. Such a change would slant the playing field significantly away from Juneau merchants who must compete with Seattle and other Southeast Alaska-based businesses whose customers do not have to pay tax on similar sales. This change would disproportionately be borne by Juneau merchants and make Juneau a much less attractive shopping destination. Further, the Chamber believes changing this exemption will have the effect of reducing Juneau sales which in turn would be counter-productive to the goal of raising sales tax revenue.

Third, the Chamber supports a modest increase to the \$7,500 sales tax cap on individual sales. Given the length of time since the cap amount was instituted, an adjustment to a higher level seems reasonable given price inflation. While we haven't specifically developed a new cap number, based on input from our members, we believe an increase to approximately \$10,000 is reasonable. We also would like the CBJ to consider phasing any increase over a period of years.

Fourth, we believe the senior exemption should be repealed and replaced as discussed above. The Chamber is hesitant to support changing the senior exemption to a needs-based system or to limit it to food, home electricity, and home heating fuel and propane if a broad-based solution combined with an increase in the annual sales tax is not adopted a due to the resulting administrative and bureaucratic cost to the City to administer a needs-based exemption program or a needs-based rebate program. We are also concerned that many seniors may not want to divulge financial information in a needs-based program and thereby forgo the exemption when it would be available to them.

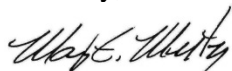
Fifth, the Chamber will oppose a seasonal sales tax as this unduly targets the tourist industry and Juneau residents when so many people engage in home improvement and other summer-related buying. An increase in the sales tax should be annual.

Finally, going forward the CBJ must live within its means. The Chamber makes the above recommendations for additional revenue but will be very reticent to support future tax increases. CBJ must adopt a long-term planning view when it comes to making spending and revenue decisions. The two-year budget cycle approach is too short-term. Unless some change to the senior exemption is made, any short term benefit in raising other revenue will be consumed by the increasing senior population in a few short years.

We will continue to monitor the progress of the TERC and its recommendations to the Assembly and expect to provide additional comments as concrete proposals are adopted by the TERC and Assembly. We appreciate the assistance and time that Mr. Bartholomew and Mr. Singletary have provided on this issue.

Thank you for your service and for tackling this very complex and difficult matter.

Sincerely,



Max E. Mertz, CPA
President, Juneau Chamber of Commerce