



Greater Juneau Chamber of Commerce

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Richard Burns

Juneau Radio Center

Benjamin Brown *

Attorney at Law

April 21, 2022

Mayor Beth Weldon & Members of the Assembly,

At your March 2, 2022 finance committee meeting, Jeff Rogers presented memos to you regarding possible changes to sales tax exemptions, most notably, the possible exemption of food and utilities. The Juneau Chamber of Commerce considers these possible changes of great importance. The impact to our members and, of course, the entire community will be significant.

When the Assembly last considered changes to the sales tax code in 2014, and again in 2016, the Chamber closely monitored the Assembly's deliberations and made recommendations. Because of the passage of time the impacts of changes may be different today than before, therefore the previous recommendations by the Chamber should not be considered as still in effect today.

As a way to begin gauging our members' initial opinion about possible changes outlined in the March 2, 2022 memos, the Chamber of Commerce polled our membership. Those results are attached. Without consideration to how the Assembly may pay for an exemption on food or utilities, overall, the membership did not have a strong opinion on exempting food or utilities. However, there was strong opposition to increasing the sales tax rate from 5 to 6 percent on an annual or seasonal basis to pay for it. There was also strong opposition to increasing or repealing the single item or service tax cap, or increasing property tax, to pay for an exemption on food or utilities. The membership did not have a strong opinion about removing the nonprofit sales exemption.

When asked to rank possible ways to pay for a tax exemption, 70% of our membership ranked "Reduction in CBJ Spending" as the preferred or second choice alternative. Around 40% ranked the elimination of nonprofit sales or leaving the policy as is first or second. Increasing taxes in any manner had little support, as did implementing a seasonal sales tax.

Based on the results of this survey, the Juneau Chamber of Commerce is not yet ready to make a recommendation for or against a change to the food or utility exemption. However, an increase in existing taxes as a way to pay for a food or utility exemption will be opposed by our members and the Chamber of Commerce. Also, given the clear harm that will occur to certain members of our business community by an increase in the single item or service cap, the Chamber of Commerce will oppose any change that includes lifting the current threshold beyond the annual CPI-tied changes.

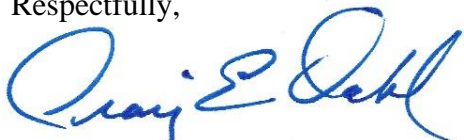
The Chamber strongly encourages the Assembly to consider its existing revenues and available budget to finance an exemption on food or utilities. The CBJ projects its fund balance to be \$50.86MM at the end of fiscal year 2022. Ten years ago, in 2012, its fund balance was \$17.29MM. During the fiscal years from 2012 through 2019, the last year before the pandemic, the fund balance had grown to \$35.09MM, or nearly \$18MM. That fund balance growth was primarily due to favorable sales tax results compared to budget. In the seven years from 2013 through 2019, actual sales taxes collected exceeded the budget by \$13MM. Most of the rest of the surplus was due to budget lapses. During the pandemic years of FY 20 and FY 21, the CBJ added another \$7.96 million to its fund balance due to unabated property tax revenue combined with underutilizing the available federal pandemic funding. In fiscal year 2022, CBJ projects additional growth in its fund balance of \$7.82MM. Of this increase, about one-half, \$3.8MM is projected by CBJ staff to be due to sales tax revenue in excess of budget.

The past ten years indicate that CBJ has a structural budget surplus. The CBJ also has a new revenue stream from remote sales tax. Mr. Rogers expects \$3MM from remote sales tax in the coming year. Based on this it seems reasonable that some or all of a sales tax exemption for food or utilities could be paid for with available revenues. We believe CBJ could also use some of its existing fund balance to absorb the additional costs of exemptions in the short term while working the exemptions into the budget over a period of time.

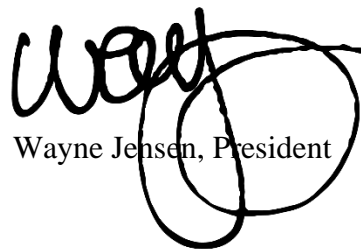
We look forward to monitoring your consideration of these matters and keeping our membership informed about decisions you make.

Sincerely,

Respectfully,



Craig E. Dahl, Executive Director
Greater Juneau Chamber of Commerce



Wayne Jensen, President

Attachment: Chamber Sales Tax – Member Survey

* Did not participate in discussions about or collaborate on the drafting of this letter