City and Borough of Juneau
Minutes - Assembly Finance Committee Meeting
Wednesday, June 2, 2021

I. CALL TO ORDER

The meeting was called to order at 6:10 pm by Carole Triem, Chair.

II. ROLL CALL

Committee Members Present: Carole Triem, Chair; Loren Jones; Wade Bryson; Maria Gladziszewski; Christine Woll; Michelle Bonnet-Hale

Committee Members Participating Virtually: Greg Smith

Committee Members Absent: Alicia Hughes-Skandijs; Mayor Beth Weldon

Staff Present: Rorie Watt, City Manager; Mila Cosgrove, Deputy City Manager; Jeff Rogers, Finance Director; Adrien Speegle, Budget Analyst; Robert Palmer, City Attorney

Others Present Virtually: None

III. APPROVAL OF MINUTES

The May 19, 2021 minutes were approved as presented.

IV. AGENDA TOPICS

a. Renewal of 3% Temporary Sales Tax (Ordinance 2021-17)

Jeff Rogers, Finance Director, presented a memo on packet page six detailing the components of CBJ's 5% city sales tax: 1% permanent sales tax for general city/borough operations, 1% temporary sales tax for projects, and a 3% temporary sales tax that pays for street maintenance and general city operations. Ordinance 2021-17 addresses the 3% temporary sales tax, which is up for renewal every five years. The current 3% temporary sales tax is set to expire on June 30, 2022 unless renewed by public vote during the October 2021 municipal election.

Mr. Rogers stated that the memo also details what the revenue generated from the 3% temporary tax has been used for in recent years. He explained that, if not renewed, CBJ would need to increase property taxes and reduce operating costs to make up for the loss in sales tax revenue.

<u>Motion:</u> by Mr. Jones to forward Ordinance 2021-17 for the renewal of the 3% temporary sales tax to the full Assembly for public hearing.

Motion passed by unanimous consent.

b. Sales Taxation of Services Delivered Out of Juneau

Mr. Rogers presented and briefly summarized the memo on packet page eleven which details the nuances of taxing services delivered outside of Juneau and the potential circumstances that arise as a result of current tax laws. Mr. Rogers briefly explained the differences in taxation between goods/commodities and services.

Currently, CBJ does apply sales tax to services that are performed in the borough but delivered outside of the borough because the "out of borough exemption" only applies to the sale of goods. Mr. Rogers stated that this creates a relatively new problem and likely circumstances that services could be taxed twice at service origin *and* destination. The Alaska Remote Sellers Sales Tax Commission (ARSSTC) agrees that double taxation must be avoided, and that the destination jurisdiction has the greatest claim to collect sales tax on any sale. Mr. Rogers requested that the Committee direct staff to draft, introduce, and set for public hearing an ordinance that would exempt services delivered outside of the borough from the imposition of a CBJ sales tax, aligning CBJ's local sales tax code with the Uniform Remote Sellers Sales Tax Code.

Mr. Rogers clarified that it is possible in the future, under this new potential ordinance, that services part of the Remote Sales Tax program and/or services being delivered to a community without a sales tax would go untaxed. Mr. Rogers stated that this nuance is avoidable with an entirely new concept but complex to implement and difficult to completely enforce.

Mr. Rogers clarified that this new ordinance is preventative since, currently, the newly adopted Uniform Remote Sellers Sales Tax Code is juxtaposing the local sales tax code.

<u>Motion:</u> by Ms. Gladziszewski that staff draft and introduce an ordinance to the Assembly Finance Committee (AFC) that would exempt services delivered outside of the borough from the imposition of a CBJ sales tax and bring CBJ's local sales tax code in conformance with the remote sales tax code.

Motion passed by unanimous consent.

c. Incentive for Online Filing of Sales Taxes (Ordinance 2021-XX)

Mr. Rogers presented and briefly summarized the memo on packet page twelve. Currently, CBJ offers a timely filing discount of up to $50 per monthly sales tax return and up to $100 per quarterly/annual sales tax return. Mr. Rogers proposed to shift the discount to a timely filing discount *only if filed online.* Mr. Rogers stated that the incentives currently cost CBJ approximately $100,000 annually.

The Sales Tax Office is tasked with processing over 16,000 sales tax returns per year, of which over 12,000 are submitted on paper forms. In the FY21 budget, one position in CBJ's Sales Tax Office was temporarily unfunded, and in the FY22 budget this position was completely eliminated. Instead of proposing to restore the eliminated position, Mr. Rogers requested that the Assembly consider incentivizing sellers to file online using CBJ's online filing portal. Wider use of the online filing portal would help solve the current staff shortage and would increase efficiencies by reducing processing time at no additional cost to the city.

Mr. Rogers answered committee questions and clarified that the Finance Department continues to work on improvements to the online filing system, including potentially creating a virtual training to publish to CBJ's website as a learning tool for the public.

Mr. Rogers clarified that the one dollar ACH fee for drawing from a debit account to remit sale taxes online would be waived and that constituents could still pay with a credit card if they pay the associated fee.

Motion: by Mr. Jones to direct staff to introduce the draft ordinance on packet page 13 on August 2nd and set it for public hearing. Further discussion and answers to this meeting's questions will be addressed at the Committee of the Whole (COW) meeting on June 28th.

Motion passed by unanimous consent.

d. Update on Mandatory Real Estate Sales Price Disclosure

Mr. Rogers presented and summarized the memo on packet page 16. Mr. Rogers stated that the Assembly passed Ordinance 2020-47(am) into law in October 2020, which requires property sales prices to be confidentially disclosed to the Assessor. However, there was no express compliance mechanism included in the ordinance, making it difficult for CBJ to enforce the law. For most other jurisdictions with mandatory disclosures, there is no need for an express compliance mechanism because disclosure of sales price is required in order for the transfer of property to be recorded by that jurisdiction. This mechanism doesn't work for CBJ because the

State of Alaska is the designated recording agency in the state, and CBJ has no way to compel the Alaska Recorder's Office to require sales price disclosure as part of the recording process.

Mr. Rogers requested that the Committee consider directing staff to develop an ordinance that would assess a daily civil fine or penalty to the buyer, if the buyer has failed to disclose the price of the real estate transaction within 90 days of recording.

Mr. Rogers explained that the law requires sales price and not an appraisal price to preserve the equity of all those in similar situations.

Motion: by Ms. Gladziszewski to keep the mandatory disclosure discussion in the AFC to revisit again with more information.

Motion passed by unanimous consent.

e. **Information Only: Bond Refinancing Update**

Mr. Rogers presented packet page 17 and summarized significant total dollar savings as a result of CBJ's participation in the Alaska Municipal Bond Bank Authority's refinancing of multiple bond issues.

Mr. Rogers answered committee questions.

V. NEXT MEETING DATE

a. **August 4, 2021**

VI. AJOURNMENT

The meeting was adjourned at 7:23pm.