

## City and Borough of Sitka Revenues & Associated Tax Exemptions

1. Present Situation
  - a. Current Fiscal Policy
  - b. Budget Gap of Approximately \$2.4M with current budgetary assumptions
  - c. Property Taxes
  - d. Sales Taxes
  - e. Strong Economic Segments
  - f. Sitka's Per-Capita Tax Burden Has Been Steadily Increasing
2. Current Risks to Revenue
  - a. State and Federal Funding Reductions
  - b. Heavily Dependent on Elastic Revenue Streams
  - c. Property Tax Escapement
  - d. Property Tax Revenue Subject to Market Windfalls/Downturns Due to Mill Rate Cap
3. Current Fiscal Policy (Revenues & Associated Exemptions)
  - a. Overall Fiscal Policy: municipal management via taxation, spending, and borrowing
    - i. [REVENUES = PROPERTY TAX + SALES TAX]
  - b. Property Tax Revenue & Exemptions (Budget-Balancing Piece)
    - i. Mill Rate Structure Review
    - ii. Fiscal Options – Property Taxation
      1. Keep Mill Rate Unchanged
      2. Uncap Mill Rate (Requires Charter Change with Voter Approval)
        - a. Allows property tax base to absorb (budget-balancing piece) any and all fluctuations in revenue
        - b. Would provide immediate relief on all other forms of revenue and allow future fiscal policy changes to be implemented with little fluctuation in the budget
        - c. Would not address concerns about controlling budget increases
      3. Uncap Mill Rate & Simultaneously Implement a Revenue Cap (Requires Charter Change with Voter Approval AND Assembly Approval for the Revenue Cap)
        - a. Revenue Cap allows the increased pressure on municipal core services to be accommodated according to a set index – up or down (New Construction, CPI, population)
      4. Implement Property Tax Computer-Assisted Mass-Appraisal System (CAMA)
      5. Exempt Personal Property (Requires Assembly Approval)
      6. Review & Revise Optional Property Tax Exemptions (Requires Assembly Approval)
      7. Implement any of 30+ optional exemptions to suit Assembly's desire to provide targeted property tax (Requires Assembly Approval)
      8. Local Improvement Districts (LID's) for roads and other key infrastructure
  - c. Sales Tax Revenue & Exemptions
    - i. Fiscal Options – Sales & Use Taxation
      1. Review & Revise Sales Tax Exemptions (Requires Assembly Approval)
      2. Use Taxes
      3. Remove Bed, Alcohol, and Fuel Taxes from general sales tax & implement different rates
      4. Severance Taxes
      5. Marijuana Taxes (sales and excise)
4. Alternative Revenue Options & Economic Incentives
  - a. Must keep in mind the overall costs-to-benefit analysis of implementing each (technology, staff, regulations & enforcement)
    - i. Gross Receipts Tax
    - ii. Property Transfer Tax
    - iii. Payments-in-Lieu-of Taxes (PILTS) with exempt property owners
    - iv. Tax Incentive Zones for targeted economic incentives
    - v. Games of Skill and Chance
    - vi. Employment Tax (flat tax)
    - vii. Business License Tax
    - viii. Value Added Tax
    - ix. Income Tax