



CITY AND BOROUGH OF SITKA

A COAST GUARD CITY

MEMORANDUM

To: Mayor Eisenbeisz and Assembly Members

Thru: John Leach, Municipal Administrator

From: Melissa Haley, Finance Director

Date: September 7, 2022

Subject: FY2022 Sales Tax-Free shopping days

Background

Per SCG 4.09.020, each year the assembly must decide at the first meeting in September whether to authorize sale tax-free days (historically, the two days following Thanksgiving). The sales tax-free sales do not apply to fuel, alcohol, tobacco, or marijuana.

Analysis

A complicating factor is that we are required to inform the Alaska Remote Sellers Sales Tax Commission (ARSSTC) of any sales tax-free days adopted by the Assembly, as we cannot treat remote sellers differently than local vendors. While it is likely that many remote sellers will be unable to implement this within their systems, some may be able to do so, and as software becomes more robust, the likelihood that remote sellers will implement the sales tax-free days increases.

Fiscal Note

Based on analysis of last year's returns, we anticipate that a minimum of \$500,000 in exempt local sales will be made. At this level, the cost in sales tax revenue of two sales-tax free days following the Thanksgiving holiday would be at least \$25,000. We also plan to improve tracking within our software to ensure that we can provide a more precise estimate in the future.