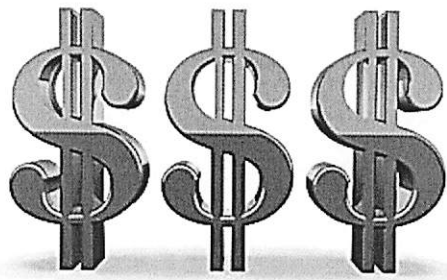


# Worksession: Taxation Overview

## Assessor Wendy Lawrence



**City and Borough of Sitka**  
**Work Session Topic: Taxation Overview**  
**May 27, 2015**

**1. Taxation Overview:**

- a. Mr. Gatti Overview of Municipal Taxation
  - i. Real and personal property taxation
  - ii. Sales taxes
  - iii. Excise taxes
- b. Purpose of this work session
  - i. expand on this overview
  - ii. provide perspective
  - iii. outline options for a focused & comprehensive taxation policy discussion
- c. Sitka has a very diverse tax base
  - i. Tools for perspective and analysis
  - ii. Historical perspective
    - 1. Population trends
    - 2. Property tax revenue trends
    - 3. Sales tax revenue trends
    - 4. Growing mandatory exemption trends
- d. Sitka taxation policy in regard to Home Rule Authority per AS 29.10.200

**2. Effective Taxation Policies:**

- a. Goal is a diverse tax base
  - i. Two general areas of taxation
    - 1. Property taxes
    - 2. Sales taxes
- b. Enforce current taxation policies
- c. Audit regularly
- d. Review overall taxation policy periodically

**3. Current Taxation Revenue Mix (Percentage of Total Taxation Revenues):**

**i. Sitka's Taxation Revenue Mix (Property Tax 35%/Sales Tax 65%)**

**Property Taxes**

- Mill rate capped since 1989 (26 years)

**Sales Taxes**

- Rate has risen steadily over time

**ii. What Has This Accomplished?**

- |  |   |
|--|---|
| <ul style="list-style-type: none"><li>• Property tax revenues have remained constant</li></ul> | <ul style="list-style-type: none"><li>• Sales tax revenues have grown and fluctuated with the economy</li></ul> |
|--|---|

**4. Is There Even Such a Thing as an Optimal Taxation Revenue Mix?**

- a. Optimal is dependent on each individual community's priorities in light of a comprehensive analysis of its strengths and weaknesses in regard to taxation segments
- b. Formulating priorities and goals:
  - i. Does the community want to:

- Provide relief for certain segments (lower income classes, local residents etc?)
  - to provide relief for lower-income residents sales tax exemption options can be considered (exempt necessities such as food)
  - to provide relief for local residents we can consider implementing the optional homestead exemption, but we cannot implement different mill rates (targeted exemptions can accomplish this effect if properly implemented and planned (Optional \$50k Homestead Exemption))
- maintain a budget that is protected during up and down markets?
- provide a constraint against reassessment driven windfalls?
- c. In light of identified priorities and goals, we need to understand the basics of mill rates and budgeting

**5. Mill Rates and Budgeting Basics:**

- a. Most mill rates in Alaska are budget driven
- b. Rate-driven mill rates (tax caps) do still exist but most have implemented inflation proof measures

**Budget Driven Mill Rate:**

$\text{MR} = \frac{\text{PTax Revenues - Non PTax Revenues}}{\text{Total Assessed Values}}$
---

**Rate Driven Mill Rate:**

$\text{MR} \times \text{Total Assessed Value} = \text{Revenues}$
--

6. **Summary:** The City and Borough of Sitka currently has a diverse taxation policy in place; however, a comprehensive discussion is in order to review policies and goals for all stakeholders.