

**CITY OF WASILLA
RESOLUTION SERIAL NO. 01-33**

A RESOLUTION OF THE WASILLA CITY COUNCIL OPPOSING THE MATANUSKA-SUSITNA BOROUGH LEVYING A SALES TAX OF TWO PERCENT OF SALES, SERVICES AND RENTALS WITHIN THE BOROUGH.

WHEREAS, if the Matanuska-Susitna Borough enacts a two percent sales tax, the borough will substantially increase the total tax burden paid by the citizens of Wasilla to the borough each year; and

WHEREAS, it is recognized that all households and businesses in the borough pay taxes either directly through paying property taxes as an owner of real property or through paying the property taxes indirectly through rents since property tax costs of rented real property are factored into the rental rates; and

WHEREAS, it is recognized that the borough has a fair and equitable taxing structure to raise taxes from all households and businesses for the services provided by the borough through a property tax system; and

WHEREAS, diversification of revenue sources by the borough by levying a sales tax does not automatically make the borough's new taxing structure equitable or desirable since the combination of the two taxes unfairly increases the total tax burden on the citizens of the City of Wasilla and the borough; and

WHEREAS, if it is the intention of the borough to tax tourists for services that the borough provides, there are better methods of collecting revenue from the tourists than a year around sales tax that unfairly increases the tax burden on the citizens of the City of Wasilla and the borough; and

WHEREAS, even if the Matanuska-Susitna Borough Assembly would enact an 11 mill cap on property taxes, the actual decrease in the mill rate from the current area wide mill rate of 13.133 would be approximately .93 mill due to the fact that 1.2 mills would be added on to the 11 mill cap for current borough debt service, thus the total reduction on real property assessed at \$100,000 would be less than \$93 and would not come close to offsetting the increase in taxes a household would pay due to a sales tax; and

WHEREAS, the borough not exempting residential rentals from the sales tax, the borough will be placing an inequitable tax on 45 percent of the households in the City of Wasilla since these households indirectly pay property tax on the property they are renting and they will also have to pay sales tax on rents they pay on the property; and

WHEREAS, property taxes are tax deductible, and this federal tax deduction offsets the borough property taxes paid; and

WHEREAS, sales tax does not have any type of federal tax deduction offset; and

WHEREAS, based on enacting a sales tax, the borough would need to add an expensive new level of bureaucracy to operate the sales tax program at an estimated cost of \$400,000 a year while at the same time not reducing any cost that the City of Wasilla currently incurs; and

WHEREAS, it is recognized that this new sales tax would place an unfair reporting burden on the businesses inside the City of Wasilla since the city's sales tax code and the borough's sales tax code are not identical; and

WHEREAS, it is recognized that the additional sales tax could have a negative affect on the growth of the economy of the City of Wasilla due to the fact that over 38

percent of the borough's workforce commutes to Anchorage and as with any consumer, these residents make purchasing decisions based on incremental price increases and could start purchasing more goods in Anchorage based on the price increases due to the borough's sales tax.

NOW THEREFORE BE IT RESOLVED that the Wasilla City Council supports this resolution opposing the Matanuska-Susitna Borough levying a sales tax of two percent of sales, services and rentals within the Borough.

ADOPTED by the Wasilla City Council on September 10, 2001.



SARAH PALIN, Mayor

ATTEST:



KRISTIE L. VANGORDER, CMC
City Clerk

[SEAL]