

## SALES TAX REFORM

Discussion Points by Council Member Kistler

03/06/22

Earlier this year, I did a Facebook poll to find out what residents thought about my desire to make the sales tax fairer to lower income residents. I would like to see the cap raised and the overall sales tax lowered. The current cap system is a bookkeeping and auditing nightmare and gives an advantage to residents who can afford to buy more expensive things and rent more expensive homes. It doesn't seem fair to the resident who is barely getting by that they must pay sales tax on 100% of what they spend, and those with more get a break.

There were well over 150 responses to my Facebook post (a good portion were my replies) and I started to notice a common theme: sales tax on groceries and rent is wrong. I carefully responded to each of these cries that Ketchikan has limited options for sales tax, and groceries and rent make up a huge part of our budget, which could not be easily shifted to other non-existent commodities. I also had someone point out that if we lower our sales tax, we will get less from the tourist trade. Then I had an epiphany; what if we just lower the tax on groceries and rent and leave the others where they are? That way we would continue to get full sales tax revenue from visitors, locals would get a break on necessities, and low-income residents would pay less.

With the above in mind, and realizing that the city cannot afford to bring in less revenue, I would like to propose the following:

- Increase the cap to \$10,000 and automatically increase it yearly by inflation (Same as Sitka & Less than Juneau)
- Decrease the tax on groceries and residential rent (Helps all residents)
- Make sure the net result is a positive for the city (A must, since we're already suffering)

These steps would lessen the tax burden for our most vulnerable residents to which \$65 for \$1000 in necessities is considerable expense. This system would also be much easier to administer for businesses and government alike, with much less opportunity for creative accounting involving the caps.

Thank you for supporting further discussion of this issue.

Sincerely,

Lallete Kistler  
City Council Member

# Sales Tax Comparison for Purchases in the City of Ketchikan

<b>How much Struggling Residents pay for Groceries and Rent</b>					
<i>Sales Tax was calculated from numbers queried residents said they are paying on Rent and Groceries. These numbers are from an unofficial Facebook poll by Council Member Kistler. The numbers are obviously incomplete, but they still paint a compelling picture.</i>					
Groceries Per Month	Full Rent Per Month	Untaxed Rent (Over 1000)	Number in Household	Net Wages Per Month	Annual Tax on Groc/Rent
\$400.00	\$1,000.00	\$0.00	1	\$2,200.00	<b>\$1,025.35</b>
\$400.00	\$700.00	\$0.00	1	\$1,500.00	<b>\$805.63</b>
\$1,000.00	\$1,350.00	\$350.00	3		<b>\$1,464.79</b>
\$700.00	\$1,265.00	\$265.00	3	\$1,976.00	<b>\$1,245.07</b>
\$600.00	\$1,450.00	\$450.00			<b>\$1,171.83</b>
\$1,200.00	\$1,600.00	\$600.00	5		<b>\$1,611.27</b>
\$300.00	\$1,500.00	\$500.00			<b>\$952.11</b>
\$1,000.00		\$0.00			<b>\$732.39</b>
	\$1,440.00	\$440.00	3	Stud Loans	<b>\$732.39</b>
	\$1,260.00	\$260.00			<b>\$732.39</b>
\$800.00		\$0.00	5		<b>\$585.92</b>
\$600.00		\$0.00	1		<b>\$439.44</b>
\$700.00	\$1,220.00	\$220.00	3		<b>\$1,245.07</b>
\$390.00	\$875.00	\$0.00	3	\$1,480.00	<b>\$926.48</b>
\$800.00		\$0.00	4		<b>\$585.92</b>

<b>Sales Tax on a Possible One-Item Purchase of \$10,000+</b>		
Current taxation for \$10,000+ (first \$2000 taxed)	\$ > above	\$130.00
Proposed taxation for \$10,000+ (first \$10,000 taxed)	\$ > above	\$650.00

I respectfully submit that the tax on Groceries and Rent to the Residents in the first table hurts them far more than the occasional large purchase hurts those Residents and Visitors in the second table. Those Residents and Visitors in the second table obviously have much more purchasing power.

The current system of caps routinely taxes low-income residents on 100% of their purchases, while those who can afford to spend more get a break. Owners have to pay Property Tax, but that is passed on to the renter in Addition to the sales tax. The \$520 extra that Residents and Visitors would have to pay on a big ticket item over \$10,000 is small in comparison to the Full Taxes Struggling Residents must Always Pay. It appears that many Residents are paying Half A Month's wages in Sales Tax every year. Every Dollar gets spent.