

City of Kodiak

Sales Tax Discussions – Phase III
Alternative Revenue Sources

Potential Sources & Calculation Methodology

- **Potential Sources**
 - Sales tax on Alcohol
 - Sales tax on Tobacco
 - Marijuana Tax
 - Internet Tax – Sales Taxes and/or Use Taxes
- **Due to unknown factors, each of these revenue sources from select municipalities was divided by the population for that particular area and then projected for the City**

Sales Tax on Alcohol

City	Population	Tax Rate	FY 2015 Revenues	\$ per Person
Bethel	6,241	0%	\$-0-	\$-0-
Dillingham	2,431	10%	\$297,325	\$122.31
Fairbanks	31,721	5%	\$2,239,679	\$70.61
North Pole	2,198	5%	\$211,997	\$96.45
Kodiak – est.	6,328	5%	\$446,792	Fairbanks Rate PP
Kodiak – est.	6,328	7% Avg Rate	\$610,336	Avg Rate \$96.45

In FY 2016, the City collected approximately \$525,000 related to alcohol retail sales. With an additional 5% alcohol sales tax rate, estimated annual revenue for the City would be and additional \$350,000 related only to the Alcohol Sales Tax.

Sales Tax on Tobacco

City	Population	Tax Rate	FY 2015 Revenues	\$ per Person
Bethel	6,241	45%	\$480,876	\$77.05
Dillingham	2,431	-0-%	\$-0	\$-0-
Fairbanks	31,721	8%	\$887,239	\$27.97
North Pole	2,198	8%	\$132,228	\$60.16
Kodiak – est.	6,328	20% Avg Rate	\$348,420	Avg Rate \$55.06
Kodiak – est.	6,328	8%	\$176,995	Fairbanks Rate

Sales Tax on Marijuana

Location	Year	Population	Recreational Marijuana Sales Tax Revenues	\$ per Person
State of WA	FY 2015	7,061,400	\$11,571,430	\$1.64
	FY 2016	7,170,351	\$30,017,823	\$4.19
Kodiak – est.	6,328		\$18,431	Avg Rate \$2.91

Internet Sales - Sales Tax and Use Tax

- Two types of taxes related to Internet Sales
 - **Sales Tax** – sales tax charged by vendors on telephone or internet sales
 - **Use Tax** – Consumer use tax would be payable to the City by individuals and businesses when sales tax is due but has not been collected. If the item is purchased outside of the taxing jurisdiction (i.e. Kodiak City Limits) and the item is sold, leased, or delivered inside the City limits for use, storage, distribution, or consumption. Items purchased over the Internet and no sales tax is charged by the retailer would generate a use tax by the individual / business to be payable to the City.

Challenges from Alternative Revenue Sources

- **Difficult to project an accurate estimate for revenues to ensure that any of these – individually or in the aggregate – would generate sufficient revenue to meet the City's needs.**
- **Marijuana estimates are very premature and revenue generated from this source could be 3-5 years in the future.**
- **Use tax generated from Internet Sales would be difficult to track for compliance.**
- **Creates the possibility that retailers would move outside the City limits.**