

MEMORANDUM



DATE: November 3, 2021

TO: Assembly Finance Committee

FROM: Jeff Rogers, Finance Director

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SUBJECT: Ordinance 2020-48: Repeal of Cruise Ship Sales Tax Exemption

The sale of goods and services on board cruise ships while in CBJ waters is specifically exempted from the imposition of sales tax by CBJ 69.05.040(4). Irrespective of the exemption, CBJ code requires that cruise companies track and report all sales of goods and services inside the borough (boundary-line to boundary-line). The CBJ Sales Tax Office has engaged in extensive outreach and technical assistance to ensure that these exempt sales are reported correctly. In the summer of 2019, cruise companies reported approximately \$21 million of exempt sales inside the borough. If those sales had been subject to CBJ sales tax, they would have generated more than \$1 million in sales tax revenue for the borough.

The Assembly Finance Committee previously discussed and advanced a proposal to repeal that exemption, but the ordinance never made it to public hearing.

On September 2, 2020 the Assembly Finance Committee considered and discussed a repeal of the exemption, and the committee voted affirmatively to move it to the full Assembly for introduction and public hearing.

Ordinance 2020-48 was introduced at the Regular Assembly meeting on October 27, 2020, but it was referred back to the Assembly Finance Committee for additional review and potential amendments. Attention to the COVID-19 pandemic and the allocation of CARES Act funds sidelined the issue, and it was not calendared again with the Assembly Finance Committee.

Recommendation

Take up consideration of Ordinance 2020-48, discuss and resolve any amendments, and then direct staff to set the ordinance for public hearing at the next Regular Assembly Meeting.