

SUBJECT: AN ORDINANCE OF THE MATANUSKA-SUSITNA BOROUGH ASSEMBLY ADOPTING MSB 1.10.170 AND MSB 3.35, 6.5 PERCENT AREAWIDE SALES TAX, REPEALING AREAWIDE REAL PROPERTY TAX, AND SUBMITTING THE PROPOSITION TO THE VOTERS AT THE NOVEMBER 3, 2026, REGULAR BOROUGH ELECTION.

AGENDA OF: March 3, 2026

ASSEMBLY ACTION:

AGENDA ACTION REQUESTED: Introduce and set for public hearing.

Route To	Signatures
Originator	2 / 1 8 / 2 0 2 6 X N S f o r A s s y m B o w l e s S i g n e d b y : N i c h o l a s S p i r o p o u l o s
Finance Director	RECOVERABLE SIGNATURE X C h e y e n n e H e i n d e l S i g n e d b y : C h e y e n n e H e i n d e l
Borough Attorney	2 / 1 8 / 2 0 2 6 X N i c h o l a s S p i r o p o u l o s S i g n e d b y : N i c h o l a s S p i r o p o u l o s
Borough Manager	2 / 1 8 / 2 0 2 6 X M i c h a e l B r o w n S i g n e d b y : M i k e B r o w n
Borough Clerk	2 / 2 3 / 2 0 2 6 X L o n n i e M c K e c h n i e S i g n e d b y : L o n n i e M c K e c h n i e

ATTACHMENT (S) : Fiscal Note (lpp)
Ordinance Serial No. 26-032 (48 pp)

SUMMARY STATEMENT: This ordinance is sponsored by Assemblymember Bowles to allow the Borough to levy a 6.5% areawide sales tax within the entire Matanuska-Susitna Borough and repeal areawide real property taxes. State law allows the Matanuska-Susitna Borough to institute a sales tax, but requires that it be approved by the voters before it can take effect.

Currently, the MSB Assembly establishes the mill rate for areawide real property taxes and sets the rate on an annual basis. Historically, the assessments of land and structures were reasonable but in recent years with the Covid pandemic and the upward shift in nationwide inflation, property assessments have exponentially grown making the tax burden two, three, and sometimes

four times more than recent years. The current system of taxation in the Matanuska-Susitna Borough places an overwhelming burden of taxes on real property rather than spreading the tax burden evenly across all aspects of activity throughout the entire Borough.

The intent of this ordinance is to capture a wider tax revenue source rather than continue place the overwhelming burden of taxes on those residents that own real property. This shift will lower the tax burden for all borough residents owning real property while capturing transient activity in our Borough such as tourism, hospitality, and entertainment. This proposed ordinance will be placed on the November 3, 2026 ballot for all Borough residents to vote whether to approve this shift in the tax structure.

Key Differences between real property tax and sales tax

Property Tax:

Based on an assessed value of land and structures which perpetually increase. The tax amount is determined by multiplying the assessed value of property by the local tax mill rate.

Sales Tax:

Based on the price of goods and services sold at that time. It is calculated as a percentage of the sale price at the time of purchase.

Property Tax:

Required to be paid in no more than 2 installments each year. Tax burden never goes away.

Sales Tax:

Paid at the time of purchase, making it a one time payment for each transaction.

Property Tax:

Paid only by real property owners, including individuals and businesses. Tax is levied again and again every year even if the real property is owned outright.

Sales Tax:

Paid by all consumers in the borough at the point of sale when purchasing taxable goods and services. Paid once and never again during continual ownership of the goods.

The sales tax proposal here largely mirrors the sales tax currently levied within the cities and the Talkeetna Sewer & Water Service Area. This means that the administration of the sales tax will not be something new, unusual, or unique.

Of note, MSB 3.35.040 will require taxation of all sales and

rentals delivered into the Matanuska-Susitna Borough if the seller is not located in the Borough but provides goods or services over \$100,000 annually or conducts more than 200 transactions annually in the Borough. In plain terms, this means that internet sales are taxed. In 2018, the United States Supreme Court ruled that a business does not have to be physically located in a State to satisfy the demands of due process, which requires that there be some definite link, some minimum connection, between a state and the person, property or transaction it seeks to tax. See South Dakota v. Wayfair, Inc., 138 S.Ct. 2080 (U.S. 2018). The Matanuska-Susitna Borough is aware of the holding and the policy reasons for the State of South Dakota enacting the tax at issue in Wayfair and is adopting this proposed sales tax for the same reasons. The requirement that taxes on interstate commerce must apply to an activity with a substantial nexus with the taxing authority is established when the taxpayer or collector avails itself of the substantial privilege of carrying on business in that jurisdiction. The Borough's sales tax ordinance as it applies to non-resident sellers is generally copied from the South Dakota law.

The sales tax to be implemented in this ordinance applies areawide and does not exempt any sales taxes currently levied by the cities within the Borough.

The areawide sales tax will become effective on April 1, 2027 only if the ballot proposition in the ordinance is approved by a majority of the qualified areawide voters voting on the proposition at the regular Borough election on November 3, 2026.

In addition, if the sales tax proposal is approved, the Matanuska-Susitna Borough code will be amended to read that the borough may not levy an areawide real property mill rate. Therefore, the Assembly will not levy an areawide mill rate during the budget deliberation cycle in April/May of 2027. The Matanuska-Susitna Borough Assembly will still consider and vote on a budget for FY 2028, but under this ordinance, no areawide mill rate will be levied. Instead, the areawide sales tax will fund the majority of the areawide obligations of the Borough.

RECOMMENDATION OF ADMINISTRATION: Introduce and set for public hearing.

MATANUSKA-SUSITNA BOROUGH

FISCAL NOTE

Agenda Date: March 3, 2026

SUBJECT: AN ORDINANCE OF THE MATANUSKA-SUSITNA BOROUGH ASSEMBLY ADOPTING MSB 1.10.170 AND MSB 3.35, 6.5 PERCENT AREA WIDE SALES TAX, REPEALING AREA WIDE REAL PROPERTY TAX, AND SUBMITTING THE PROPOSITION TO THE VOTERS AT THE NOVEMBER 3, 2026, REGULAR BOROUGH ELECTION.

FISCAL ACTION (TO BE COMPLETED BY FINANCE)	FISCAL IMPACT YES NO
AMOUNT REQUESTED *	FUNDING SOURCE Areawide Sales Tax
FROM ACCOUNT #	PROJECT
TO ACCOUNT: 100.000.000 3xx.xxx	PROJECT #
VERIFIED BY: 2 / 1 8 / 2 0 2 6  L i e s e l Z a n t o Signed by: L i e s e l Z a n t o	

EXPENDITURES/REVENUES:

(Thousands of Dollars)

OPERATING	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031
Personnel Services						
Travel						
Contractual						
Supplies						
Equipment						
Land/Structures						
Grants, Claims						
Miscellaneous						
TOTAL OPERATING						

CAPITAL						
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REVENUE		*	*	*	*	*
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FUNDING:

(Thousands of Dollars)

General Fund		*	*	*	*	*
State/Federal Funds						
Other						
TOTAL		*	*	*	*	*

POSITIONS:

Full-Time						
Part-Time						
Temporary						

ANALYSIS: (Attach a separate page if necessary) *Amount depends on how much revenue the sales tax generates to offset the loss of AW Property taxes.

APPROVED BY:	 Recoverable Signature
	 C h e y e n n e H e i n d e l Signed by: C h e y e n n e H e i n d e l