Council Postpones Vote on Sales Tax Increase

Friday, 11 May 2012

{audio}/images/stories/mp3/120511.council_tax_vote_postponed.mp3{/audio}

Jennifer Canfield/KMXT

The Kodiak City Council has postponed a vote on a proposed ordinance that would raise the sales tax rate and cap. At last night's meeting the council voted unanimously to move the vote to June 14th to allow more time for city staff and the council to adjust the FY 13 budget and to look for more ways to cut costs. The preliminary budget City Manager Aimee Kniaziowski presented last Saturday to the council included a seven percent cut from the year before.

"We've gone back to the drawing board. I've asked staff again to take another look. We've been working on additional cuts that will be reflected in the first reading of the FY 13 budget when it's presented on May 24th. All departments have taken cuts."

Eliminating the senior sales tax exemption has been a point of discussion among some council members and the public as a way to decrease next year's $2 million shortfall. The program costs the city $640,000 per year. Local businessman Dan Rohrer said he sees a "tremendous amount of fraud" at his auto shop.

"Literally in the last quarter 25 percent of our sales has been done to senior citizens. There's absolutely no way that's physically possible. What happens is my dad is 65 years old, I have work done on my vehicle, I have dad along to pay and I can't question that because it's not my business whether your parent chooses to

pay for your bills or not. So we see a tremendous amount of that, we don't see it so much in the smaller business where we're dealing with lower ticket items, but as I talk to other people and they're looking at higher ticket items, it happens a lot and so a way to do away with that is to stop exempting them."

City Mayor Pat Branson also works as the executive director of the Kodiak Senior Center. She says that while there are some seniors who can afford to pay the sales tax, there are many who can not. She says most of the seniors she works with are living on $12,000 to $18,000 per year. In her closing comments she suggested that the city look at changing the program so that only the neediest benefit. She pointed to the state's Senior Benefit program as an example.

"It might be a little more paperwork but it certainly would allow those people who need it and I can assure you that there are those people who need it. I know that the city is enforcing more the sales tax exemption. We're all aware of the fraud that goes on in the community, but I think there are ways to address that in addition to what we are doing as well."

Council member Charlie Davidson said the program needs to be reformed, though not eliminated.

"I would like to solicit from the public, too if they have ideas on how we can eliminate some of the dishonesty that's going on in the senior sales tax. We know that a lot of the seniors are living on a shoestring and we don't want to see them have to leave town. They're a very wonderful part of our community and somehow we have to make it so they can continue to afford to be there, but we also have to tighten up on how the senior tax exemption is utilized."

The council will meet next on Tuesday, May 22nd for a work session, followed by a regular meeting on Thursday, May 24th during which the proposed FY 13 budget will be presented.