
MEMORANDUM TO COUNCIL

To: Mayor and City Council Members
From: Marjie Veeder, City Clerk
Through: Chris Hladick, City Manager
Date: March 9, 2023
Re: Senior Citizen Sales Tax Refund

SUMMARY: On February 14, 2023, Council directed the City Manager to “Conduct research and provide information to Council at a future meeting regarding the senior citizen sales tax refund, so Council has information necessary to determine if the refund amount should be increased due to increases in the cost of living; and whether Council should consider tightening eligibility requirements for the refund. Please include the number of applicants per year for the last five years, the present eligibility requirements and any proposed additional eligibility requirements.” This information in this memo is in response to the directive.

PREVIOUS COUNCIL ACTION: In February 2005, with the adoption of Ordinance 2005-06, the Senior Citizen Sales Tax Refund was enacted. There have been no substantive changes to this section of code since adoption, and the amount of the refund, \$200, has remained unchanged.

BACKGROUND: In response to the directive, this section lays out the present eligibility requirements for the refund, and the number of applicants. Additionally, we provide U.S. Census data, information about the Consumer Price Index (inflation) and the sales tax incurred at various levels of taxable purchases.

ELIGIBILITY

Pursuant to the Code of Ordinances, eligible applicants must:

- Be a natural person at least sixty-five (65) years of age on or before March 31 of the application year;
- Be a resident of the City for at least thirty (30) days prior to application; and
- Submit a timely application between January 1 and March 31 of each year.

Applicants may be required to provide proof of age and residency, along with other information reasonably necessary to administer the refund. At the time of a person’s first application, proof of their age is required to be provided.

Eligible applicants who have a delinquent account of any kind with the City are not entitled to receive their refund directly. Instead, the refund will be applied to the delinquency, with any surplus given to the applicant.

Code defines “resident of the City” for the purposes of this refund, as a person who is physically present in the City with the intent to remain indefinitely in the City and to make a home in the City. The individual must also have maintained a principal place of abode in the City for at least thirty (30) consecutive days immediately preceding the date of application for a refund. A person

demonstrates the intent required under this section through establishing and maintaining customary ties indicative of residence in the City and through the absence of those ties elsewhere. Physical presence in the City is not, by itself, sufficient to establish residency.

NUMBER OF APPLICANTS

The following table gives the number of applicants per year since 2017, with the number of applicants found eligible and ineligible, and the reason for the ineligibility. The average is 94 eligible applications per year.

Year	Total Applications	Eligible Applications	Ineligible Applications	Reasons for Ineligibility
2017	125	122	3	1 age; 2 residency
2018	124	97	27	2 late; 25 residency
2019	104	90	14	1 age; 13 residency
2020	104	97	7	2 late; 5 residency
2021	92	89	3	1 age; 2 residency
2022	92	84	8	3 age; 5 residency
2023*	86	80	6	1 age; 5 residency
Average	104	94	10	

*For 2023, we provide the number of applications processed as of March 1. The 2023 application period has not yet closed.

CENSUS INFORMATION

The U.S. Census Bureau statistics indicate there are 210 residents in Unalaska who are age 65 and over, but their margin of error must also be included (+/- 90), which gives a range of 120-300 persons age 65 and older counted in the census:

Age Group	Census Information	Margin of Error
65 to 69 years	165	+/- 63
70 to 74 years	26	+/- 10
75 to 79 years	14	+/- 10
80 to 84 years	4	+/- 5
85 years & older	1	+/- 2
Total	210	+/- 90

CONSUMER PRICE INDEX & INFLATION

The Consumer Price Index (CPI) is a measure of the average change in prices over time for a fixed market basket of goods and services. The CPI is the most widely used measure of inflation. The U.S. Bureau of Labor Statistics provides a CPI Inflation Calculator on their website (https://www.bls.gov/data/inflation_calculator.htm) which indicates that \$1 in January 2005 (the year the senior citizen refund was enacted) has the same buying power as \$1.57 in January 2023; and that \$200 in 2005 has the same buying power as \$313.76 in 2023.

Another online inflation calculator (<https://www.usinflationcalculator.com/>) indicates similar information, but on an annual basis not specific to month, showing that \$200 purchasing power in 2005 would require \$306.37 in 2023, with a cumulative rate of inflation of 53.2% from 2005 to 2023.

3% SALES TAX ON PURCHASES

Another angle of analyzing the refund amount could be the sales tax incurred on purchases at various dollar amounts with our 3% sales tax levy. For example, it takes \$6,667 in taxable purchases to incur \$200 in sales tax; and \$10,000 in purchases to incur \$300 in sales tax.

Taxable Purchases	Resulting Sales Tax
\$6,667	\$200
\$8,333	\$250
\$10,000	\$300
\$13,333	\$400
\$16,667	\$500
\$20,000	\$600

DISCUSSION: In this section, I will review the elements of the application form and observations made in the Clerk’s Department as we administer the Senior Citizen Sales Tax Refund program.

The application form, updated in 2018, is designed to elicit information to determine eligibility for the refund. A copy of the application form is attached. In addition to name, date of birth, residence and mailing addresses and telephone number, applicants are asked the date they established residency in Unalaska; when they plan to leave Unalaska; whether they intend to remain in Unalaska indefinitely and make Unalaska their home; and whether their primary residence is outside of Unalaska. Applicants sign the application, certifying that the information provided is the truth.

In 2018, the first year using the new application form that includes additional residency questions, we had the highest number of applicants denied for not meeting the residency requirement (27). The majority of the applications deemed ineligible due to not meeting the residency requirement answered “yes” to the question “is your primary residence outside of Unalaska?” After receiving a letter explaining why they were not eligible for the refund, about a third of the same applicants changed their answer to this question to “no” in subsequent years.

In 2019, 13 applicants were deemed ineligible by answering “yes” to the question “is your primary residence outside of Unalaska?” Again, in subsequent years, more than half of the same applicants changed their answer to this question to “no”.

In 2022, 27 of the 84 eligible applicants (32%) supplied street addresses and post office box numbers for local seafood processing facilities as their residence and mailing addresses. This percentage increased to 36% in 2023. Of the applicants listing addresses at local seafood processing plants, 77% are not registered to vote in Alaska.

Almost all of the proof of age documentation provided by persons residing at seafood processing facilities was a State of Alaska Identification Card, not a driver’s license.

Clerk's Department staff rely on the information provided in the application, as well as the proof of age supplied, to determine eligibility. Applications are denied if the individual does not meet the age requirement; if the application is submitted late; and if the answers to the residency questions indicate they are not residents of Unalaska. We also use common knowledge to determine eligibility. For example, community members who have moved away, or who are in the process of moving off island and who applied for the refund have been denied.

Clerk's Department staff are not equipped to further determine residency as defined in code – "customary ties indicative of residence in the City and the absence of those ties elsewhere." For this reason, it is suggested that Council consider amending code to tighten the eligibility requirements to include an element that is definitive and able to be easily verified.

ALTERNATIVES:

AMOUNT OF THE REFUND

Council's alternatives include:

- 1) **Do nothing (leave as is).**
- 2) **Discontinue the refund program (code amendment required).**
- 3) **Amend code to change the amount of the refund.**
- 4) **Amend code to provide an exemption from sales tax for all sales to senior citizens.** I believe this necessarily could not be limited to residents of Unalaska. This alternative places the burden on sellers to determine the customer's age. Further complicating this alternative are purchases made remotely. We are required to treat local sellers and remote sellers equitably, meaning we can't limit the exemption to local sales only. Research would have to be done to determine if and how other communities administer such an exemption with remote sellers and the Alaska Remote Sellers Sales Tax Commission. Due to these complications, this alternative is not recommended.

ELIGIBILITY

- 1) **Do nothing (leave as is).**
- 2) **Enhance the application questions to help determine eligibility, such as:**
 - a) Are you registered to vote in the United States? If yes, in what state?
 - b) How many months per year are you physically present in Unalaska?
 - c) Are you employed in Unalaska? Name of employer.

This alternative may help to determine an applicant's residency and eligibility for the refund, but interpreting the applicant's responses may still be somewhat subjective and does not always provide a verifiable determiner of eligibility. This alternative alone is not recommended without a change in eligibility requirements.

- 3) **Amend code to increase eligibility standards.** Alternatives include:

- a) **Require U.S. Citizenship.** Adding U.S. Citizenship as an eligibility requirement is straight forward and applicants will be required to show proof of citizenship with documentation (U.S. Passport, birth certificate, Consular Report of Birth Abroad, Naturalization Certificate or Certificate of Citizenship). This alternative alone would not prove residency in Unalaska.
- b) **Require applicant to be registered to vote in Alaska, at an address in Unalaska.** In order to be registered to vote in Alaska, a person must be a U.S. Citizen, at least 18 years of age, provide their residence address in Unalaska, have no felony convictions (unless unconditionally discharged) and not be registered to vote in another state. When registering to vote, a person must provide acceptable identification (Driver License, State ID Card, Birth Certificate or Passport).

This option would disqualify applicants who are not citizens of the United States; those who are registered to vote in other states (which may indicate they are not residents of Unalaska); and also anyone with felony convictions. There may be senior citizens who are not registered to vote, but are indeed residents of Unalaska. There is no required length of residency in the state for voter registration. The existing 30 day residency requirement for the refund could remain in code as a requirement for the refund.

Registering to vote is a clear indication of a person's residency intent. This would be a simple way to verify that an applicant for the senior refund is a resident of Unalaska, and voter registration includes U.S. Citizenship as a requirement.

Clerk's Department staff already have access to State of Alaska voter records to verify voter registration status.

- c) **Require applicant to be eligible for the State of Alaska Permanent Fund Dividend.** To qualify for the PFD, the applicant must be able to answer yes to all of the following statements:
 - (1) I was a resident of Alaska during all of calendar year 2022;
 - (2) On the date I apply for the 2023 Permanent Fund Dividend, I have the intent to remain an Alaska resident indefinitely;
 - (3) I have not claimed residency in any other state or country or obtained a benefit as a result of a claim of residency in another state or country at any time since December 31, 2021;
 - (4) I was not sentenced as a result of a felony conviction during 2022; incarcerated at any time during 2022 as the result of a felony conviction; or incarcerated at any time during 2022 as the result of a misdemeanor conviction in Alaska if convicted of a prior felony or two or more prior misdemeanors since January 1, 1997; and
 - (5) If absent from Alaska for more than 180 days, I was absent on an allowable absence; and I was physically present in Alaska for at least 72 consecutive hours at some time during 2021 or 2022

The State of Alaska, Department of Revenue, PFD Division may allow access to a person's PFD eligibility status to municipal government agencies, but typically for purposes of garnishment. Using PFD eligibility as a criteria for our senior sales tax refund would increase the residency requirement to a year; but there is no U.S. Citizenship requirement, just residency. Some senior citizens choose not to apply for the PFD for political reasons, or to avoid issues with their income for pension and Social Security reasons. Because PFD eligibility is not determined in some cases until after March 31st

each year, we will have to amend our program application deadline accordingly. The city will also have to enter into an agreement with the State of Alaska for access to PFD eligibility records, if access is allowed by the State.

PFD eligibility would certainly answer the residency question, but also increases the residency time from a month to more than a year; and would disqualify seniors who choose not to apply for the PFD.

FINANCIAL IMPLICATIONS: If Council increases the amount of the refund, there will be a corresponding increase in the cost of the program. The average number of eligible applicants per year for the last 7 years is 94. The cost of this refund program does not have a significant financial impact on the City of Unalaska. The following table shows the cost of the refund program at three refund amounts:

Refund Amount	Cost for 94 Eligible Applicants
\$200 refund	\$18,800
\$300 refund	\$28,200
\$400 refund	\$37,600

If eligibility for the refund is tightened, it is probable that fewer applicants will be eligible.

We anticipate no increased administrative expenses to administer the refund if eligibility for the refund is enhanced.

LEGAL: The City Attorney has not been consulted. If Council decides to amend code, the City Attorney will be part of that process.

STAFF RECOMMENDATION: The amount of the refund is a Council decision and is a relatively simple code amendment.

If Council wishes to enhance the eligibility requirements, Staff recommends adding the requirement of being registered to vote in Alaska, at an address in Unalaska. An ordinance amending code will be required.

PROPOSED MOTION: None; this is a work session item for discussion. If Council is prepared to provide direction to staff tonight, a Directive to the City Manager is suggested.

CITY MANAGER COMMENTS: The information in this memorandum is provided at the request of City Council. Future steps, if any, are at Council's discretion.

ATTACHMENTS:

1. Unalaska Code of Ordinances § 6.40.050(C)
2. Application for Senior Citizen Sales Tax Refund

UNALASKA CODE OF ORDINANCES

§ 6.40.050 APPLICATION FOR TAX REFUND.

...

(C) SENIOR CITIZEN REFUND. Natural persons of at least sixty- five (65) years of age on or before March 31 of each year shall be entitled to receive a yearly sales tax refund in the amount of two hundred dollars (\$200).

(1) To be eligible for the refund, the consumer must be sixty-five (65) years of age or older by March 31 of each year, be a resident of the City for at least thirty (30) days prior to their application, and file a timely application for refund with the City. The application form may require the consumer-applicant to provide proof of age and of residency, along, with other information reasonably necessary to administer this refund. The claim for refund may be made only by filing a timely application with the City Clerk.

(2) An application for a senior citizen refund must be filed with the City between January 1 and March 31 of each year. Claims for refund filed after March 31 of each year shall be denied.

(3) Any eligible applicant who has a delinquent account of any kind with the City shall not be entitled to receive their refund directly. The City shall, instead, apply the refund to the delinquency. Only once the delinquency is paid may any surplus refund be directed to the eligible recipient.

(4) "Resident of the City," for the purposes of this subsection, means a person who is physically present in the City with the intent to remain indefinitely in the City and to make a home in the City. The individual must also have maintained a principal place of abode in the City for at least thirty (30) consecutive days immediately preceding the date of application for a refund. A person demonstrates the intent required under this section through establishing and maintaining customary ties indicative of residence in the City and through the absence of those ties elsewhere. Physical presence in the City is not, by itself, sufficient to establish residency.

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CITY OF UNALASKA
Office of the City Clerk
P. O. Box 610
Unalaska, AK 99685
(907) 581-1251

APPLICATION DUE MARCH 31

Application for Senior Citizen Sales Tax Refund Pursuant to Unalaska City Code 6.40.050

1. Applicant Name: _____
2. Date of Birth: _____
3. Residence Address: _____
4. Mailing Address: _____
5. Telephone number: _____
6. Date you established residency in Unalaska: _____
7. When do you plan to leave Unalaska? _____
8. Do you intend to remain in Unalaska indefinitely and make Unalaska your home? Yes No
9. Is your primary residence outside of Unalaska? Yes No

Note: City Clerk may request proof of age and residency

CERTIFICATION OF APPLICANT

I certify that the information provided in this document is the truth.

Signature _____ Date _____

CLERK'S OFFICE USE ONLY

- Date application received: _____ New Application Repeat Application
- Applicant personally known in Clerk's Dept.
- Residency Proof Provided / Type: _____
- Age Proof Provided / Type: _____
- Additional information requested: _____

APPROVED _____ DISAPPROVED _____ Reason for disapproval: _____
Approved / Disapproved by: _____