



MEMORANDUM

CC-26-113

Seasonal Sales Tax Proposal

Item Type: Informational Memorandum
Prepared For: Mayor Lord and Homer City Council
Date: May 22, 2026
From: Councilmember Davis
Through: Elizabeth Fischer, Finance Director and Melissa Jacobsen, City Manager

BACKGROUND:

Based on sales patterns at my business, I've long believed that a seasonal sales tax structure, with a higher rate during peak summer and a lower rate during the off-season, could both increase total revenue and reduce the annual tax burden on year-round residents. Monthly taxable sales data received from the Kenai Peninsula Borough Finance Department, together with quarterly remitter totals extrapolated using the same seasonal distribution patterns, confirms that this can work. Using the Borough's combined 2025 taxable sales estimates (monthly remitters plus extrapolated quarterly remitters), June through August accounted for approximately 47.6% of annual taxable sales.

How the Math Works

For residents with relatively steady monthly spending, a seasonal tax structure can reduce total annual City sales tax paid.

By way of example, a 2 percentage point increase for approximately 3 months (June-August), combined with a 1 percentage point reduction for the remaining 9 months, reduces annual City sales tax paid by about 5.2% for a steady-spending household.

These same rates (totals including Borough sales tax would be 9.85% and 6.85% respectively) would increase the amount collected by the City approximately as follows:

Higher-rate period	Lower-rate period	Estimated additional revenue collected during higher-rate period	Estimated reduction during lower-rate period	Estimated net additional City revenue
June 1–August 31	Sept 1 - May 31	+\$2.97 million	-\$1.67 million	+\$1.30 million

Under this scenario, the increase in summer visitor-season revenue exceeds the reduction generated by the lower off-season rate, resulting in both increased City revenue and a modest reduction in annual sales tax burden for many year-round residents whose spending patterns are relatively stable throughout the year.

Recommendation

At some point — not necessarily in 2026, when voters are already being asked to consider extending the HART sales tax — Council may wish to consider advancing a ballot proposition asking voters whether to adopt a seasonal sales tax structure for Homer, with a higher rate during peak summer and a lower rate during the remainder of the year. June through August is the simplest window to explain and administer, but if Council wishes to capture more peak-season spending while still preserving a net annual tax reduction for local households, a fixed-date window that reliably includes Memorial Day and Labor Day (e.g. May 24–Sept 7) also merits serious consideration.

AI disclosure: This memo and calculations were prepared with the assistance of ChatGPT; the calculations were subsequently confirmed by Finance staff.

ATTACHMENTS:

Sales Tax Collection Report

Taxable Totals**2025****2024**

4.85%	Taxable Sales	Tax Collected	Taxable Sales	Tax Collected
January	\$2,572,030.82	\$124,743.49	\$2,729,058.41	\$132,359.33
February	\$2,550,403.81	\$123,694.58	\$2,748,322.06	\$133,293.62
March	\$3,081,073.36	\$149,432.06	\$3,123,060.75	\$151,468.45
April	\$3,289,234.68	\$159,527.88	\$3,354,747.21	\$162,705.24
May	\$5,085,445.88	\$246,644.13	\$5,203,761.64	\$252,382.44
June	\$8,122,414.60	\$393,937.11	\$8,497,639.53	\$412,135.52
July	\$9,982,107.53	\$484,132.22	\$10,126,886.91	\$491,154.02
August	\$8,689,046.21	\$421,418.74	\$9,101,018.57	\$441,399.40
September	\$4,187,402.82	\$203,089.04	\$4,462,889.90	\$216,450.16
October	\$3,109,155.18	\$150,794.03	\$3,470,483.08	\$168,318.43
November	\$2,812,181.99	\$136,390.83	\$3,087,131.00	\$149,725.85
December	\$2,843,404.77	\$137,905.13	\$3,032,990.80	\$147,100.05
QTR 1	\$35,340,985.81	\$1,714,037.81	\$37,770,604.62	\$1,831,874.32
QTR 2	\$72,674,057.21	\$3,524,691.77	\$74,041,873.75	\$3,591,030.88
QTR 3	\$105,256,965.89	\$5,104,962.85	\$103,442,864.91	\$5,016,978.95
QTR 4	\$42,335,994.22	\$2,053,295.72	\$42,048,684.65	\$2,039,361.21