MEMORANDUM

CC-26-174

Ordinance 26-51, an Ordinance of the City Council of Homer, Alaska Amending Homer City Code Chapter 9.16, Sales Tax, to Provide for Collection and Remittance of City Sales Tax by Marketplace Facilitators for Short-Term Rental Transactions; Authorizing Administration Through the Alaska Remote Seller Sales Tax Commission; and Providing for an Effective Date.

Item Type: Backup Memorandum
Prepared For: Mayor Lord and Homer City Council
Date: September 8, 2026
From: Melissa Jacobsen, City Manager

Finance Director Fischer and I met with Kenai Peninsula Borough (KPB) Mayor Micciche, Finance Director Harbaugh, Borough Attorney Kelley, and Clinton Singletary from the AML Alaska Remote Seller Sales Tax Commission (ARSSTC) to better understand opting into the ARSSTC uniform tax code and the potential impacts on the Borough, the City, and short-term rental (STR) operators.

The Borough classifies STRs as a local physical service and currently, STR operators report and remit sales tax directly to the Borough. While the KPB will see some administrative changes if the City opts in, from the Borough's perspective, the most significant impact will fall on STR owners and property managers, who will be responsible for reporting to two separate entities and ensuring their filings are submitted correctly.

Under this arrangement, STR operators would continue reporting sales tax revenue to the KPB. The Borough would remain responsible for verifying the accuracy of those reports and conducting audits as needed. Because the KPB has been collecting STR sales tax for several years, it has established data systems and auditing tools to support compliance efforts. The Borough currently uses software that gathers information from multiple STR platforms. Both Finance Director Harbaugh and Mayor Micciche indicated that compliance rates are high throughout the Borough and its incorporated cities, noting that the City of Seward has the highest compliance due to their business license requirements and bed tax in that provide for multiple levels of review and enforcement.

We also discussed administrative fees associated with ARSSTC participation. Currently, the KPB assesses a 3.85-mill rate to cover administrative services provided to the City of Homer, including sales tax collection. ARSSTC charges an administrative fee using a tiered system where the fee percentage decreases as tax collections increase:

- Tier 1 = 15.4% ($0-$10M)
- Tier 2 = 11.4% ($10M-$20M)
- Tier 3 = 7.4% (>$20M)

The fee tiers are based on total revenues brought in by the Commission. Once total annual Commission revenues hit the milestones, every community gets the same fee adjustment, regardless of their individual community revenue totals.
Currently ARSSTC member jurisdictions are on the lowest fee tier as of the June returns filed in July. Crossing this tier threshold happened mid-month so there was some proration, and the next payout that will happen this month will assess the full month of revenues at the lowest fee tier, for all member jurisdictions.

Mr. Singletary pointed out that opting into the current uniform code is helpful for communities that are struggling with compliance and is not intended to address licensing issues.

Councilmember Davis's memo provides a nice overview of the situation and next steps. In addition to what he's proposed, it will be important to hear from STR operators about how separate tax collection procedures will affect them, and for Council to consider how this fits in with the larger discussion about STR regulations in the City.

RECOMMENDATION:
Informational Only.