



ONE SEALASKA PLAZA, SUITE 200 • JUNEAU, ALASKA 99801  
TEL (907) 586-1325 • FAX (907) 463-5480 • WWW.AKML.ORG

Member of the National League of Cities and the National Association of Counties

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Re: Opposition to Mandatory Exemption of Sales Tax on Specie

The Alaska Municipal League (AML) is comprised of 165 cities and boroughs, 106 of which have a sales tax that provides necessary revenue to fund services provided by these local governments. AML members have a long-standing principle of opposing legislation that reduces local control and diminishes a jurisdiction's tax base, which HB 1 does. This is consistent with Article X of the Constitution, which places an emphasis on maximizing local self-government.

HB 1 erodes local decision-making as it relates to the determination of taxability, and where exemptions are in the public interest within individual communities. Cities and boroughs must weigh the merit of exemptions, knowing that the exemption of any one item or type of sale shifts the burden of taxation onto others.

An exemption on specie is hard to quantify, since it is not a class of sales that are currently trackable. Municipal officials are also restricted in their ability to share tax information. That said, AML has approximated impact in the hundreds of thousands of dollars. A quick search on Amazon demonstrates the availability of this good, and Costco reports global sales of \$100 million in gold bars in the last quarter. The availability of collectible coins and stamped bullion is extensive and currently taxable.

This exemption amounts to a subsidy of current collectors, and until such time as the State has a method of valuation and collection, it is hard to determine the public benefit. While some portion of the population may receive the subsidy, the exemption shifts costs to others in the community who don't make similar purchases or who aren't in a position to do so. It produces an inequitable system of taxation.

If and when the State implements a system of exchange using, including to establish acceptance for payment of State debts, and this legal tender has a system of valuation that is consistent with currency (which is currently non-taxable), then this exemption may not even be necessary. It is worth waiting, at the very least, until such time as the State has operationalized this process and promulgated regulatory guidance for its application to Alaska businesses and local governments, as well as to ensure that citizens are aware of the implications, including related to the IRS capital gains tax. We do express some concern about confusion that might result in relation to taxability, and the application of federal law.

AML recognizes so many other challenges facing the state that members have prioritized, including energy security, education, workforce recruitment and retention, and infrastructure development. We urge the Senate to set this bill aside while we work together on common priorities.

Respectfully submitted,



Nils Andreassen  
Executive Director