

# KENAI PENINSULA BOROUGH

## Kenai Peninsula Borough Assembly

144 North Binkley Street  
Soldotna, AK 99669  
Phone 907-714-2160  
Fax 907-714-2388

Kelly Cooper, Assembly President  
Wayne Ogle, Vice President

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### MEMORANDUM

**TO:** Kelly Cooper, Assembly President  
Kenai Peninsula Borough Assembly Members

**FROM:** Kelly Cooper, Assembly President  
Mike Navarre, Borough Mayor *MN (P) for K.C.*

**DATE:** August 1, 2017

**RE:** Ordinance 2017-23, Amending KPB 5.18.430 to Increase the Maximum Amount of a Sale Subject to the Borough Sales Tax to \$1,000, Except for Residential Rentals, Subject to Voter Approval (Cooper, Mayor)

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During the assembly work session regarding taxation held on July 18, 2017, Mayor Navarre discussed the temporary lodging tax and offered two alternative sales tax ordinances. One would raise the general sales tax by half a mill and the other one would increase the cap on sales subject to the sales tax from \$500 to \$1,000. Based on feedback we have received from the public, we want to introduce an ordinance that would increase the maximum amount subject to sales tax to \$1,000 but leave the cap at \$500 for residential rentals. Unlike the temporary lodging tax, this would be a broad-based tax that does not target one segment of an industry, placing an unfair burden on that segment. Increasing the maximum to \$1,000 would apply throughout the borough, having a much smaller impact on individual sales. At most, this would increase borough sales tax by up to \$15 for purchases over \$500. It is our intention that this will be considered as an alternative option for a revenue source.

Because affordable housing is so important and applying this increase to residential rentals could raise the borough tax on rentals up to \$30 per month, in addition to city taxes for rentals in the cities, we propose that the \$500 cap remain in place for those rentals. Further, the \$1,000 cap would be less than one-third of today's value of the original \$500 cap put in place in 1965.

The Finance Department estimates this would generate about \$2.9 million to \$3.1 million annually in revenue to the borough, significantly helping to close the gap between the current spending level and borough revenues, providing some protection for the fund balance.

We are proposing this as a laydown ordinance with a shortened hearing on August 15, 2017 so it could be placed on the ballot for the October 3<sup>rd</sup> regular election if approved. Your favorable consideration would be appreciated.