

Introduced by:	Cooper, Mayor
Date:	08/01/17
Shortened Hearing:	08/15/17
Action:	Introduced and Set for Public Hearing
Vote:	9 Yes, 0 No, 0 Absent
Date:	08/15/17
Action:	Enacted
Vote:	5 Yes, 4 No, 0 Absent

**KENAI PENINSULA BOROUGH  
ORDINANCE 2017-23**

**AN ORDINANCE 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**

- WHEREAS,** due to the continuing decline in state assistance to municipalities and school districts, the increasing loss in property tax revenues to the borough from exemptions on real property, and increasing reliance on borough funding for the school district, the borough must take steps to maintain its unrestricted fund balance into the future within financially prudent and responsible parameters; and
- WHEREAS,** KPB 5.18.430(A) currently provides for a maximum taxable amount of \$500, meaning the borough’s sales tax is only applied to the first \$500 of each separate sale, rent, or service transaction unless otherwise provided; and
- WHEREAS,** Ordinance No. 9a, enacted by the assembly in 1965, set the maximum taxable amount at \$500 and this sum has never been adjusted for inflation or otherwise; and
- WHEREAS,** the 2016 value of \$500 in 1965 is approximately \$3,085 according to the Alaska Department of Labor Anchorage Consumer Price Index inflation calculator and approximately \$3,810 according to the U.S. Bureau of Labor Statistics Consumer Price Index inflation calculator; and
- WHEREAS,** if the maximum taxable amount in Ordinance No. 9a had been adjusted for inflation between 1965 and today, the maximum taxable amount today would be in excess of \$3,000; and
- WHEREAS,** this increase in the maximum taxable amount would disproportionately affect tenants of residential property who would pay the higher sales tax on a recurring basis each month; and

**WHEREAS,** affordable rental housing is important for the borough and its residents, and the borough's best interests would be served by keeping the cap on residential rentals at \$500 per month; and

**WHEREAS,** while the revenue generated from this increase would be used for funding education, it would make other revenues available for general borough government purposes; and

**WHEREAS,** estimates indicate this increase would generate approximately \$2.9 million to \$3.1 million annually in revenue to the borough, which would help to protect the unrestricted fund balance in future years at current borough spending levels; and

**WHEREAS,** KPB 5.18.430(F) requires that any increase in the amount of the maximum taxable amount be approved by the voters;

**NOW, THEREFORE, BE IT ORDAINED BY THE ASSEMBLY OF THE KENAI PENINSULA BOROUGH:**

**SECTION 1.** That KPB 5.18.430 is amended as follows:

**5.18.430. Computation—Maximum taxable amount.**

- A. The sales tax referred to in KPB 5.18.100 shall be applied only to the first \$1,000.00[500.00] of each separate sale, rent or service transaction, except as otherwise provided in this section.
- B. Except as provided below for long-term vehicle leases and residential property rentals, the payment of rent, whether for real or personal property, in excess of \$1,000.00 [\$500.00] and for more than one month, shall be treated as several separate transactions covering the rental/lease for one month each. The payment of rent for residential property in excess of \$500.00 and for more than one month, shall be treated as several separate transactions covering the rental/lease for one month each.
- C. Services provided on account and billed to the customer on a periodic basis are subject to application to the tax on a maximum of \$1,000.00 [\$500.00] of each billing, per account. For purposes of this section, any advance payment for services other than to a trust or escrow account is considered to be paid pursuant to a "billing."
- D. Each night's rental of each individual unit of temporary lodging shall be considered a separate transaction and therefore the maximum tax computation shall be calculated on a per unit per night basis. Rental by a single person or entity of an entire facility, such as a lodge or hotel for multi-person overnight use, does not affect this provision that each night's rental of each individual unit shall be considered a separate transaction.

- E. Long-term vehicles leases shall be treated as one transaction per year, and per fractional year, of the lease term. The tax paid for any fraction of a year shall equal the tax paid for a whole year. The sales tax for the entire long-term vehicle lease shall be due and collected at the time of the first payment. Tax shall be calculated at the sales tax rate in effect on the day the lease is signed. There shall be no refund of such taxes should the lease terminate earlier than on its terms. Any extension of the initial lease term shall be treated as a new long-term vehicle lease.
- F. Any increase to the maximum sales tax described in subsection (A), above, shall not take effect until ratified by a simple majority of voters at a regular borough election.
- G. Recreational sales shall be treated on a per person per day basis and therefore the maximum tax computation shall be calculated on a per person per day basis. For purposes of this subsection, the term "person" means an individual human being.

**SECTION 2.** That a ballot proposition shall be placed before borough voters at the next regular election to read as follows:

PROPOSITION No. \_\_\_\_\_

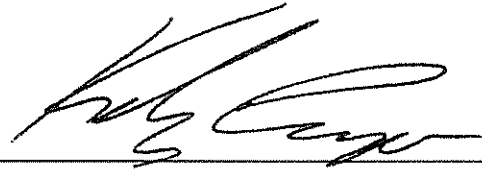
Shall Section 1 of Ordinance 2017-23, increasing the maximum amount of a sale subject to the borough sales tax, other than residential rentals, from \$500 to \$1,000, be ratified? The maximum amount of residential property rentals subject to the sales tax would remain at \$500 per month.

YES \_\_\_\_\_ A "yes" vote means you support increasing the maximum amount of a sale subject to the borough sales tax, other than residential rentals, from \$500 to \$1,000.

NO \_\_\_\_\_ A "no" vote means you oppose increasing the maximum amount of a sale subject to the borough sales tax, other than residential rentals, from \$500 to \$1,000.

**SECTION 3.** That Sections 2 and 3 shall become effective immediately upon enactment of this ordinance. Section 1 of this ordinance shall become effective January 1, 2018, only if the proposition contained in Section 2 is approved by a majority of voters voting on the question in the regular election of October 3, 2017.

ENACTED BY THE ASSEMBLY OF THE KENAI PENINSULA BOROUGH THIS  
15TH DAY OF AUGUST, 2017.

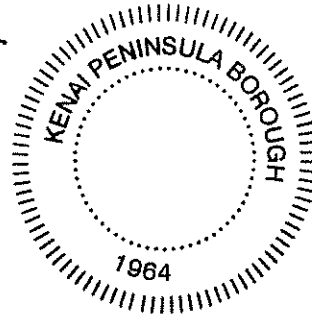


Kelly Cooper, Assembly President

ATTEST:



John Blankenship, MMC, Borough Clerk



08/01/17 vote on motion to introduce and set for public hearing:

Yes: Bagley, Carpenter, Dunne, Fischer, Hibbert, Ogle, Schaefer, Welles, Cooper

No: None

Absent: None

08/15/17 vote on motion to enact:

Yes: Carpenter, Dunne, Ogle, Schaefer, Cooper

No: Bagley, Fischer, Hibbert, Welles

Absent: None