

# Kenai Peninsula Borough Assembly

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## MEMORANDUM

**TO:** Wayne Ogle, Assembly President  
Members, Kenai Peninsula Borough Assembly

**FROM:** Dale Bagley, Assembly Member *DLB*

**DATE:** April 25, 2018

**RE:** Ordinance 2019-09, Amending the Borough's Sales Tax Code to Levy a 12 Percent Tax on Temporary Lodging, Exempt Temporary Lodging Rentals from the General Sales Tax, and Allow Cities that Levy a Similar Sales Tax on Temporary Lodging to Exempt up to One-Half of the Borough Temporary Lodging Tax, Subject to Voter Approval (Bagley)

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Due largely to the state's current economic crisis and proposed reductions of state funds to local governments, the borough is currently facing a budgetary shortfall estimated to be substantial. Ordinances 2017-29 and 2018-24, which would have asked the voters to approve a bed tax, were defeated by the assembly in 2017 and 2018. The fiscal situation has worsened and the borough needs to close that shortfall. I propose that we pass this ordinance and submit it to the voters for consideration in the next regular election on October 1, 2019. If approved it would be effective April 1, 2020.

Currently 49 Alaska cities and boroughs have a "bed tax". The tax rates range from a low of 4 percent to a high of 12 percent. Three municipalities levy bed taxes using flat rates and Bristol Bay Borough has both a percent and a flat rate bed tax. If this ordinance is approved it would exempt temporary lodging rentals from the general sales tax rate, and instead would levy a maximum bed tax of 12 percent in the borough. It also grants an exemption in cities that levy a similar sales tax or temporary lodging tax in an amount equal to the city's tax, up to a maximum of one-half of the borough's tax. This is intended to help level the temporary lodging rates inside and outside of the cities in the borough.

These additional sales taxes would be used to support education. They would also make other revenues available for services funded by property taxes and help to sustain the general fund.

Page -2-

April 25, 2019

RE: Ordinance 2019- 09

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Several hundred thousand visitors travel to the Kenai Peninsula each year and while they contribute to the area's economy, they also create a large demand on public services in the borough. Examples of borough services provided to visitors include solid waste services, fire and emergency medical services, road services, hospitals, recreation services, 911 services and disaster assistance.

Your support in giving the voters a chance to vote on this would be appreciated.