

Introduced by: Cox

Date:

Hearings:

Action:

Vote:

DRAFT

KENAI PENINSULA BOROUGH ORDINANCE 2025-__

AN ORDINANCE AMENDING THE BOROUGH'S SALES TAX CODE TO LEVY A 12 PERCENT TAX ON THE RENTAL OF TEMPORARY LODGING AND OVERNIGHT CAMPING FACILITIES, EXEMPT THESE RENTALS FROM THE GENERAL SALES TAX AND CAP, ALLOW CITIES THAT LEVY A SIMILAR SALES TAX TO EXEMPT UP TO ONE-HALF OF THE BOROUGH'S TAX ON THESE RENTALS, AND LOWER THE MILL RATE BY AT LEAST 0.2 MILL FOR FISCAL YEAR 2027, SUBJECT TO VOTER APPROVAL

WHEREAS, the Kenai Peninsula Borough (KPB) must diversify its sources of revenue to help protect the fund balance of the General Fund from variables such as minimized tax revenues due to the KPB's tax exemptions, declining state assistance to municipalities, increasing reliance on borough funding for public education, and a low sales tax cap (especially when inflation is considered); and

WHEREAS, currently, 49 Alaska municipalities including cities and boroughs, levy a temporary lodging tax, also known as a bed tax, lodging tax, or transient accommodations tax, in addition to other sales taxes, with lodging tax rates ranging from a low of 4 percent to a high of 12 percent; and

WHEREAS, of the 19 organized boroughs in Alaska only the Kenai Peninsula Borough, Aleutians East Borough, North Slope Borough, and North West Arctic Borough do not levy a specific tax rate on temporary lodging; and

- WHEREAS,** of the 5 most populated boroughs in Alaska (Anchorage Borough, Matanuska-Susitna Borough, Fairbanks North Star Borough, Kenai Peninsula Borough, and Juneau Borough) only the Kenai Peninsula Borough does not levy a specific tax on temporary lodging; and
- WHEREAS,** like the other 4 most populated boroughs in Alaska, the economy of the Kenai Peninsula Borough relies heavily on the several hundred thousand visitors who travel to the Kenai Peninsula each year; and
- WHEREAS,** the influx of people enjoying the Kenai Peninsula, specifically during the warmer months, results in an increased demand on the public services offered within the borough; and
- WHEREAS,** impacted KPB services include solid waste, roads, recreational & senior citizen services, 911 & emergency services, hospital services, and disaster services; and
- WHEREAS,** while 80% of the revenue generated from this additional sales tax on temporary lodging and overnight camping facilities would currently be used for educational purposes, it would make other borough revenues available to offset these visitor costs, help maintain the fund balance, and lower the KPB's areawide mill rate as appropriate; and
- WHEREAS,** the Assembly also recognizes a need to increase funding for the the promotion and advertising of tourism on the Kenai Peninsula; and
- WHEREAS,** if approved by the voters, 20% of sales tax collected from temporary lodging and overnight camping facilities will be used to fund promotion and advertisement of tourism on the Kenai Peninsula; and
- WHEREAS,** this ordinance revises the definition for the term "temporary lodging" to clarify and specify services that will be subject to a temporary lodging tax;
- WHEREAS,** a temporary lodging tax of 12 percent is estimated to generate an approximate net gain of \$854,289* in FY2027, \$5,286,883* in FY2028, and \$5,281,320* in FY2029, not including any additional revenue collected from overnight camping facilities; and *(*subject to change with new fiscal note from the finance dept)*
- WHEREAS,** the tax cap of \$500 on sales in the borough, outlined in KPB 5.18.430, will not apply to the tax levied on temporary lodging, but will continue to apply to all others sales as described; and
- WHEREAS,** to support cities choosing to levy a similar tax and encourage even application throughout the borough, this ordinance exempts from the KPB's 12 percent

temporary lodging tax in an amount equal to a similar city tax of up to one-half of the KPB's temporary lodging tax; and

WHEREAS, this ordinance also specifically empowers all first class and second class cities within the KPB with the ability to levy a temporary lodging tax pursuant to AS 29.45.700(a); and

WHEREAS, voter approval is required to increase the sales tax rate

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

SECTION 1. That KPB 5.18.100 is hereby amended as follows:

5.18.100. General—Levied—Amount.

- A. There is levied by the borough a consumer's sales tax of up to 3 percent maximum rate on all retail sales, on all rents, and on all services made or rendered within the borough, measured by the gross sales price of the seller.
- B. In addition to the tax levied in Subsection A of this section, there is levied in the borough a sales tax on the rental of temporary lodging and overnight camping facilities of up to 12 percent of the rental price of all such rentals within the borough, except as specifically exempted herein. KPB 5.18.430 does not apply to the tax levied in this Subsection. In accordance with KPB 5.18.500, sellers under this Subsection must file a sales tax return on a form prescribed by the borough.
- C. In addition to the sales taxes levied by the borough, any municipality within the borough may levy a consumer's sales tax and a temporary lodging and overnight camping facilities tax that may be included in their general sales tax, taxed separately, or both, as provided by Alaska Statute which shall be reported, collected, and enforced according to the terms of this chapter.

SECTION 2. That KPB 5.18.110(A) is amending as follows:

5.18.110(A). General—Proceeds—Use for school purposes—Payment to cities.

- A. The net proceeds from the taxes collected by the borough pursuant to this chapter shall be used exclusively for borough school purposes, except for 20% of the tax collected from temporary lodging and overnight camping

facilities which will be designated to be used for the promotion and advertisement of tourism on the Kenai Peninsula.

SECTION 3. That KPB 5.18.200(A) is amending by amending paragraph 22 as follows:

5.18.200. Exemptions/waivers—Exemptions.

A. The following classes of retail sales, services and rentals are exempt:

...

22. The rental of temporary lodging and overnight camping shall be exempt from the borough general sales tax levied pursuant KPB 5.18.100(A).

SECTION 4. That the Kenai Peninsula Borough Code of Ordinances is hereby amended by adding a new section to be numbered KPB 5.18.215 which shall read as follows:

5.18.215. Exemptions/waivers—Temporary lodging within cities in the borough.

Rentals of temporary lodging and overnight camping facilities within any city in the borough are exempt from the borough's temporary lodging and overnight camping facilities tax in an amount equal to a similar temporary lodging and overnight camping facilities tax that is either levied separately from or included in the city's general sales tax, or both, with a maximum total exemption of one-half of the borough's temporary lodging tax.

SECTION 5. That KPB 4.18.900, Definitions, is hereby amended by adding an overnight camping facilities definition and by amending the temporary lodging definition:

5.18.900. Definitions.

When not clearly otherwise indicated by the context, the following words and phrases, as used in this chapter, have the following meanings:

...

"Overnight camping facilities" means places used for temporary overnight stays including campgrounds and places providing spaces for recreational vehicles, caravans, trailers, other vehicles, tents, or other items used for overnight shelter.

"Temporary lodging" [IS DEFINED AS] means a service to provide any structure or portion of a structure, permanent or temporary, fixed or mobile, in which a person, for money or other consideration, may obtain lodging, dwelling, or

sleeping accommodations for less than one month. This term includes hotels, apartment hotels, motels, tourist homes, houses or courts, lodging houses, inns, rooming houses, hostels, trailers, bed and breakfasts, overnight camping facilities, dormitories except as excluded below, and any other facility, structure, or room of whatever name where space for lodging, dwelling, or sleeping may be secured for consideration. "Room" excludes any self-contained and powered motor home or tent not provided by the seller, tent or tent space, hospital, medical clinic, sanitarium, or nursing home; or any student dormitory operated by a non-profit or public educational entity.

SECTION 6. That a resolution describing how the 20% collected from temporary lodging and overnight camping will be used to promote and advertise tourism on the Kenai Peninsula be approved by July 1, 2027.

SECTION 7. That a purpose of this tax is for the Assembly to use the first year revenue in a manner that results in a reduction of the Kenai Peninsula Borough real property tax by at least 0.2 mill for fiscal year 2027 as compared to the mill levy for fiscal year 2026.

SECTION 8. That a ballot proposition shall be placed before borough voters at the regular election on October 7, 2025 to read as follows:

Shall Ordinance 2025-____ be approved?

Ordinance 2025-____ :

- Establishes a borough sales tax of up to 12 percent on temporary lodging and overnight camping with no daily sales cap of \$500;
- Includes a legislative purposes statement for the Kenai Peninsula Borough to reduce real property tax by at least 0.2 mill for fiscal year 2027 from that of fiscal year 2026;
- Designates that 20% of amount collected from temporary lodging and overnight camping to be used to promote and advertise tourism on the Kenai Peninsula;
- Designates that 80% of amount collected from temporary lodging and overnight camping will be used for borough school purposes;
- Exempts temporary lodging and overnight camping rentals from the current borough general sales tax of 3 percent;
- Specifies that cities choosing to levy a similar sales tax on temporary lodging and overnight camping will be exempt up to one-half of the borough's tax on

these rentals with the intent of helping to level the temporary lodging rates inside and outside of the cities in the borough;

- Becomes effective April 1, 2026.

Yes _____ A “yes” vote means you approve of a borough tax on rentals of temporary lodging and overnight camping facilities of up to 12 percent instead of the general sales tax on these rentals. Up to one-half of the borough’s temporary lodging tax would be exempted in Cities within the borough that have a similar tax levy.

No _____ A “no” vote means you oppose a borough tax on rentals of temporary lodging and overnight camping facilities of up to 12 percent instead of the general sales tax.

SECTION 9. That Sections 8 of this ordinance shall become effective immediately. Sections 1, 2, 3, 4, 5, 6, and 7 of this ordinance shall become effective April 1, 2026, only if the proposition described in Section 8 is approved by a majority of the qualified voters voting on the question at the regular election held on October 7, 2025.

ENACTED BY THE ASSEMBLY OF THE KENAI PENINSULA BOROUGH ON THE _____TH DAY OF _____ 2025.

Peter Ribbens, Assembly President

ATTEST:

Michele Turner, CMC, Borough Clerk

Yes:

No:

Absent:

