

Kenai Peninsula Borough Assembly

MEMORANDUM

TO: Peter Ribbens, Assembly President
Members, Kenai Peninsula Borough Assembly

FROM: Tyson Cox, Assembly Member *TRC*

DATE: August 5, 2025

RE: LAYDOWN Three Amendments to Ordinance 2025-14 (As Amended) Amending
KPB 5.18.430 to Annually Adjust the Sales Tax for Inflation (Johnson)

These three separate amendments will:

1. Make a sales tax cap adjustment every five years rounding to the nearest hundred dollars rather than every year rounding to the nearest dollar. Both of these changes will make it easier for businesses and municipalities to make the periodic increases in sales tax cap.
KPB 5.18.430, Sec 2(A,E)
2. Leave rent for personal or real property with a cap of \$500 in taxable sales per transaction. Leaving this section as it was will make it easier for residential renters utilizing state or federal aid while also minimizing the regressive impact on those who are low-income renters. Multi-year commercial real estate or personal property renters will also be able to estimate more predictable contract terms with their landlord, lessor, or agency.
KPB 5.18.430, Sec 2(D)
3. Remove the tax cap on temporary lodging. Removing the daily tax cap on temporary lodging will simplify the collection of sales tax by temporary lodging operators. It will be much easier for business owners to utilize popular platforms like Airbnb and VRBO as these platforms offer no way to calculate a daily, maximum tax amounts when collecting sales tax for temporary lodging.
KPB 5.18.430, Sec 2(F)

[Please note the bold underlined language is new and the strikeout language in brackets is to be deleted.]

➤ Amend the title of the ordinance to read as follows:

AN ORDINANCE AMENDING KPB 5.18.430 TO ~~ANNUALLY~~ ADJUST THE SALES
TAX CAP FOR INFLATION **ONCE EVERY FIFTH YEAR**, SUBJECT TO VOTER
APPROVAL

- Amend Section 2 of the ordinance to read as follows:

SECTION 2. That KPB 5.18.430 is amended as follows:

5.18.430. Computation—Maximum tax.

- A. The sales tax referred to in KPB 5.18.100 shall be applied only to the first \$500.00 of each separate sale, rent or service transaction, except as otherwise provided in this section. The maximum taxable amount under this subsection will be adjusted ~~yearly~~ **once every fifth year** based on the prior **five years'** year's annual Anchorage Consumer Price Index (CPI) as published by the state. **Amount to be calculated by adding each of the five separate years' CPI adjustments together with the amount to be** rounded to the nearest **hundred** dollars, and set as of January 1 for the calendar year.
- D. Except as provided below for long-term vehicle leases, the payment of rent, whether for real or personal 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 **with a maximum taxable amount of \$500.00 per transaction.** ~~The maximum taxable amount under this subsection will be adjusted yearly based on the prior year's annual Anchorage Consumer Price Index (CPI) as published by the state, rounded to the nearest dollar, and set as of January 1 for the calendar year.~~
- E. Services provided on account and billed to the customer on a periodic basis are subject to application to the tax on a maximum of \$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." The maximum taxable amount under this subsection will be adjusted ~~yearly~~ **once every fifth year** based on the prior **five years'** year's annual Anchorage Consumer Price Index (CPI) as published by the state. **Amount to be calculated by adding each of the five separate years' CPI adjustments together with the amount to be** rounded to the nearest **hundred** dollars, and set as of January 1 for the calendar year.
- F. **Temporary lodging will have no sales tax cap.** ~~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.~~
- G. 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.

- H. 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.
- I. 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.

Your consideration is appreciated.