

Introduced by:	Cooper, Mayor
Date:	07/08/25
Hearing:	08/05/25
Action:	
Vote:	

**KENAI PENINSULA BOROUGH
ORDINANCE 2025-15**

**AN ORDINANCE AMENDING KPB 5.18.100 TO LEVY A SEASONAL
SALES TAX RATE, RESULTING IN A NET-NEUTRAL CHANGE FOR
RESIDENTS, SUBJECT TO VOTER APPROVAL**

- WHEREAS,** in 2024, the Assembly established the Tourism Industry Working Group (TIWG) to evaluate tourism benefits and impacts on current Kenai Peninsula Borough (KPB) revenue, costs, and services; and
- WHEREAS,** the TIWG reviewed comprehensive data on tourism-related sales tax contributions, emergency services usage, solid waste volume, and public infrastructure demands during peak visitor months—particularly June through August, when tourism activity, waste generation, and emergency service calls significantly increase; and
- WHEREAS,** analysis by the TIWG found that tourism generates between \$5.6 million and \$10.3 million in annual sales tax revenue—significantly exceeding the combined seasonal costs of increased emergency services and solid waste and demonstrating that visitors contribute more than their fair share toward public services; and
- WHEREAS,** switching to the proposed seasonal sales tax—2% from October through March, and 4% from April through September—is projected to raise about \$4 million more per year, primarily due to increased visitor spending during the busy summer months; and
- WHEREAS,** for permanent residents of the KPB, if approved by the voters, this seasonal sales tax structure is expected to result in a likely reduction, or at worst net-neutral change in the total annual sales tax paid, as many residents will benefit from a lower 2% rate during the winter months, when household spending typically increases on essentials such as heating and vehicle fuel, utilities, holiday spending and other household and business expenses; and
- WHEREAS,** implementing a seasonal sales tax avoids the administrative and fiscal costs and challenges associated with a separate lodging tax, which the TIWG unanimously opposed due to its inefficiencies and inequities; and

WHEREAS, the additional revenue would provide for a reduction in the borough-wide property tax mill rate by approximately 0.3 to 0.4 mills, providing financial relief to residents while maintaining high service standards, and allow additional sales tax/less property tax covering the KPB's local match for KPBSD education; and

WHEREAS, due to the time required to implement a change in the applicable software and the KPB's sales tax return forms, this change, if approved, will be effective April 1, 2026;

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

SECTION 1. That this ordinance amends KPB Code and will be codified.

SECTION 2. That KPB 5.18.100 is hereby repealed and replaced to read as follows:

5.18.100. Levy of Tax.

A. To the fullest extent permitted by law, a sales tax of two percent on sales made during the period of October 1st through March 31st, and a sales tax of four percent on sales made during the period of April 1st through September 30th, is hereby assessed and levied on the following sales, measured by the gross sales price of the seller, except as otherwise specifically exempted under this chapter:

(1) All retail sales;

(2) All services; and

(3) All rents and fees paid for the use of real and personal property.

B. The seasonal rate of levy under subsection (A) is depicted by quarter in the below table:

<u>1st Quarter (Jan 1 – March 31)</u>	<u>2%</u>
<u>2nd Quarter (April 1 – June 30)</u>	<u>4%</u>
<u>3rd Quarter (July 1 – September 30)</u>	<u>4%</u>
<u>4th Quarter (October 1 – December 31)</u>	<u>2%</u>

C. In addition to the tax levied by the borough, any municipality within the borough may levy a consumer's sales tax as provided by Alaska Statute which shall be reported, collected, and enforced according to the terms of this chapter.

[REPEALED: 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 BY THE BOROUGH, ANY MUNICIPALITY WITHIN THE BOROUGH MAY LEVY A CONSUMER'S SALES TAX AS PROVIDED BY ALASKA STATUTE WHICH SHALL BE REPORTED, COLLECTED, AND ENFORCED ACCORDING TO THE TERMS OF THIS CHAPTER.]

SECTION 3. That if any provision of this ordinance or its application to any person or circumstance is held invalid, the remainder of the ordinance or the application of the provision to other persons or circumstances will not be affected.

SECTION 4. That this ordinance shall take effect only upon approval by a majority of the voters in the borough qualified to vote on the question and who vote on the question during the regular KPB election scheduled for October 7, 2025, and, if approved, will take effect April 1, 2026.

ENACTED BY THE ASSEMBLY OF THE KENAI PENINSULA BOROUGH THIS * DAY OF * 2025.

Peter Ribbens, Assembly President

ATTEST:

Michele Turner, CMC, Borough Clerk

Yes:

No:

Absent: