

**KENAI PENINSULA BOROUGH
PROPOSITION NO. 3
(Bed Tax)**

**ESTABLISHING A 6 PERCENT AREAWIDE SALES TAX ON TEMPORARY LODGING AND
PROVIDING FOR AN EXEMPTION OF UP TO 3 PERCENT OF THE LEVY ON TEMPORARY
LODGING WITHIN THE BOUNDARIES OF CITIES IN THE BOROUGH THAT LEVY A SIMILAR SALES
TAX IN ADDITION TO AN EXISTING GENERAL SALES TAX**

(To be voted on by all voters)

Ordinance 2017-17 entitled, “An Ordinance Amending KPB Chapter 5.18 to Establish a 6 Percent Areawide Sales Tax on Temporary Lodging and Providing for an Exemption of Up to 3 Percent of the Levy on Temporary Lodging Within the Boundaries of Cities in the Borough that Levy a Similar Sales Tax in Addition to an Existing General Sales Tax, Subject to Approval by the Voters in the Regular Election on October, 3, 2017,” was enacted on August 15, 2017.

BACKGROUND

Due to the continuing decline in state assistance to municipalities along with 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.

Currently, 43 Alaska municipalities including cities and boroughs have a bed tax in addition to other sales taxes, with such bed tax rates ranging from 4 percent to 12 percent. The Kenai Peninsula Borough and the Aleutians East Borough are the only second-class boroughs in the state without an additional sales tax on temporary lodging.

Several hundred thousand visitors travel to the Kenai Peninsula each year and contribute in a large way to the area’s economy but also create a large demand on public services in the borough.

While the revenue generated from this additional sales tax on temporary lodging would be used for educational purposes, it would make other borough revenues available to offset these visitor costs.

To enable the cities to levy a similar tax and allow the tax to apply evenly throughout the borough, the ordinance exempts from the borough’s 6 percent temporary lodging tax any similar additional city tax up to 3 percent so as to share revenues between the borough and cities.

“Temporary lodging” is currently defined in the borough sales tax code as “a service to provide any lodging of less than one month.”

FISCAL NOTE

In FY2018 the estimated borough-wide revenue from a temporary lodging tax is \$510,000. The cost of administering the tax in FY2018 is estimated to be \$68,414.00. In FY2019 it is estimated the revenues from the temporary lodging tax would be \$2,300,000.00; the estimated costs to administer the tax in FY2019 is \$1,575.00. In FY2020 the estimated revenue from the temporary lodging tax is \$2,300,000.00 while the cost of administering the tax is estimated to be \$1,653.00.

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| BALLOT LANGUAGE |
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Shall Ordinance 2017-17, providing for the levy of a tax on temporary lodging of up to 6 percent of the rental price, subject to existing exemptions in the borough sales tax code and an exemption of up to 3 percent in any city in the borough that levies a similar additional sales tax on temporary lodging in its boundaries, be approved? “Temporary lodging” means “a service to provide any lodging of less than one month”.

Yes *A “yes” vote means you approve of a temporary lodging tax of up to 6 percent of the rental price in the borough, with an exemption of up to 3 percent in any city in the borough that levies a similar additional temporary lodging tax.*

No *A “no” vote means you oppose a temporary lodging tax of up to 6 percent of the rental price in the borough, with an exemption of up to 3 percent in any city in the borough that levies a similar additional temporary lodging tax.*