

Introduced by: Mayor
Date: 09/05/17
Hearing: 10/10/17
Action: Enacted
Vote: 8 Yes, 0 No, 0 Absent

**KENAI PENINSULA BOROUGH
ORDINANCE 2017-26**

**AN ORDINANCE AMENDING KPB 5.18.200(A) AND KPB 5.18.900 TO EXEMPT
FREIGHT HAULING SERVICES FROM SALES TAXES**

WHEREAS, in Ordinance 2016-31, the assembly amended numerous provisions of the sales tax code including deleting the exemption of freight hauling services from sales taxes; and

WHEREAS, while it was anticipated that sales tax revenue would increase due to the collections of sales tax on freight transactions that originated within the borough and terminated elsewhere in the state of Alaska, after the change went into effect it was quickly found that many of the transactions transporting freight are an exempt “intermediate service” since the product being transported was an item that was to be sold in a retail transaction and the freight or delivery charges would be included in the taxable retail transaction; and

WHEREAS, the administration has also determined that a transaction involving transportation should take into account the entire path of the good being transported even when a separate company is used to provide the local portion of the transaction and if the transportation originates or terminates in a different state than Alaska the transportation service could not be taxed by the borough due to restrictions on taxing transportation in interstate commerce; and

WHEREAS, the finance department has recommended reinstating the exemption for freight hauling services as there is very little sales tax revenue being generated from this taxation and it does not offset the cost of code enforcement; and

WHEREAS, the terms “freight hauling service” and “delivery service charge” should be defined in the code to provide better clarification that other delivery services will remain and have always been taxable services while freight hauling will be exempt;

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

SECTION 1. KPB 5.18.200(A) is hereby amended by adding a new subparagraph 21, as follows:

5.18.200. Exemptions/waivers—Exemptions.

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

...

21. Freight hauling services provided by common carriers, including freight transport by ship, barge, aircraft, rail or motor vehicle. Freight hauling services include the transportation of goods by common carrier, as an intermediate service as defined in KPB 5.18.210 D., and the transportation of goods that either originate or terminate outside the borough. Delivery services by private carriers, towing, moving services and courier services are not considered to be freight services and are not exempt from sales tax unless they are provided as an intermediate service as defined in KPB 5.18.210 D.

SECTION 2. KPB 5.18.900 is hereby amended by adding a new paragraph (T), as follows:

5.18.900. Definitions.

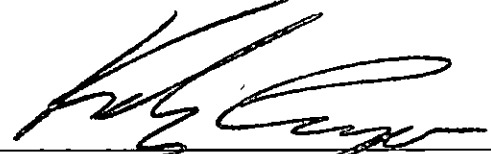
When not clearly otherwise indicated by the context, the following words and phrases, as used in this chapter, have the following meanings:

...

T. “Common carrier” means an individual or a company, which is in the regular business of transporting freight for hire. This is distinguished from a private carrier which transports its own goods and equipment, and makes deliveries of goods sold to its customers.

SECTION 3. That this ordinance shall become effective upon its enactment.

ENACTED BY THE ASSEMBLY OF THE KENAI PENINSULA BOROUGH THIS 10TH DAY OF OCTOBER, 2017.

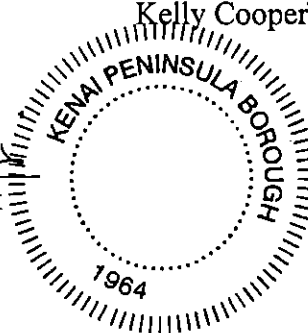


Kelly Cooper, Assembly President

ATTEST:



John Blankenship, MMC, Borough Clerk



Yes: Bagley, Carpenter, Dunne, Fischer, Hibbert, Ogle, Schaefer, Cooper
No: None
Absent: None