

# KENAI PENINSULA BOROUGH

## Kenai Peninsula Borough Assembly

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Kelly Cooper, Assembly President  
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### MEMORANDUM

**TO:** Kelly Cooper, Assembly President  
Kenai Peninsula Borough Assembly Members

**FROM:** Dale Bagley, Assembly Member *DLB*

**DATE:** July 20, 2017

**SUBJECT:** Amendment to Ordinance 2017-17, Amending KPB Chapter 5.18 to Establish an 8 Percent Areawide Sales Tax on Temporary Lodging and Providing for an Exemption of Up to 4 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 (Mayor)

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As discussed during the meetings held July 18, 2017 I think the proposed 8 percent and 4 percent rates should be reduced to 6 percent and 3 percent. Additionally, I want to amend this ordinance to allow the assembly to appropriate up to 15 percent of the revenue raised with the temporary lodging tax to be used to promote tourism in the borough. Estimates indicate 15 percent would equal about \$345,000 to \$430,000. This industry would be paying these funds and this would ensure they could receive some more direct benefit from them if the assembly appropriates the funds. Following are my two proposed amendments:

Please note that the bold and underlined language is new and the ~~bolded and crossed out~~ language is to be deleted.

**1. The following amendments would reduce the percentages to 6 percent and 3 percent:**

- Amend title, as follows:

AN ORDINANCE AMENDING KPB CHAPTER 5.18 TO ESTABLISH A 6 ~~[AN-8]~~ PERCENT AREAWIDE SALES TAX ON TEMPORARY LODGING AND PROVIDING FOR AN EXEMPTION OF UP TO 3 ~~[4]~~ 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

Amend the seventh whereas clause, as follows:

**WHEREAS,** 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 ~~[8]~~ percent temporary lodging tax any similar additional city tax up to 3 ~~[4]~~ percent so as to share revenues between the borough and cities; and

➤ Amend Section 1, as follows:

**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 paragraph A of this section, there is levied in the borough a sales tax on the rental of temporary lodging of up to 6 ~~[8]~~ percent of the rental price of all such rentals within the borough, except as specifically exempted herein.
- C. In addition to the sales taxes levied by the borough, any municipality within the borough may levy a consumer's sales tax and temporary lodging tax as provided by Alaska Statute which shall be reported, collected, and enforced according to the terms of this chapter.

➤ Amend Section 3, as follows:

**SECTION 3.** That a ballot proposition shall be placed before borough voters at the regular election on October 3, 2017 to read as follows:

Shall Ordinance 2017-\_\_\_, providing for the levy of a tax on temporary lodging of up to 6 ~~[8]~~ percent of the rental price, subject to existing exemptions in the borough sales tax code and an exemption of up to 3 ~~[4]~~ 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 ~~[8]~~ percent of the rental price in the borough, with an exemption of up to 3 ~~[4]~~ 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 ~~[8]~~ percent of the rental price in the borough, with an exemption of up to 3 ~~[4]~~ percent in any city in the borough that levies a similar additional temporary lodging tax.

**2. The following amendments would allow up to 15 percent of the new revenues to be used for tourism promotion subject to assembly appropriation:**

- Insert two new whereas clauses (immediately following the fifth whereas clause), as follows:

**WHEREAS,**      **the borough has funded tourism promotion for the last 27 years; and**

**WHEREAS,**      **the continued marketing of the Kenai Peninsula as a tourist destination would be improved with a stable source of funding and allowing up to 15 percent of these additional funds to be used for tourism promotion is a reasonable use of funds collected from this industry; and**

- Amend the next whereas clause, as follows:

**WHEREAS,**      while **most** of 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; and

- Add a new Section 2, as follows:

**SECTION 2.**      **That KPB 5.18.110 is hereby amended as follows:**

5.18.110. - General—Proceeds—Use for school purposes **and tourism promotion**—Payment to cities.

- A. **Except as provided in paragraph B of this section, [F]the net proceeds from the taxes collected by the borough pursuant to this chapter shall be used exclusively for borough school purposes.**
- B. **Up to 15 percent of the net proceeds from taxes authorized by KPB 5.18.100(B) may be used to promote tourism in the borough.**

**[B]C.** The net proceeds from the taxes collected for any city shall be promptly paid over to the appropriate city.

- Renumber Section 2 to 3 as follows:

**SECTION 3 [2].** That KPB 5.18.215 is hereby enacted as follows:

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

...

- Renumber Section 3 to 4 and amend it as by inserting new language as follows (Note the bold underlined language is new; the percentages are blank because the action on the first amendment was not known when this was drafted.):

**SECTION 4 [3].** That a ballot proposition shall be placed before borough voters at the regular election on October 3, 2017 to read as follows:

Shall Ordinance 2017-\_\_\_, providing for the levy of a tax on temporary lodging of up to \_\_\_ percent of the rental price, subject to existing exemptions in the borough sales tax code and an exemption of up to \_\_\_ percent in any city in the borough that levies a similar additional sales tax on temporary lodging in its boundaries, **and allowing up to 15 percent of the additional revenues to be used for tourism promotion for the borough** 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 \_\_\_\_\_ percent of the rental price in the borough, with an exemption of up to \_\_\_ percent in any city in the borough that levies a similar additional temporary lodging tax, **and allowing up to 15 percent to be used to promote tourism in the borough.**

No \_\_\_\_\_ A "no" vote means you oppose a temporary lodging tax of up to \_\_\_ percent of the rental price in the borough, with an exemption of up to \_\_\_ percent in any city in the borough that levies a similar additional temporary lodging tax, **and allowing up to 15 percent to be used to promote tourism in the borough.**

- Renumber and amend Section 4, as follows:

**SECTION 5 [4].** That Sections **4 [3]** and **5 [4]** of this ordinance shall become effective immediately upon enactment of this ordinance. Sections 1, ~~and~~ 2 **and 3** of this ordinance shall become effective April 1, 2018, only if the proposition contained in Section **4 [3]** is approved by a majority of voters voting on the question in the regular election of October 3, 2017.