

Dear Mayor and Assemblymembers,

On June 23, I posted a question on Facebook. About 10% of my friends answered this question, "When you are planning to travel, do you exclude places with bed taxes?"

- ✓ A plain "Nope" was the answer of 3.
- ✓ Just a "No" was the answer of 9.

The other answers were the following:

- ✓ No, part of traveling costs.
- ✓ No, because I bring my own bed in summer and it doesn't bother me in the winter.
- ✓ Nope. It's part of using wherever you are traveling's infrastructure.
- ✓ No, because I assume most places have them.
- ✓ No, just bed bugs.
- ✓ Nope. It's all part of the game.
- ✓ I try to stay with family, then try mom and pop older motels. When not that, NO
- ✓ No. There are all kinds of fees and to be honest I never pay attention to them.
- ✓ Nope. Where I'm going is decided before where to stay gets considered.
- ✓ No, cost of travel.
- ✓ What a ridiculous question!
- ✓ I sent them, but they are a necessary evil.
- ✓ No...It's always the added surprise...smiles.
- ✓ Don't think about it.
- ✓ Location is the priority.
- ✓ I don't think about it...necessary evil to travel.
- ✓ No. Part of the cost of "doin bidness"
- ✓ No. We try to economize in some ways but bed taxes are a part of how stuff gets done.
- ✓ Nope. I look at it as paying for services wherever I want to go.
- ✓ I never think about it.
- ✓ No. I don't mind paying taxes.
- ✓ No. that's part of traveling.
- ✓ No. I never even think about it. I choose the location.\
- ✓ No, however check for bed bugs.
- ✓ Maybe I should, but it really isn't something I consider.
- ✓ Don't tax you. Don't tax me. Tax that guy behind the tree.
- ✓ No. Not a factor.
- ✓ No. Location first, the cost (of which any taxes are a part)
- ✓ Never comes to mind.

- ✓ I never even pay attention to what makes up the cost. I just make my decision based on total cost and what I am looking for in accommodations.
- ✓ No, I decide where I'm going based on local activities or family who live nearby, then find the best rate.
- ✓ Never even look at them and I don't think most people do. You don't base your decision to travel on whether there is a bed tax or not.
- ✓ No. Location first, then costs.
- ✓ Never even think about it. I stay based on location and total cost.
- ✓ Not ever. Cost of travel.
- ✓ Nope. I usually not even aware of them Taxes are just added on to the cost of the room.
- ✓ We always expect substantial additional taxes to be added to the final price. This is true all over the world.
- ✓ If it increases the cost of lodging too much, I might book a shorter stay.
- ✓ It's as common as dirt...you just consider it when you shop for lodging. Even cruise ships charge a "port tax." Communities have to pay for infrastructure somehow.
- ✓ I do not exclude bed taxes, but I do exclude bedbugs.
- ✓ Straight out "no"
- ✓ No, but I usually get fleetingly surprised when I see it, especially when not reflected in original price, then I get over it.
- ✓ Nope. If I want to go there, I do.
- ✓ I check around for the best price in the area. If I find it's quite a bit cheaper just out of town I might book that.
- ✓ No. Not aware of the tax till I pay the bill, but I'm never surprised that there's a tax.
- ✓ Never check Bed Tax
- ✓ I look at the overall rate per night. I don't check for a Bed Tax.
- ✓ If bed tax deterred us from staying somewhere we'd never leave home.
- ✓ Bed taxes seem to be part of the "give me the money but don't expect any from me" or make our visitors pay for our services. Sales tax would be more fair.
- ✓ Bed tax is a fact of life.
- ✓ I never consider it, apart from as part of the total bill. If it's a percentage instead of a flat rate, the cheap places are still cheap and expensive places are only a percentage more.
- ✓ Bed tax is not a factor.
- ✓ I never look at a Bed Tax either – just the cost for the night then always expect a tax too.
- ✓ I just consider it a part of the fee and don't object to it.
- ✓ I think it's a bad idea.
- ✓ Bed taxes are the last thing I'd worry about in seeking a hotel.
- ✓ We're paying \$20 in taxes and fees next week in Anchorage (\$171 hotel room) Bed Taxes are everywhere. It's part of traveling.
- ✓ Everywhere I go, I pay bed taxes...don't give it a second thought. Come on guys and gals. Vote yes for Bed Tax. Let's increase our revenues.

- ✓ We have traveled in all 50 states and numerous countries and they all have a Bed Tax.
- ✓ I don't usually consider it either.
- ✓ Have never considered it when choosing a place to stay – listed rate, locations and amenities.
- ✓ I pay them, not concerned.
- ✓ Bed Taxes make sense to me.
- ✓ Most of the big cities we have been to have bed taxes unless you spend more than a month.  
People seem to take it in stride
- ✓ Bed taxes are normal everywhere. Why not here? What's the problem?
- ✓ It's a cost of traveling, paying one's fair share.

While I do not pretend that this is a statistically proper survey, I trust you will find the responses interesting.

I'm fairly confident that neither you nor I will ever hear a person say, "We wanted to go to Hawaii, but decided to go to Nowhereville because Hawaiian lodging includes bed taxes." We know that Alaska is even more of a favored destination.

Thank you for your consideration,

A. Susan Smalley, 49 year resident

Veto

Mayor Charlie Pierce  
Kenai Peninsula Borough  
144 north Binkley Street, 99669  
Soldotna, Alaska

July 1, 2019

Dear Mayor Pierce:

I'm writing to encourage you to veto the recent Assembly action approving ordinance 2019-09.

You ran and won your election on an open platform of being fiscally conservative. You have gone above and beyond to deliver on this campaign promise thus far and I encourage you to remain steadfast with your efforts in the future.

This is the fourth time in nine years that proponents of increased spending have pursued a bed tax, all of which efforts have failed for good reason. Three years ago, Mayor Mike Navarre vetoed a similar ordinance because he recognized that general law cities with the power to enact their own local bed taxes were largely unaffected by the ordinance and thus had no hesitation passing a burden on to Homer and unincorporated areas. The present scenario is almost identical. The implementation language is manipulated for a singular purpose: to secure passage of a targeted tax by superimposing the will of larger communities that already have a tax on Homer, Cooper Landing, Sterling, Ninilchik and rural outlying areas. The argument to "level the playing field" by forcing a bed tax on smaller communities is tantamount to coercion, bolstered by hollow objections to "unfair advantage"---from the very same people who claim the tax has no effect on demand. Ordinance 2019-09 is reflective of the worst form of abuse of Borough-wide power, promoting "tyranny of the majority" where the result is ever-increasing suppression of enterprise and local autonomy. Here is a classic example of a mistake compounding itself by forcing everyone to suffer equally from the same mistake.

So many communities initially tout "bed tax" as a means of economic stimulation, only to see the revenues migrate to grow general-fund government, eventually resulting in those communities losing business to more competitive destinations. The Kenai Peninsula is a visitor-driven economy. Perhaps some wish this were not the case and seek to discourage it, but our economy relies tremendously on a visitor-friendly environment.

What makes the bed tax form of taxation most insidious is the fact that it targets a singular industry to pay for costs that are collective—education and health care benefits for public sector employees. Introducing yet a third form of taxation to fund these public costs is entirely the result of two facts: lack of voter support to fund rising education costs in the way we have done so in the past, and lack of Assembly backbone to say "no" to transferring 100% of rising health care costs to taxpayers.

Arguments from individual Assembly members that they lack control over union contract negotiations or the ability to target areas of reduction within the school district budget are disingenuous. Assembly members only lack the will to change the status quo.

Similarly, arguments that visitors create demand for services that are underfunded by their contribution in sales tax are unsupported by economic statistics or facts. Furthermore, even if one individual

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community within KPB can support this contention with raw data (most such visitor services are concentrated within cities) then that city has the power to correct it locally.

A veto of Ordinance 2019-09 is justified purely on the grounds that it erodes the public process and confidence in transparency and representative government.

Furthermore, absent your veto, the visitor industry will be forced to undertake an expensive campaign against the initiative, further dividing an already polarized public on issues of taxation and sustainable budgets.

Should the assembly attempt to override your veto, public testimony will become focused on the following, which will discredit much of the rationale introduced in support of the ordinance:

- 1) It is not the lodging industry who fears a public vote; it is the Assembly who can't muster the courage or foundation to present the voters the rationale to increase our sales or property taxes to pay for what they consider "essential government services"—i.e. ever-increasing public sector health care costs. It is the Assembly who continues to circumvent representative government by pitting one sector against another—one community against another. It is the Assembly who advances false narratives instead of facts in support of their policy initiatives.
- 2) If the Assembly blames the loss of KPB revenue on "past increases in tax exemptions", pass a resolution to rescind them!
- 3) What, in fact, are the underfunded costs created by visitors? What study has been done to reach the conclusion that visitors are not paying their fair share? This deserves precise economic analysis, not anecdotes.
- 4) That "49 Alaska municipalities including cities and boroughs have a bed tax" is not only misleading, but poor justification for passing laws. The fact is that the majority of Alaska municipalities do NOT have a bed tax, and that "following the herd" fails to address why it's good for residents of KPB.
- 5) 65% of Borough visitation comes from Alaskans. Taxing Alaskans, the proverbial "geese that lay our golden eggs" is terrible for extended stays and general commerce; it's a risk the Assembly has utterly failed to assess with hard economic data.
- 6) How does a bed tax create fiscal sustainability? If the KPB can't live within its revenue structure now, or heed residents' call for reductions, what prevents us from ever-increasing rates of taxation and competing for status as the nation's highest cost destination? This is not the future we want.
- 7) If the visiting public is not sensitive to higher rates of taxation—meaning a bed tax doesn't negatively impact demand—then why do 99% of lodging owners oppose it? Why is a seasonal fuel tax or increase in general sales tax not met with the same false logic that it doesn't hurt the consumer?
- 8) What exactly is the state of the visitor industry on the Kenai Peninsula today? Does the Assembly care? If they do, what have they done to assess it?
- 9) A head tax on cruise vessel passengers landing within the KPB would target non-Alaskans—and arguably affect Seward disproportionately to Kenai / Soldotna. I don't support this but the political precedent of encouraging a form of taxation that all Assembly members vote on, but few are directly impacted by, is as dangerous as it is unwise.

JDF  
11/1/19

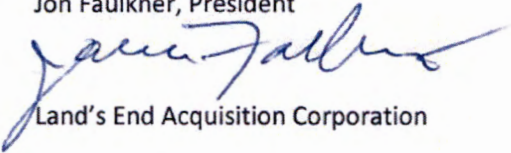
- 10) What, precisely, constitutes a “conflict of interest” among an Assembly member on this issue? Economic gain or loss? If an Assembly member voices no objection to such a declaration by one of its members, how can they in good conscience publicly conclude that a bed tax has no effect on income or loss?

In passing Ordinance 2019-09, the Assembly has acted arbitrarily and against the best interests of the public. If additional revenues are deemed critical to maintain essential services, far better avenues exist to address it. Expanding the tax cap to \$1,000 is not regressive or targeted as it taxes consumption. Comparing local VRBO and AirBNB properties to tax registration rolls is long overdue. Working with the SOA to impose a statewide “internet sales tax” would be equally productive. Even expanding the sales tax and making the case for it would honor the will of the broadest constituency and reach visitors in proportion to their spending. The point is, the Assembly is not without options.

To be sustainable, KPB must develop practices which avoid ever-increasing rates of taxation, but instead adjust costs to equate to the level our aggregate sales and property values can sustain. For example, In Homer alone, just within the last 6 months, taxable real property has grown by over \$7 million. This kind of growth in revenue is the envy of any private sector business, and yet for some reason is not enough for our Assembly to create a sustainable spending plan.

Thank you for your consideration on this request.

Jon Faulkner, President

A handwritten signature in blue ink, appearing to read "Jon Faulkner", is written over a light blue rectangular background.

Land's End Acquisition Corporation

Cc: Kenai Peninsula Borough Assembly

Veto

**From:** info@HH [<mailto:info@halcyonheightsbandb.com>]

**Sent:** Monday, July 01, 2019 12:09 PM

**To:** Bagley, Dale <[dalebagley@kpb.us](mailto:dalebagley@kpb.us)>; Ogle, Wayne <[wogle@kpb.us](mailto:wogle@kpb.us)>; Ogle, Wayne <[wogle@kpb.us](mailto:wogle@kpb.us)>; G\_Notify\_AssemblyClerk <[G\\_Notify\\_AssemblyClerk@kpb.us](mailto:G_Notify_AssemblyClerk@kpb.us)>; Hibbert, Brent <[bhibbert@kpb.us](mailto:bhibbert@kpb.us)>; Smalley, Hal <[HSmalley@kpb.us](mailto:HSmalley@kpb.us)>; Blakeley, Norm <[NBlakeley@kpb.us](mailto:NBlakeley@kpb.us)>; Carpenter, Kenn <[KCarpenter@kpb.us](mailto:KCarpenter@kpb.us)>; Cooper, Kelly <[kellycooper@kpb.us](mailto:kellycooper@kpb.us)>; Dunne, Willy <[WDunne@kpb.us](mailto:WDunne@kpb.us)>; Fischer, Paul <[pfischer@kpb.us](mailto:pfischer@kpb.us)>

**Subject:** <EXTERNAL-SENDER>How airbnb makes it easy for hosts to operate under radar

CAUTION:This email originated from outside of the KPB system. Please use caution when responding or providing information. Do not click on links or open attachments unless you recognize the sender, know the content is safe and were expecting the communication.

Dear Assembly members,

As I start to prepare for the sale tax return for Q2, looks like there is 20+% down vs. last season. I can't see how a 10% bed tax will not negatively impact KPB tourism.

Due to a slow start of the season, we decided to list Halcyon Heights B&B on airbnb recently. I am stunned that there is no place to fill in the local tax info. Refer to the following example. As a host I am allowed to put in a cleaning fee, but no tax line. (The service fee charged to guests goes to Airbnb 14%, plus 3% commission taken from host, that is total 17% commission).

As an airbnb rep called us today asking for a 15% commission, I asked why no place to put a line for local tax info? Their answer is that hosts in our area have 2 options:

- 1) include the tax in the listing price and pay tax on your own.
- 2) Charge guests local tax at check in.

At this point it is up to the hosts to collect and remit tax. There is no way of knowing it because the property address is hidden on airbnb.

FYI, Anchorage has successfully solved the problem by forcing airbnb sending all sales taxes directly. I think that is what the borough needs to do.

Thank you for your service. I understand all of you are busy. You may not have tried booking a room on airbnb. Just want to bring this lost tax revenue issue to your attention.

Warm regards,

Juxia (Ju-shia) Scarpitta  
Halcyon Heights B&B/Inn  
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[HomerBB.com](http://HomerBB.com) Phone: (907)235-2148  
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Member of Alaska State B&B Association  
Member of Homer Chamber of Commerce  
[Member of Alaska Best B&B Group](#)

Award Winner of "Certificate of Excellence Hall of Fame" by [TripAdvisor.com](https://www.tripadvisor.com)

Attachments:

- 1) No tax line on the bill
- 2) Tax rules : Airbnb can remit tax to local government
- 3) Airbnb asking hosts including tax in listing price of reservation



## Homerhome - AK Room

Homer



Michael

### Private room in bed and breakfast

2 guests 1 bedroom 1 bed 4 shared baths

### Michael is a Superhost

Superhosts are experienced, highly rated hosts who are committed to providing great stays for guests.

### Self check-in

You can check in with the doorman.

We welcome anyone who wishes to enjoy the beautiful nature that Homer has to offer. We strive to provide great services with fairly low rate to our guests including but not limited to town and airport transportation, meals, and tour guide etc. All our guests will be treated with honesty and courtesy. Our guest's satisfaction is our highest priority and we are committed to it. We are confident that everyone will have an excellent Alaska experience during their stay with us. Hope to see you soon.

[Read more about the space](#)

[Contact host](#)

\$75 per night

★★★★★

Dates

07/01/2019 → 07/03/2019

Guests

1 guest

\$75 x 2 nights

\$150

Cleaning fee

\$16

Service fee

\$21

Total

\$187

Continue

You won't be charged yet

[Report this listing](#)



## What is VAT and how does it apply to me?

Value Added Tax, or VAT, is a tax assessed on the supply of goods and services. In Japan, Japanese Consumption Tax, or JCT, is applicable instead of VAT. In Australia and New Zealand, Goods and Services Tax, or GST, is applicable instead of VAT.

VAT, JCT, and GST rates are usually calculated according to the local rate of the customer's country of residence or the place of supply. Airbnb charges VAT on its service fees for customers from Albania, Belarus, Iceland, Norway, Russia, Saudi Arabia, Serbia, South Africa, South Korea, Switzerland, Taiwan, the Bahamas, the European Union, and the United Arab Emirates.

In Japan, JCT applies to the hosts and the guests. In Australia and New Zealand, GST applies to the hosts and the guests. In Taiwan, VAT applies to the accommodation price **plus** any fees for other items, such as cleaning, extra guests, and guest service fees. For listings and Airbnb Experiences located in South Korea, VAT applies to guest and host service fees (unless otherwise exempt).

Airbnb is also required to collect VAT on its service fees from all users who contract with Airbnb China.

### Guests

VAT, JCT, or GST is charged at the time of payment and is based on the total guest service fee for a reservation. If you change your reservation, VAT, JCT, or GST adjusts to reflect any change in the service fee. Airbnb charges JCT from guests who reside in Japan (and then Airbnb reports and pays the JCT). In this regard, Airbnb (Airbnb Ireland) is registered as a Registered Foreign Business under the JCT act (Registration No. 00046).

Airbnb collects VAT from guests who reside in Taiwan on the guest service fee. Airbnb also collects VAT on the full accommodation price plus any fees for other items, like cleaning fees or fees for extra guests, if applicable, from all guests staying in Taiwanese listings (i.e. domestic and inbound travelers). Airbnb is required to charge VAT on the guest service fee from all guests whose reservation listing is located in South Korea.

### Hosts

VAT or GST is deducted from your payout and is based on the total host service fee for a reservation (unless otherwise exempt). If a reservation is changed, VAT or GST adjusts to reflect any change in the service fee.

For hosts who reside in Japan, each host is obligated to report and pay the JCT because the hosting services that Airbnb provides are subject to the "reverse charge" system under the JCT act (Airbnb does not charge or report/pay such JCT). As to the JCT payment by way of the "reverse charge" system, please refer to the explanation on the [National Tax Agency of Japan's website](#).

Hosts are advised to consult their nearest local tax offices or their tax advisors as to their specific tax consequences.

## How do taxes work for guests?

There are a few instances where an Airbnb guest may need to pay tax.

Some hosts are required by their local regulations to charge a tax. We recommend they include the tax in the price of the reservation, but some may require the tax to be paid directly upon check-in. We ask that hosts explain any taxes they may be required to collect in their listing description and their communication with guests prior to booking.

In some locations, Airbnb has made agreements with government officials to collect and remit certain local taxes on behalf of hosts. The taxes vary and depending on the local law, may include calculations based on a flat rate or percentage rate, the number of guests, number of nights, or property type booked. When you book a listing in one of these locations, the local taxes collected will be displayed automatically when you pay and appear on your receipt once your reservation is confirmed.

Additionally, Airbnb is required to collect VAT or a VAT equivalent (ex. Japanese Consumption Tax) on its service fees in countries that tax Electronically Supplied Services. Currently, that includes all countries in the EU, Switzerland, Norway, Iceland, South Africa, Japan, and Albania.

Airbnb is also required to collect VAT on its services fees from all users who contract with Airbnb China.

Learn more about [Value Added Tax](#).

Veto

**From:** [info@juneberrylodge.com](mailto:info@juneberrylodge.com) [mailto:[info@juneberrylodge.com](mailto:info@juneberrylodge.com)]

**Sent:** Monday, July 01, 2019 2:21 PM

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**Cc:** [info@HH](mailto:info@HH) <[info@halcyonheightsbandb.com](mailto:info@halcyonheightsbandb.com)>

**Subject:** <EXTERNAL-SENDER>Re: How airbnb makes it easy for hosts to operate under radar

THANKS for taking the time in your busy day to put this information together. It is highly relevant to the bed tax discussion and enforcement of existing sales tax with Airbnb rentals.

Assembly Members -- A couple of additional observations:

-- It is to Airbnb's advantage to advise hosts to add tax to their list price because Airbnb collects its 15% commission on the list price so when the list price is increased to include sales tax, Airbnb gets to collect 15% commission on the tax as well, shorting the property on the tax they are trying to collect or on the rate they are trying to collect.

-- The mainstream online travel agents that most licensed bed & breakfast businesses work with do not collect any money from customers. Only the businesses can collect money and can charge deposits and collect sales tax according to their own business rules. Airbnb, however, collects from its users the full amount of their reservation at the time of booking, does not allow hosts to collect a deposit, and does not remit any money to the property until weeks after a stay. Thus, Airbnb has use of guests' money for the entire time between a reservation and a stay (on average 3-4 months in our area).

-- When Airbnb does remit payment to a host, it takes its 15% commission off the top (including 15% of any margin that has been added to cover sales tax for those paying it). Since hosts only receive the 85% "net" payment, there is a high incentive to only pay sales tax on the 85% net receipt, not on the original 100% list price that Airbnb collected.

-- The suggestion that hosts charge local tax at check in is absurd. Many Airbnb hosts use a self-check-in system and may never actually see their guests. This also requires hosts to incur credit card charges on small \$\$ transactions, driving up the cost of business.

The best solution is to insist, as many legal authorities are doing, that Airbnb collect and remit sales tax as any other online seller that collects direct payment.

All of the other online travel agents (Expedia, Booking.com, etc.) support legal compliance with local tax authorities and enable properties to add sales tax to their listings and calculate their commission on the rental rate only, not on the rental rate + tax.

THANKS for your service and your willingness to listen to local licensed business owners on this issue.

Marcia Kuszmaul

President, Homer Bed & Breakfast Association

Owner, Juneberry Lodge