

**KENAI PENINSULA BOROUGH
PROPOSITION NO. 3
(Sales Tax Cap)**

**AMENDING KP.B 5.18.430 TO INCREASE THE MAXIMUM AMOUNT OF A SALE SUBJECT TO THE
BOROUGH SALES TAX TO \$1,000, EXCEPT FOR RESIDENTIAL RENTALS**

(To be voted on by all voters)

Ordinance 2017-23 entitled, "An Ordinance Amending KP.B 5.18.430 to Increase the Maximum Amount of a Sale Subject to the Borough Sales Tax to \$1,000, Except For Residential Rentals, Subject to Voter Approval," was enacted on August 15, 2017.

BACKGROUND

While the spread between property tax revenues over sales tax revenues remained fairly constant in Fiscal Years 2012-2016, an increasing share of general fund dollars is coming from property taxes, and that gap is projected to widen.

The assembly and borough voters in 1965 set the maximum amount of goods and services transactions subject to sales tax at \$500 per individual transaction. That limit has not changed in 52 years. If adjusted for inflation that \$500 in 1965 would be over \$3,000 in 2017. This ordinance would amend borough code, subject to voter approval, to set the maximum transaction subject to sales tax at \$1,000, effective Jan. 1, 2018.

Because applying this increase to residential rentals could raise the borough tax on rentals up to \$30 per month, in addition to city taxes for rentals in the cities, the \$500 cap will remain in place for those rentals.

FISCAL NOTE

The Kenai Peninsula Borough Finance Department estimates this increase to the limit would generate about \$2.9 million to \$3.1 million annually in revenue to the borough, significantly helping to close the gap between the current spending level and borough revenues, providing some protection for the fund balance.

BALLOT LANGUAGE

Shall Section 1 of Ordinance 2017-23, increasing the maximum amount of a sale subject to the borough sales tax, other than residential rentals, from \$500 to \$1,000, be ratified? The maximum amount of residential property rentals subject to the sales tax would remain at \$500 per month.

YES *A "yes" vote means you support increasing the maximum amount of a sale subject to the borough sales tax, other than residential rentals, from \$500 to \$1,000.*

NO *A "no" vote means you oppose increasing the maximum amount of a sale subject to the borough sales tax, other than residential rentals, from \$500 to \$1,000.*