

Kenai Peninsula Borough
Finance Department

MEMORANDUM

TO: Wayne Ogle, Assembly President
Kenai Peninsula Borough Assembly Members

FROM: Willy Dunne, Assembly Member (W.D.) for W.D.

DATE: July 26, 2018

RE: Ordinance 2018-28, Enacting KPB Chapter 5.16 Establishing a Borough-wide Excise Tax on Cigarettes and Other Tobacco Products (Dunne)

Due to the decline in municipal revenue sharing, increased property tax exemptions, increased sales tax exemptions, and increases in school district funding, the borough is considering a variety of revenue source ideas to keep the unrestricted fund balance within the fund balance parameters established by resolution 2001-045.

Currently the state of Alaska and several local jurisdictions have an excise tax on tobacco. The Mat-Su Borough currently imposes a 115 mill or 11.5% excise tax on cigarettes and an excise tax of 55% of the wholesale price on other tobacco products bringing them in approximately \$8.0 million dollars annually. Sitka is similar, in that it imposes 123.1 mill or 12.31% excise tax on cigarettes and an excise tax of 90% of the wholesale price for other tobacco products bringing them in approximately \$830,000 annually. Additionally, it is anticipated that the increased cost of cigarettes and other tobacco products will deter the use of tobacco, especially by the youth.

The borough is authorized by AS 29.35.010(6) to levy a tax and impose a lien for its enforcement. Voter approval is not required to impose an excise tax pursuant to the Alaska Supreme Court decision in Fannon v. Matanuska-Susitna Borough.

The administration estimates that the Kenai Peninsula Borough has approximately \$29.5M dollars in taxable tobacco sales annually. Of the taxable sales, approximately 80% is generated by cigarettes and the other 20% are other tobacco products. Structuring the ordinance to establish an excise tax of \$.05 per stick (per cigarette) and an excise tax of 10% of the wholesale price on other tobacco products will bring in an estimated amount of \$4.8 million dollars to the Kenai Peninsula Borough General Fund. Your support would be appreciated.