

KENAI PENINSULA BOROUGH

Kenai Peninsula Borough Assembly

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Blaine Gilman, Assembly President
Brent Johnson, Vice President

MEMORANDUM

TO: Blaine Gilman, Assembly President
Kenai Peninsula Borough Assembly Members

FROM: Brandii Holmdahl, Assembly Member (BH) for B. H.

DATE: June 9, 2016

RE: Amendment to Ordinance 2016-16, to remove the inflation index proposed in KPB 5.18.430 which would automatically increase the maximum amount of a sale subject to sales tax every five years, subject to voter approval

I would like to amend this ordinance to delete all references to the future adjustments for inflation. Following are my proposed amendments to the ordinance.

- Amend the title by deleting the language in ~~bold and stricken through~~ and adding the language in **bold and underline** below:

AN ORDINANCE AMENDING KPB 5.18.200(A)(16) AND 5.18.430 BY INCREASING THE MAXIMUM AMOUNT OF A SALE SUBJECT TO THE BOROUGH SALES TAX TO \$1,000 SUBJECT TO VOTER APPROVAL **with an adjustment for inflation every fifth year,** AND IF VOTERS APPROVE INCREASING THE MAXIMUM TAXABLE AMOUNT TO \$1,000, EXEMPTING RESIDENTIAL RENTALS FROM SALES TAX

- Amend KPB 5.18.430(A) as shown in Section 2 of the ordinance by deleting the language in ~~bold and stricken through~~ below:

Section 2. That KPB 5.18.430 is amended as follows:

5.18.430. - Computation—Maximum taxable amount.

A. The sales tax referred to in KPB 5.18.100 shall be applied only to the first \$1,000.00[500.00] of each separate sale, rent or service transaction, except as otherwise provided in this section. ~~On January 1 of every fifth year, beginning January 1, 2022, this maximum taxable amount shall be adjusted~~

~~based on the change in inflation as calculated in the year immediately preceding the effective date of the adjustment and based on the preceding five years as measured by Alaska Department of Labor Anchorage Consumer Price Index, rounded down to the nearest \$10, subject to assembly approval amending this section to reflect the adjusted amount. For purposes of calculating the five-year inflation adjustment to the maximum taxable amount, the borough finance director shall calculate the adjustment based on the percentage change in inflation for the five-year period used in the calculation.~~

...

- Amend KPB 5.18.430(F) in Section 2 by deleting the language in ~~bold and stricken through~~ below:

Section 2. That KPB 5.18.430 is amended as follows:

...

F. ~~Except for inflation adjustments to the maximum taxable amount, [A]~~any increase to the maximum sales tax described in subsection (A), above, shall not take effect until ratified by a simple majority of voters at a regular borough election.

- Amend Section 3 by deleting the language in ~~bold and stricken through~~ as shown below:

SECTION 3. That a ballot proposition shall be placed before borough voters at the next regular election to read as follows:

PROPOSITION No. _____

Shall the provisions in Section 2 of Ordinance 2016-16, increasing the maximum amount of a sale subject to the borough sales tax from \$500 to \$1,000 ~~with an adjustment for inflation every five years~~ be ratified?

YES _____ A "yes" vote means that the maximum amount of a sale subject to the borough sales tax will be increased to \$1,000 ~~and then adjusted for inflation every five years~~. If the majority vote "yes," a secondary result or byproduct of that vote would be that monthly rental amounts for residential dwelling units used as a permanent place of abode will be exempt from borough sales taxes.

NO _____ A "no" vote means that the maximum amount of a sale subject to the borough sales tax will remain at a maximum of \$500. If the majority vote "no," a secondary result or byproduct of that vote would be that borough sales taxes will continue to be charged on rental amounts for residential dwelling units used as a permanent place of abode.