

Brief Summation of Kenai Peninsula Borough Sales Tax History

K P Borough Assembly Minutes, Aug 18, 1964

- Agenda Item 5. Sales tax proposition.

Upon motion by Coursen, seconded by Kranich, the assembly unanimously approved the sales tax proposition wording to go on the ballot as follows:

“Shall the Kenai Peninsula Borough Assembly, to the extent provided by law, be authorized to levy a borough wide sales and use tax subject to such exemptions as the assembly may prescribe and not exceeding three percent of the price of all retail sales, all rents and all services rendered within the borough, the proceeds of the tax so levied to be used exclusively for borough school purposes.”

The Oct 16, 1964 Cook Inlet Courier on page 2 gives the results of the ballot measure:

Joe Faa brought the absentee ballot results which he gave to the Assembly. The main issue of a sales tax passed with 1266 in favor and 797 against. The total vote in the Kenai Peninsula Borough was 2,084.

[Note, the KPB election records online are missing the Oct 6, 1964 election results].

K P Borough Assembly Minutes, Jun 3, 1975

INTRODUCTION OF ORDINANCES

Ord. 75-41 “An Ordinance Amending KPC 25.10.05 to Reduce the Kenai Peninsula Borough Sales Tax from 3% to 2%.

K P Borough Assembly Minutes, JUL 15, 1975

E. ORDINANCE HEARINGS:

(a) Ord. 75-41 “An Ordinance Amending KPC 25.10.05 to reduce the Kenai Peninsula Borough Sales Tax from 3% to 1%.”

VOTE WAS CALLED ON THE MOTION TO RESCIND AND IT FAILED BY A 67 “Yes” to 68 “No” VOTE:

YES: Mullen, Burton, Callahan, Cooper, Davis, Fields, Lutz, McCloud

NO: O’Connell, Steiner, Arness, Bjerregaard, Elson, Johnson, Mika

[Note: I inserted this, one of many amendment votes, to illustrate how divided and uncertain assembly members were on this issue.]

K P Borough Assembly Minutes, AUG 5, 1975

ASSEMBLYMAN McCLOUD SECONDED BY CALLAHAN MOVED TO AMEND THE ORDINANCE FROM 3% to 2%.

VOTE WAS CALLED ON THE AMENDMENT WHICH PASSED BY A 116.5 “Yes” to 27.5 “No” Vote: Assemblymen O’Connell, Lutz. And Mullen voting negatively.

[Note: This vote brought the long debated sales tax reduction topic almost to a close by reducing it from 3% to 2%. The amendment was a compromise that was widely supported by the assembly. Nothing regarding this reduction was put on the ballot].

The August 24, 1975 *Anchorage Times* on page 34 gives a brief summation of the sales tax change:

In a compromise move the Kenai Peninsula Borough Assembly whacked 1 per cent off its sales tax The reduction in sales tax brings that levy to 2 per cent.

Oct 5, 2004 Ballot Prop 1

Increasing the Residential Property Tax Exemption from \$10,000 to \$20,000 Passed
Yes 7,304 No 2,670

K P Borough Assembly Minutes, May 3, 2005

Ordinance 2005-09: Amending the Borough Code to Provide for Increased Revenue Enhancement Measures Including Reducing the Senior Citizen/Disabled Veterans Property Tax Exemption to the First \$200,000 in Value of Real Property Otherwise Eligible for the Exemption, Increasing the Borough Sales Tax Rate to 2.5 Percent, Amending KPB 5.18 to Provide that Taxes on Recreational Package Sales Shall be Calculated on a Per-Person Per-Day Basis, Imposing a Cap on the Amount of Funds Held in the Land Trust Fund (Mayor) (Second of Three Hearings) (Referred to Finance Committee)

[Note: This is the last of many times in the previous year that a sales tax increase was on the agenda.

A May 5, 2005 *Peninsula Clarion* front page article by Hal Spence offers a progress report on Ord 2005-09:

A proposal to reduce the unlimited property tax exemption on primary residences enjoyed by the borough’s senior citizens and disabled veterans is dead.

Meeting in Seward on Tuesday, the Kenai Peninsula Borough Assembly voted 5-4 to strip the provision from Ordinance 2005-09, a measure sponsored by Mayor Dale Bagley that also includes provisions that would boost the borough sales tax and make other changes to the borough code in an effort to enhance revenues.

Bagley had proposed ending the unlimited property tax exemption in place since the mid-1980s and replacing it with an exemption that covered only the first \$200,000 of assessed value. A state mandate requires exempting the first \$150,000, and until the late 1990s, the state reimbursed municipalities for the lost revenue. The borough has lost millions since the Legislature stopped sending the reimbursement checks. ...

...

Another amendment to the tax ordinance passed Tuesday affects the current 2-percent borough sales tax. Bagley had proposed increasing the sales tax to 2.5 percent, but Merkes moved to raise tax to a full 3 percent. ...

...

Moss said cuts would still be considered before final passage of the fiscal year 2006 budget, but without in [sic] increase in the sales tax, the assembly could be looking at a mill rate increase instead.

"I've gotten the impression from assembly members that a mill rate increase was unacceptable," Moss said. ...

K P Borough Assembly Minutes, Jun 7, 2005

Ordinance 2005-09: Amending the Borough Code to Provide for Increased Revenue Enhancement Measures Including Increasing the Borough Sales Tax Rate to 3 Percent, Amending KPB 5.18 to Provide that Taxes on Recreational Package Sales Shall be Calculated on a Per-Person Per-Day Basis, Imposing a Cap on the Amount of Funds Held in the Land Trust Fund (Mayor) (Referred to Finance Committee)

[A Moss Amendment was the only modification at this meeting (other amendments failed). Hence, Ord 2007-09 raised the sales tax from 2% to 3% and made other code changes. In the next few assembly meetings the dates for enactment of various Sections were amended.]

A June 9, 2005 Peninsula Clarion front page article by Hal Spence offers a progress report on Ord 2005-09:

Goods and services in the Kenai Peninsula Borough will be a bit more expensive starting in October.

Tuesday night, the Kenai Peninsula Borough Assembly voted 6-3 to boost the borough sales tax from 2 percent to 3 percent, a move that is expected to generate about \$5.4 million a year in new revenue.

The decision to raise sales tax had drawn some criticism during public hearings, but the borough was facing a budget shortfall of roughly \$5.8 million, brought about in part by the loss of state municipal revenue sharing, increasing obligations to the Public Employee Retirement System and rising insurance costs, as well as other expenses.

The sales tax provision was part of Ordinance 2005-09, which included two other revenue enhancement measures.

One altered the borough tax code so recreational sales would be treated on a per-person, per-day basis for purposes of computing the minimum sales tax. The code defines recreational

sales as when a seller provides recreational services and rentals, except automotive rentals, to a buyer, either separately or in combination at an aggregate price. It would cover such items as guiding, charters, sightseeing tours, outfitting or equipment rentals and temporary lodging.

PROPOSITION NO. 5

Maximum Borough Sales Tax Rate

Shall Initiative Ordinance 2005-02, setting the maximum borough sales tax rate at 2 percent on the first \$500 of retail sales and requiring that any future increase to the tax cap or computation of the maximum sales tax be ratified by at least 60 percent of voters at a regular election, be approved?

Prop 5 passed by a vote of 5,794 to 4,902 (54.17% to 45.83%).

Oct 5, 2005 *Peninsula Clarion* page 1-2 article by Hal Spence explains what happened:

... By a fairly strong majority of 54 percent to 46 percent, voters said yes to Proposition 5, which caps the borough sales tax at 2 percent of the first \$500 of a retail sale, effectively negating an assembly decision reached earlier this year to raise it to 3 percent beginning in October (later changed to January 2006).

Proposition 5 also stipulated that any future increase would require ratification at the polls by at least 60 percent of the voters.

...

Proposition 4 also requires a 60 percent supermajority before capital expenditures toward a particular project could exceed \$1 million.

...

Both propositions made the ballot following a concerted signature-gathering effort by a group of citizens calling themselves the Alliance of Concerned Taxpayers.

Frustrated by the assembly's decision earlier this year to raise the sales tax from 2 percent — where it had been since 1976 — to 3 percent, ACT launched a petition drive that resulted in placing Prop. 5 on the fall ballot. ...

K P Borough Assembly Minutes, Jan 17, 2006

Ordinance 2006-02: Changing to January 1, 2007, the Effective Date of Sections 2 and 3 in Ordinance 2005-09, Which Would Require Charging Sales Taxes for Recreational Sales on a Per Seat Per Day Basis, if the Voters Support Ordinance 2005-09 in the Referendum Election (Long) (Hearing on 02/21/06) (Referred to Policies and Procedures Committee)

KPB Oct 3, 2006 Ballot

PROPOSITION NO. 2

REFERENDUM ON KPB ORDINANCE 2005-09

Shall Kenai Peninsula Borough Ordinance 2005-09, “An Ordinance Amending the Borough Code to Provide for Increased Revenue Enhancement Measures including Increasing the Borough Sales Tax Rate to Three Percent, Amending KPB 5.18 to Provide that Taxes on Recreational Package Sales be Calculated on a Per-Day Basis, Appropriation of a Portion of Fund Balance from the Land Trust Fund to the General Fund,” be repealed?

- A Yes vote would repeal KPB Ordinance 2005-09.
- A No vote would retain KPB Ordinance 2005-09.

PROPOSITION NO. 2

(Referendum Petition to Repeal Ord 2005-09)

NO5,620 (57.3%)

YES4,186 (42.7%)

[Note: I think the following two newspaper reports are the best way to describe what preceded Prop. 2 in Assembly action and why this referendum appeared on the ballot]

The Oct 5, 2006 *Peninsula Clarion* page A-6 article by Hal Spence offers this explanation:

Opposition to Proposition 2 was widespread ...

...

The ballot measure passed in only five of 26 precincts, all of them rural. They included Anchor Point, Cooper Landing, Funny River, Moose Pass and Ninilchik. Only in Ninilchik did voters cast significantly more “yes” than “no” votes. ...

The proposition also failed in Nikiski, where several of the leading proponents of the referendum live and are actively involved in the grassroots organization Alliance of Concerned Taxpayers, whose petition put the referendum on the ballot, Voters there voted 194 to 175 against repealing Ordinance 2005-09. ...

... Last fall, an ACT-sponsored initiative seeking to roll back the sales tax increase, cap the sales tax at 2 percent, and require future sales tax increases to be voted on and approved by 60 percent of the public, won at the polls with 54 percent of the vote.

Then ACT sought the Referendum on all of Ordinance 2005-09. That became Tuesday’s Proposition 2, which included a second chance for voters to decide on the sales tax increase. But this time voters defeated Prop 2 by a wider percentage margin (57 percent) than Proposition 5 passed last fall. Long said it was apparent that a lot of people changed their minds.

“Common sense and stability reared its ugly head throughout the electorate,” he joked.

Long said he wasn’t sure what helped sway voters, but speculated it might have concerned worry over continued full-funding of schools, and ...

The Oct 5, 2006 *Homer News* page 11, presents a Hal Spence story on borough vote:

A referendum to repeal a controversial sales tax ordinance adopted by the assembly in 2005 was defeated Tuesday, as roughly 57 percent of voters said no to Proposition 2. ...

...

Had it succeeded [Prop 2] it effectively would have taken the power to increase the sales tax out of the assembly's hands for at least two years. It would have capped the sales tax at 2 percent and required a supermajority of 60 percent approval at the polls for any future sales tax increase.

Borough voters may not like paying sales taxes, but the majority apparently wasn't ready to take that tool out of the assembly's hands.

The Proposition 2 referendum sought repeal of Ordinance 2005-09, a measure that last year raised the 2-percent sales tax to 3 percent. That law also changed borough tax code so packaged recreational sales would be taxed on a per-person, per-day basis, and established procedures for using a portion of the land trust account for general government purposes. At the time, the borough was facing a looming deficit and the assembly saw the ordinance's provision as revenue generators.

It's adoption in June of 2005 led directly to a proposition on the 2005 municipal ballot sponsored by the grassroots organization Alliance of concerned Taxpayers (ACT) that sought to overturn the tax increase. Voters did just that by a 54 percent majority.

Following their October success, ACT members petitioned for a referendum (Proposition 2) on all parts of the Ordinance 2005-09, including the sales tax increase that had just been overturned at the polls. ACT members insisted that state law required the assembly to put all sales tax questions on the ballot and that 2005-09 had been adopted illegally. Borough officials and a pair of legal opinions said otherwise.

Borough Mayor John Williams said Tuesday evening he never doubted that voters would see the issue clearly once they'd been appraised of the facts ...

Anticipating the defeat of Proposition 2, Williams introduced an ordinance at the Sept. 19 assembly meeting urging the assembly to officially set the sales tax rate at 2 percent for the remainder of this fiscal year when it meets again Tuesday.

That's the day the election will be certified.

That had to be done because one of the results of the "no" vote on Proposition 2 was that all of Ordinance 2005-09 provisions would go into effect as soon as the election is certified — including the 3 percent sales tax, a practical impossibility considering what has to happen to put a sales tax increase into effect.

K P Borough Assembly Minutes, Jun 17, 2014

Ordinance 2014-18: Amending KPB 5.'18.430(F) to Change the 60 Percent Voter Approval Requirement to a Simple Majority to Increase the Cap on Taxable Sales (Johnson) (Referred to Policies and Procedures Committee)

Assembly Members Pierce, Wolf and Ogle spoke in opposition to Ordinance 2014-18.

Assembly Members Haggerty and Smith spoke in support of Ordinance 2014-18.

VOTE ON MOTION TO ENACT:

Yes:

Haggerty, Johnson, McClure, Smith,

No:

Absent:

MOTION TO ENACT PASSED:

Smalley

Bagley, Ogle, Pierce, Wolf

None

5 Yes, 4 No, 0 Absent

[Note: Prop 5 of 2005 set the 60% supermajority with only 54.17% of the vote. While Prop 2 of the Oct 3, 2006 ballot rejected the earlier sales tax reduction, it didn't address the supermajority issue.]

Property tax by city

mills	city	exemption	Senior Cit
0.5	Soldotna	\$50K	
3.84	Seward	\$50K	\$150K
4.35	Kenai	\$100K	
4.5	Homer	\$20K	
7.5	Seldovia		

Year	Sales Tax Revenue	Sales Tax rate	Notes for Sales Tax Revenue & Sales Tax Rate	TXBL Assessed Values	Gen Fund mill rate
FY64			Union & Marathon Oil want a property tax break of 80% of assessed value for ten years. "Mayor" Pomeroy opposed. Motion failed for lack of 2nd. Dye moved to grant a property tax exemption of 65% of assessed value for the		
FY65		3%	gas liquidification plant. Motion failed 5-5-1.		5.0
FY66		3%	8 mill prop tax ceiling set by assembly		5.0
FY67		3%			5.0
FY68		3%			7.0
FY69		3%			7.0
FY70		3%			5.0
FY71		3%			
FY72		3%			5.0
FY73		3%			5.0
FY74		3%			5.0
FY75	2,144,923	3%			5.0
FY76	2,349,342	3%-2%	Ord 75-41 lowered sales tax from 3% to 2%, effective October 1, 1975		5.0
FY77	2,243,065	2%			
FY78	2,799,826	2%			
FY79	2,886,274	2%			4.5
FY80	3,187,688	2%			2.5
FY81	3,560,115	2%			2.5
FY82	3,989,758	2%			2.5
FY83	4,819,557	2%			2.5
FY84	5,744,664	2%			2.5
FY85	6,402,662	2%			1.75
FY86	6,960,999	2%	The mill rate is 1.75 for real property and 2.5 for personal property		1.75 / 2.5
FY87	6,588,619	2%			4.0
FY88	6,613,622	2%			4.00
FY89	7,114,238	2%			5.75
FY90	8,253,730	2%			5.75
FY91	8,770,159	2%		3,088,146,086.00	5.75
FY92	8,788,226	2%		3,156,304,900.00	7.55
FY93	9,257,635	2%	mill rate technically not exceeded	3,105,436,842.00	8.55
FY94	10,043,808	2%	because some things don't apply	3,024,827,134.00	8.55
FY95	10,709,437	2%		3,114,133,859.00	8.59
FY96	11,117,396	2%		3,176,766,367.00	8.59
FY97	11,383,289	2%		3,203,338,142.00	8.3
FY98	11,917,497	2%		3,347,501,616.00	8.3
FY99	12,606,181	2%		3,345,565,050.00	8.0
FY00	12,814,417	2%		3,355,946,677.50	?
FY01	13,708,974	2%		3,548,384,000.00	7.5
FY02	14,407,262	2%		3,717,713,000.00	7.0
FY03	14,375,828	2%		4,044,041,000.00	6.5
FY04	14,910,977	2%		4,222,404,000.00	6.5
FY05	15,670,832	2%	Prop 5: An initiative setting the max sales tax at 47.4%)	4,264,247,000.00	6.5
FY06	16,755,426	2%	2% on the first \$500 retail sales & any future increase to cap must be ratified by 60% of voters. Prop 5 passed 5,794-5,211 (52.6%-	4,507,776,000.00	6.5
FY07	18,321,611	2%		4,888,050,000.00	6.5
FY08	23,801,181	3%	Sales tax rate went from 2-3% beginning in FY2008	5,369,378,000.00	5.5
FY09	28,585,036	3%		5,966,757,000.00	4.5
FY10	25,950,998	3%		6,369,098,000.00	4.5
FY11	27,798,976	3%		6,393,531,000.00	4.5
FY12	28,385,150	3%		6,633,241,000.00	4.5
FY13	29,664,629	3%		6,716,010,000.00	4.5
FY14	30,277,599	3%		6,960,196,000.00	4.5
FY15	30,138,426	3%		6,937,316,000.00	4.5
FY16	30,116,611	3%		7,278,398,000.00	4.5
FY17	30,400,062	3%		7,815,709,000.00	4.5
FY18	31,508,914	3%		8,140,446,000.00	4.5
FY19	31,733,000	3%		8,190,029,000.00	4.7
FY20	32,964,904	3%		8,433,676,000.00	4.7
FY21	36,296,951	3%		8,484,559,000.00	4.7
FY22	44,988,984	3%		8,468,109,000.00	4.7
FY23	42,650,831	3%		8,921,887,000.00	4.5
FY24	47,547,330	3%		9,744,380,000.00	4.3
FY25	47,500,000	3%		10,510,915,000.00	4.3
FY26	47,975,000	3%		11,271,549,000.00	3.85