

Kenai Peninsula Borough Assembly

MEMORANDUM

TO: Peter Ribbens, Assembly President
Members, Kenai Peninsula Borough Assembly

FROM: Tyson Cox, Assembly Member *TRC*

DATE: July 8, 2025

SUBJECT: Resolution 2025-030, Establishing a Seasonal Tax Working Group to Evaluate the Balance Between Positive and Negative Seasonal Tax-Related Impacts on Kenai Peninsula Borough Residents and Businesses (Cox)

Ordinance 2025-15 rationalizes changing the Kenai Peninsula Borough sales tax structure to one that taxes Borough residents, business owners, and visitors using a 2% winter and 4% summer sales tax based on the Tourism Industry Working Group (TIWG) suggesting it as one of their recommendations in their Final Report.

The Assembly should consider that broad-based tax recommendations from this group may not be ready for an ordinance or public ballot. The TIWG was specifically created to evaluate tourism benefits and impacts on current Borough revenue, costs, and services; to discuss potential options or ideas, and associated data, for ensuring that visitors are paying their fair share for services they use; and to assess the anticipated affects of a potential bed tax. It was not organized to consider repercussions of taxes on the general public or businesses outside of the tourism industry.

The TIWG had one presentation about the Seasonal Sales Tax 2% and 4% model given by the KPB Finance Director (*see page 2 of the Tourism Industry Working Group Final Report*). At this meeting, nor any other, no non-tourism related business owners or Borough residents were asked how this change in sales tax might affect their businesses or home finances.

Some questions that should be answered before the Assembly decides to vote on Ordinance 2025-15:

- Why are we being asked to vote on Ordinance 2025-15 without having the corresponding ballot measure language to review?
- Mayor Micciche has publicly stated many times that the Borough does not need more money so why sponsor an ordinance to raise more revenue?
- With no apparent need for new revenue, what is the rush to have a new tax on the ballot this fall?

- Is a seasonal sales tax that taxes all residents, businesses, and visitors actually better for our constituents than a bed tax that only taxes visitors?
- Should we consider “no action” which was also a recommendation from the TIWG?
- Is language like “Net-Neutral” an opinion in this case rather than fact as the data presented in the TIWG made assumptions that resident spending is the same in the summer as it is in the winter? Should more information be gathered to determine the true cost to community members?
- Is more information needed to determine the outcome for all residents as data from the TIWG meeting also showed that renters will be in the negative for the year if the Borough were to switch to a season tax and not give a residential housing tax exemption?
- Why would residents be okay with an increase of 1% on unprepared food in the summer when they do not get the benefit of the 2% sales tax in the winter (it is already 0% during those months)?
- Will residents be okay with paying more for personal construction projects in the summer, when most are done?
- Would a seasonal sales tax, paid by visitors and residents, be more likely to be approved by voters than a lodging tax paid by visitors?
- Why weren’t these questions discussed by this Tourism Industry Working Group before submitting a final report to the Assembly if a seasonal tax is the recommendation?

I am not requesting that the Assembly bring forward a lodging tax ordinance at this time as Mayor Micciche has made it clear that the Borough does not need new revenue. I have attached the DRAFT lodging ordinance that Chair Micciche and Vice-Chair Cooper chose not to discuss and a spreadsheet comparing a 12% lodging tax to a 2% - 4% seasonal sales tax. This spreadsheet was shared with the TIWG to prove the point that a lodging tax and seasonal sales tax create very similar outcomes.

They both increase revenue for the Kenai Peninsula Borough by adding a tax that will take into account tourist activity throughout our summer months. They both require businesses to modify their processes with regard to collection of the taxes. They would both also allow the borough to consider a mill rate reduction. **The one large difference between a lodging tax and Ordinance 2025-15 is that the Ordinance 2025-15 seasonal tax would change how residents of the borough are taxed.**

If the Assembly believes we need more revenue, the questions that must be answered are:

Would your constituents be more comfortable with a tax targeting visitor to the Kenai Peninsula resulting in no change to our current sales tax of 3%?

or

Would your constituents prefer a broad-based sales tax targeting a specific season in which local residents and visitors share the tax burden?

or

Is “no action” without more information actually the most responsible conclusion at this time?

If you have questions concerning the need for and repercussions of Ordinance 2025-15, your consideration of this resolution is appreciated.

Included Documents:

COX Comparison Spreadsheet (Given to TIWG)
COX Draft Lodging Tax Ordinance (Given to TIWG)
2024 Lodging Tax Fiscal Note (From Resolution 2024-29)
2025 Tourism Industry Working Group Final Report (TIWG Final Meeting)