

Introduced by:	Carpenter
Date:	07/02/19
Hearing:	08/06/19
Action:	Introduced and Set for Public Hearing
Vote:	9 Yes, 0 No, 0 Absent
Date:	08/06/19
Action:	Enacted as Amended
Vote:	7 Yes, 2 No, 0 Absent
Date:	10/01/19
Date Certified:	10/08/19
Action:	Defeated by the Voters
Vote:	4856 No 4109 Yes

**KENAI PENINSULA BOROUGH  
ORDINANCE 2019-15**

**AN ORDINANCE AMENDING KPB 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**

**WHEREAS,** due to the continuing uncertainty about state and local revenues, the decline in state assistance to municipalities, the increasing loss in property tax revenues to the borough from exemptions on real property, and increasing reliance on borough funding for the school district, the borough must take steps to maintain its unrestricted fund balance into the future within financially prudent and responsible parameters to enable it to fund the services and public education programs as desired by borough residents; and

**WHEREAS,** KPB 5.18.430(A) currently provides for a maximum taxable amount of \$500, meaning the borough's sales tax is only applied to the first \$500 of each separate sale, rent, or service transaction unless otherwise provided; and

**WHEREAS,** Ordinance No. 9a, enacted by the assembly in 1965, set the maximum taxable amount at \$500 and this sum has never been adjusted for inflation or otherwise; and

**WHEREAS,** the value of \$500 in 1965 was \$3,195 in 2018 according to the Alaska Department of Labor Anchorage Consumer Price Index inflation; and

**WHEREAS,** this increase in the maximum taxable amount would disproportionately affect tenants of residential property who would pay the higher sales tax on a recurring basis each month; and

**WHEREAS,** affordable rental housing is important for the borough and its residents, and the borough's best interests would be served by keeping the cap on residential rentals at \$500 per month; and

**WHEREAS,** while the revenue generated from this increase would be used for funding education, it would make other revenues available for general borough government purposes; and

**WHEREAS,** estimates indicate this increase would generate approximately \$3.1 million to \$3.4 million annually in revenue to the borough, which would help to protect the unrestricted fund balance in future years at current borough spending levels; and

**WHEREAS,** KPB 5.18.430(F) requires that any increase in the amount of the maximum taxable amount be approved by the voters;

**NOW, THEREFORE, BE IT ORDAINED BY THE ASSEMBLY OF THE KENAI PENINSULA BOROUGH:**

**SECTION 1.** That KPB 5.18.430 (A), (B) and (C) are 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. For residential property rentals the sales tax levied pursuant to KPB 5.18.100 shall only be applied to the first \$500.00 of each monthly payment of rent for residential property.
- B. Except as provided below for long-term vehicle leases, and residential property rentals, the payment of rent, whether for real or personal property, in excess of ~~\$1,000.00~~[500.00] and for more than one month, shall be treated as several separate transactions covering the rental/lease for one month each. The payment of rent for residential property in excess of \$500.00 and for more than one month, shall be treated as several separate transactions covering the rental/lease for one month each.
- C. Services provided on account and billed to the customer on a periodic basis are subject to application to the tax on a maximum of ~~\$1,000.00~~ [500.00] of each billing, per account. For purposes of this section, any advance payment for services other than to a trust or escrow account is considered to be paid pursuant to a "billing."

...

**SECTION 2.** That a ballot proposition shall be placed before borough voters at the next regular election to read as follows:

PROPOSITION No. \_\_\_\_\_

Shall Section 1 of Ordinance 2019-15, 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 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.

**SECTION 3.** That Sections 2 and 3 shall become effective immediately upon enactment of this ordinance. Section 1 of this ordinance shall become effective January 1, 2020, only if the proposition contained in Section 2 is approved by a majority of voters voting on the question in the regular election of October 1, 2019.

**ENACTED BY THE ASSEMBLY OF THE KENAI PENINSULA BOROUGH THIS 6TH DAY OF AUGUST, 2019.**

\_\_\_\_\_  
Wayne H. Ogle, Assembly President

ATTEST:

\_\_\_\_\_  
Johni Blankenship, MMC, Borough Clerk

Yes: Blakeley, Carpenter, Cooper, Dunne, Fischer, Smalley, Ogle

No: Bagley, Hibbert

Absent: None