

Introduced by: Johnson
Date: 07/08/25
Hearing: 08/05/25
Action:
Vote:

**KENAI PENINSULA BOROUGH
ORDINANCE 2025-14**

**AN ORDINANCE AMENDING KPB 5.18.430 TO ANNUALLY ADJUST
THE SALES TAX CAP FOR INFLATION**

- WHEREAS,** Ordinance No. 9a, enacted by the Kenai Peninsula Borough Assembly on April 20, 1965, set a 3% sales tax with a maximum tax (maximum amount of a sale subject to the tax, aka—cap) of \$500; and
- WHEREAS,** since adopting Ordinance 9a, the sales tax cap has never been adjusted for inflation; and
- WHEREAS** inflation calculator website called *\$Dollar Times*: <https://www.dollartimes.com/inflation/inflation.php?amount=500&year=1965> calculates that \$500 in 1965 equates to \$5,058 in 2025, therefore the sales tax cap has effectively shrunk to less than one-tenth of its original value; and
- WHEREAS,** property taxes are a burden for home owners and contribute to the difficulty for young people to become home owners; and
- WHEREAS,** sales tax is dedicated to schools but has never been sufficient to solely fund schools, therefore property taxes have always supplemented school funding; and
- WHEREAS,** the general fund mill rate was set at 5.0 in 1966 (3.4 mills [68%] allocated for general fund and 1.6 mills [32%] allocated for schools); and
- WHEREAS,** the website Alaska Property Tax Calculator: <https://smartasset.com/taxes/alaska-property-tax-calculator> compares property tax rates by borough in Alaska:
- Anchorage Municipality = 1.31%
 - Fairbanks North Star Borough = 1.25%
 - Matanuska -Susitna Borough = 1.15%
 - Kodiak Island Borough = 1.04%
 - Bristol Bay Borough = 0.99%
 - Juneau City & Borough = 0.94%
 - North Slope Borough = 0.75%
 - Kenai Peninsula Borough = 0.66%
- WHEREAS,** the above table illustrates the 60-year success of mayors and assemblies at minimizing property taxes; and

WHEREAS, sales tax generates about 27% of the current annual borough revenue while property tax generates about 48% of the current annual borough revenue;

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

SECTION 1. That this ordinance amends KPB Code and will be codified.

SECTION 2. That KPB 5.18.430 (A) is amended as follows:

5.18.430. Computation—Maximum tax.

- A. The sales tax referred to in KPB 5.18.100 shall be applied only to the first \$500.00 of each separate sale, rent or service transaction, except as otherwise provided in this section. The maximum taxable amount under this subsection will be adjusted yearly based on the prior year's annual Anchorage Consumer Price Index (CPI) as published by the state, rounded to the nearest dollar, and set as of January 1 for the calendar year.
- B. Except as provided below for long-term vehicle leases, the payment of rent, whether for real or personal 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. The maximum taxable amount under this subsection will be adjusted yearly based on the prior year's annual Anchorage Consumer Price Index (CPI) as published by the state, rounded to the nearest dollar, and set as of January 1 for the calendar year.
- 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 \$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." The maximum taxable amount under this subsection will be adjusted yearly based on the prior year's annual Anchorage Consumer Price Index (CPI) as published by the state, rounded to the nearest dollar, and set as of January 1 for the calendar year.
- D. Each night's rental of each individual unit of temporary lodging shall be considered a separate transaction and therefore the maximum tax computation shall be calculated on a per unit per night basis. Rental by a single person or entity of an entire facility, such as a lodge or hotel for multi-person overnight use, does not affect this provision that each night's rental of each individual unit shall be considered a separate transaction.
- E. Long-term vehicles leases shall be treated as one transaction per year, and per fractional year, of the lease term. The tax paid for any fraction of a year shall equal the tax paid for a whole year. The sales tax for the entire long-term vehicle lease shall be due and collected at the time of the first payment.

Tax shall be calculated at the sales tax rate in effect on the day the lease is signed. There shall be no refund of such taxes should the lease terminate earlier than on its terms. Any extension of the initial lease term shall be treated as a new long-term vehicle lease.

[F. 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.]

G. Recreational sales shall be treated on a per person per day basis and therefore the maximum tax computation shall be calculated on a per person per day basis. For purposes of this subsection, the term "person" means an individual human being.

SECTION 3. If any provision of this ordinance or its application to any person or circumstance is held invalid, the remainder of the ordinance or the application of the provision to other persons or circumstances will not be affected.

SECTION 4. That this ordinance shall be effective on January 1, 2026.

ENACTED BY THE ASSEMBLY OF THE KENAI PENINSULA BOROUGH THIS * DAY OF * 2025.

Peter Ribbens, Assembly President

ATTEST:

Michele Turner, CMC, Borough Clerk

Yes:

No:

Absent: