

Introduced by: Bagley, Dunne
Date: 05/15/18
Hearing: 06/19/18
Action: Failed to Enact as Amended
Vote: 3 Yes, 6 No, 0 Absent

**KENAI PENINSULA BOROUGH
ORDINANCE 2018-24**

AN ORDINANCE AMENDING THE BOROUGH'S SALES TAX CODE TO LEVY A 12 PERCENT TEMPORARY LODGING TAX, EXEMPT TEMPORARY LODGING RENTALS FROM THE GENERAL SALES TAX, AND ALLOW CITIES THAT LEVY A SIMILAR SEPARATE SALES TAX ON TEMPORARY LODGING TO EXEMPT UP TO ONE-HALF OF THE BOROUGH'S TEMPORARY LODGING TAX, SUBJECT TO VOTER APPROVAL

WHEREAS, the Kenai Peninsula Borough ("borough") needs to raise revenue to protect the general fund, which has been declining due to losses in tax revenues due to increases in tax exemptions, the continuing decline in state assistance to municipalities, and the increasing reliance on borough funding for education; and

WHEREAS, the borough is currently facing a budget deficit of approximately \$4,000,000, and

WHEREAS, currently, 47 Alaska municipalities including cities and boroughs have a bed tax in addition to other sales taxes, with such bed tax rates ranging from a low of 4 percent to a high of 12 percent; and

WHEREAS, the Kenai Peninsula Borough and the Aleutians East Borough are the only second-class boroughs in the state without an additional sales tax on temporary lodging; and

WHEREAS, several hundred thousand visitors travel to the Kenai Peninsula each year and contribute in a large way to the area's economy but also create a large demand on public services in the borough; and

WHEREAS, while the revenue to the borough generated from this additional sales tax on temporary lodging would be used solely for educational purposes, it would make other borough revenues available to offset these visitor costs and help maintain the fund balance; and

WHEREAS, "temporary lodging" is currently defined in the borough sales tax code as "a service to provide any lodging of less than one month"; and

WHEREAS, a temporary lodging tax of 12 percent is estimated to generate approximately \$3,100,000 in additional revenues per year for the borough; and

WHEREAS, to enable the cities to levy a similar tax and allow the tax to apply evenly throughout the borough, the ordinance exempts from the borough's 12 percent temporary lodging tax an amount equal to a similar city tax up to 6 percent; and

WHEREAS, this also specifically authorizes cities to levy a temporary lodging tax to ensure the general law cities may do so under AS 29.45.700(a) even though the borough exempts temporary lodging from its general sales tax; and

WHEREAS, as this includes an increase in the sales tax rate voter approval is required;

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

SECTION 1. KPB 5.18.100 is amended as follows:

5.18.100. General—Levied—Amount.

- A. There is levied by the borough a consumer's sales tax of up to 3 percent maximum rate on all retail sales, on all rents, and on all services made or rendered within the borough, measured by the gross sales price of the seller.
- B. In addition to the tax levied in paragraph A of this section, there is levied in the borough a sales tax on the rental of temporary lodging of up to 12 percent of the rental price of all such rentals within the borough, except as specifically exempted herein.
- C. In addition to the sales taxes levied by the borough, any municipality within the borough may levy a consumer's sales tax including a temporary lodging tax that may be included in their general sales tax, taxed separately or both, as provided by Alaska Statute which shall be reported, collected, and enforced according to the terms of this chapter.

SECTION 2. That KPB 5.18.200(A) is amended by amending paragraph 22, as follows:

5.18.200. Exemptions/waivers—Exemptions.

- A. The following classes of retail sales, services and rentals are exempt:

...

- 22. The rental of temporary lodging shall be exempt from the borough general sales tax levied pursuant to KPB 5.18.100(A).

SECTION 3. That KPB 5.18.215 is hereby enacted as follows:

5.18.215. Exemptions/waivers—Temporary lodging within cities in the borough.

Rentals of temporary lodging within any city in the borough are exempt from the portion of the borough's temporary lodging tax in an amount equal to the amount of a similar temporary lodging tax that may be levied by a city, up to a maximum exemption of one-half of the borough's temporary lodging tax.

SECTION 4. That a ballot proposition shall be placed before borough voters at the regular election on October 2, 2018 to read as follows:

Shall Ordinance 2018-24, exempting temporary lodging from the general sales tax, providing for a sales tax of up to 12 percent on temporary lodging, and in any city that taxes temporary lodging, exempting from the borough tax an amount equal to the city's temporary lodging tax up to a maximum of one-half of the borough's temporary lodging tax be approved? "Temporary lodging" means "a service to provide any lodging of less than one month".

Yes _____ A "yes" vote means you approve of a borough temporary lodging tax of up to 12 percent instead of the general sales tax on temporary lodging, with an exemption in any city that levies a temporary lodging tax of an amount equal to the city's tax. This exemption in cities cannot exceed one-half of the borough's temporary lodging tax.

No _____ A "no" vote means you oppose a borough tax on temporary lodging of up to 12 percent instead of the general sales tax, with an exemption in any city that levies a temporary lodging tax of an amount equal to the city's tax. This exemption in cities cannot exceed one-half of the borough's temporary lodging tax.

SECTION 5. That Sections 4 and 5 of this ordinance shall become effective immediately upon enactment of this ordinance. Sections 1, 2 and 3 of this ordinance shall become effective January 1, 2019, only if the proposition contained in Section 4 is approved by a majority of voters voting on the question in the regular election of October 2, 2018.

**ENACTED BY THE ASSEMBLY OF THE KENAI PENINSULA BOROUGH ON THE *
DAY OF * 2018.**

Wayne H. Ogle, Assembly President

ATTEST:

Johni Blankenship, MMC, Borough Clerk

Yes: Bagley, Dunne, Hibbert

No: Blakeley, Carpenter, Cooper, Fischer, Smalley, Ogle

Absent: None