

# Kenai Peninsula Borough Assembly

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## MEMORANDUM

**TO:** Peter Ribbens, Assembly President  
Members, KPB Assembly

**FROM:** Kelly Cooper, Assembly Vice-President *KE*  
Peter A. Micciche, Mayor *PMM*

**DATE:** June 26, 2025

**RE:** Ordinance 2025-15, Amending KPB 5.18.100 to Levy a Seasonal Sales Tax Rate, Resulting in a Net-Neutral Change for Residents, Subject to Voter Approval (Cooper, Mayor)

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In the fall of 2024, the Assembly approved the creation of a Tourism Industry Working Group (TIWG) to focus on evaluating tourism benefits and impacts on current Borough revenue, costs, and services, and discussing potential options or ideas and associated data for ensuring that visitors are paying their fair share for services they use. The working group was comprised of industry representatives and members of the public, and considered input from representatives of cities within the borough. A final report was provided to the Assembly summarizing the group's work. Among the key recommendations in the report is the implementation of a seasonal sales tax structure.

The TIWG reviewed comprehensive data on tourism-related sales tax contributions, emergency services usage, solid waste volume, and public infrastructure demands during peak visitor months—particularly June through August, when tourism activity, waste generation, and emergency service calls significantly increase.

Analysis by the TIWG found that tourism generates between \$5.6 million and \$10.3 million in annual sales tax revenue—significantly exceeding the combined seasonal costs of increased emergency services and solid waste and demonstrating that visitors contribute more than their fair share toward public services.

This ordinance proposes replacing the current flat 3% sales tax with a seasonal rate of 2% in the winter (October–March) and 4% in the summer (April–September). This structure is projected to generate approximately \$4 million in additional annual revenue, primarily from increased visitor spending during peak months.

For residents, this seasonal sales tax structure is expected to result in a likely reduction, or at worst net-neutral change in the total annual sales tax paid, as many residents will benefit from a lower 2% rate during the winter months, when household spending typically increases on essentials such as heating and vehicle fuel, utilities, holiday spending, and other household and business expenses.

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This approach ensures visitors contribute more during high-demand months without increasing the annual tax burden on locals.

Public input during the FY26 budget process highlighted growing concern over property taxes and the need to sustain education funding. Since Borough sales tax is dedicated to education, this seasonal model increases education revenue while reducing reliance on property taxes—allowing a 0.3 to 0.4 mill rate reduction on property taxes. If approved by voters, the seasonal sales tax would take effect April 1, 2026.