

Kenai Peninsula Borough Assembly

MEMORANDUM

TO: Brent Johnson, Assembly President
Members, KPB Assembly

FROM: Tyson Cox, Assembly Vice President *TRC*
Brent Hibbert, Assembly Member *BH*

DATE: June 6, 2024

SUBJECT: Resolution 2024-029, Placing an Areawide Question on the October 2024 Ballot Asking Whether the Borough Should Levy Up To a 12 Percent Tax on Short-Term Accommodation Rentals and Overnight Camping Facilities, Exempt these Rentals from the General Sales Tax, and Provide that All Cities Within the Kenai Peninsula Borough May Exempt Up To One-Half of the Borough's Tax on these Rentals (Cox, Hibbert)

Placing a short-term accommodation rentals tax (“bed tax”) question on the Borough ballot has been before the Assembly several times since 2017. Ordinances 2017-29 and 2018-24, which would have asked the voters to approve a bed tax, were defeated by the Assembly. In June of 2019 Ordinance 2019-09, an updated version of the previous ordinances, was passed by the Assembly then vetoed by the Mayor with a veto override failing 4 Yes, 4 No, 1 Abstained. Five years later, we are placing asking that the question be placed on the ballot before introducing and/or enacting an ordinance containing the levy and processes and procedures for implementing and collecting the tax. If approved, the intent would be that this tax will take effect no sooner than January 1, 2026.

Currently 49 Alaska cities and boroughs have a bed tax. The tax rates range from a low of 4% to a high of 12%. Of the 19 organized boroughs in Alaska only the Kenai Peninsula Borough, Aleutians East Borough, North Slope Borough, and North West Arctic Borough do not utilize an additional tax on temporary lodging. Of the five most populated boroughs in Alaska (Anchorage Borough, Matanuska-Susitna Borough, Fairbanks North Star Borough, Kenai Peninsula Borough, and Juneau Borough), only the Kenai Peninsula Borough is without an additional sales tax on short-term accommodation rentals.

Like the other four most populated boroughs in Alaska, the economy of the Kenai Peninsula Borough relies heavily on the several hundred thousand visitors who travel to the Kenai Peninsula each year. This many visitors create a large demand on public services offered within the Borough, which impacts Borough services including solid waste, roads, recreational and senior citizen services, 911 and emergency services, hospital services, and disaster services.

If approved, the sponsors' intent would be to bring forward an ordinance that will enact a new chapter for KPB Code and will include but is not limited to:

- exempt short-term accommodation rentals from the current general sales tax rate of 3%;
- levy a maximum bed tax of 12% on short-term accommodation and overnight camping facilities throughout the Borough;
- adopt an exemption in cities that levy a short-term accommodation rentals and overnight camping facilities tax in a manner similar to the Borough and in an amount equal to the city's tax, up to a maximum of one-half of the Borough's tax with the intent of helping to level the temporary lodging rates inside and outside of the cities in the Borough; and
- adopt processes and procedures for implementing the tax.

The revenue from this tax will help offset visitor costs, help maintain the fund balance, and lower the Borough mill rate as appropriate.

The intent is to postpone the hearing on this to the July 9, 2024 regular Assembly meeting.

Your support in giving Borough residents a chance to vote on including this type of taxation in the Borough is appreciated.