

# Kenai Peninsula Borough Assembly

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## MEMORANDUM

**TO:** Wayne Ogle, Assembly President  
Members, Kenai Peninsula Borough Assembly

**FROM:** Dale Bagley, Assembly Member *DLB*

**DATE:** May 15, 2018

**RE:** Ordinance 2018-24, 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 Temporary Lodging Tax, Subject to Voter Approval

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The borough is currently facing a budgetary shortfall estimated to be as much as \$4,000,000. Ordinance 2017-29, which would have asked the voters to approve a bed tax, was defeated by the assembly on March 6, 2018. The borough still needs to fill that shortfall. I propose that we pass the temporary lodging tax ordinance and submit it to the voters for consideration in the next regular election. If approved it would be effective January 1, 2019.

Currently 47 Alaska cities and boroughs have a "bed tax" in addition to other sales taxes. The tax rates range from a low of 4 percent to a high of 12 percent. If this is approved it would exempt temporary lodging rentals from the general sales tax rate, and instead would levy a maximum bed tax of 12 percent in the borough. It also grants an exemption in cities that levy a separate temporary lodging tax of an amount equal to the city's tax, up to a maximum of one-half of the borough's tax. This is intended to help level the temporary lodging rates inside and outside of the cities in the borough.

Several hundred thousand visitors travel to the Kenai Peninsula each year and while they contribute to the area's economy, they also create a large demand on public services in the borough. Examples of borough services provided to visitors include solid waste services, fire and emergency medical services, road services, hospitals, recreation services and disaster assistance. Finally, while these additional sales taxes would be used to support education, they would also make other revenues available for services funded by property taxes and help to sustain the general fund.

Your support in giving the voters a chance to vote on this would be appreciated.