

Kenai Peninsula Borough
Office of the Borough Clerk

MEMORANDUM

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

FROM: Johni Blankenship, Borough Clerk (JB)

DATE: August 20, 2019

RE: Proposition Summaries for 2019 Regular Election Brochure (Voter Pamphlet)

Kenai Peninsula Borough Code § 4.10.110 (A) states in part, "... the borough clerk shall prepare and mail to every borough box holder a brochure containing information approved by the assembly of a strictly factual nature pertaining to each proposition on the ballot,"

The following attached proposition summaries are being forwarded for Assembly review and approval.

Proposition No. 1: Adopting A Manager Plan of Government to be Effective after the 2020 Election

Proposition No. 2: Amending KPB 5.18.430 to Increase the Maximum Amount of a Sale Subject to The Borough Sales Tax to \$1,000, Except for Residential Rentals, Subject to Voter Approval

Your consideration is appreciated.

**KENAI PENINSULA BOROUGH
PROPOSITION NO. 2
(Sales Tax Cap)**

**AMENDING KPB 5.18.430 TO INCREASE THE MAXIMUM AMOUNT OF A SALE SUBJECT TO THE
BOROUGH SALES TAX TO \$1,000, EXCEPT FOR RESIDENTIAL RENTALS, SUBJECT TO VOTER
APPROVAL (To be voted on by all voters)**

Ordinance 2019-15 entitled, "An Ordinance Amending KPB 5.18.430 to Increase the Maximum Amount of a Sale Subject to the Borough Sales Tax to \$1,000, Except for Residential Rentals, Subject to Voter Approval," was enacted on August 6, 2019.

BACKGROUND

The borough code limits to \$500 the amount of a sale that is subject to the sales tax. This \$500 cap has remained unchanged for 54 years, since 1965.

According to the Alaska Department of Labor Anchorage Consumer Price Index inflation if adjusted for inflation that \$500 in 1965 would have been \$3,195 in 2018. If approved, this ordinance would amend borough code to set the maximum transaction subject to sales tax at \$1,000, except for residential rentals, effective Jan. 1, 2020.

This increase would not apply to residential rentals because it would disproportionately affect tenants of residential property who would pay the higher rate every month.

The revenue generated from this increase would be used for funding education which would make other revenues available for general borough government purposes.

FISCAL NOTE

The Kenai Peninsula Borough Finance Department estimates this increase from the \$500 limit to a \$1,000 limit, except for residential rentals, would generate about \$3.1 million to \$3.4 million annually in revenue to the borough, significantly helping to close the gap between the current spending level and borough revenues, providing some protection for the fund balance.

BALLOT LANGUAGE

Shall Section 1 of Ordinance 2019-15, increasing the maximum amount of a sale subject to the borough sales tax, other than residential rentals, from \$500 to \$1,000, be ratified? The maximum amount of residential property rentals subject to the sales tax would remain at \$500 per month.

YES *A "yes" vote means you support increasing the maximum amount of a sale subject to the borough sales tax, other than residential rentals, from \$500 to \$1,000.*

NO *A "no" vote means you oppose increasing the maximum amount of a sale subject to the borough sales tax, other than residential rentals, from \$500 to \$1,000.*