

Kenai Peninsula Borough Assembly

MEMORANDUM

TO: Brent Johnson, Assembly President
Members, KPB Assembly

FROM: Tyson Cox, Assembly Vice President
Brent Hibbert, Assembly Member

DATE: June 14, 2024

SUBJECT: **LAYDOWN SUBSTITUTE** Resolution 2024-029, Placing an Areawide Question on the October 2024 Ballot Asking Whether the Borough Should Levy Up To a 12 Percent Lodging Tax on Short-Term Rental Accommodations and Overnight Camping Facilities, Exempt these Rentals from the General Sales Tax, and Provide that Up To One Half of the Tax May Be Exempted Inside Cities with an Adopted Lodging Tax (Cox, Hibbert)

Reason for a laydown substitution for Resolution 2024-029:

This laydown substitution is being brought forward to address suggested wording changes requested from several of our cities to clarify to the public that cities are not being required or given permission by the borough to levy a lodging tax of their own. This oversight was gladly corrected.

The second change is to the wording of the ballot proposition so that it includes the specific items from Section 2 of the resolution. Making the ballot question more specific as to what residents are being asked is intended to help voters with their decision making process. The edits in the substitute do not change the action to be taken if approved by voters.

Your support in replacing Resolution 2024-029 with Substitute Resolution 2024-029 is appreciated.

The below are supporting paragraphs for Substitute Resolution 2024-029:

Placing a lodging 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 asking that the question be placed on the ballot. If approved, the intent would be that this tax will take effect on 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 rental accommodations.

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 placed on the ballot and approved by a majority of the qualified voters, the intent would be to follow-up by enacting a new chapter of KPB Code. The code will:

- Apply to accommodations of less than 30 days;
- Remove the current 3 percent borough general sales tax from short-term accommodation and overnight camping rentals;
- Establish a borough lodging tax of up to 12 percent on short-term accommodation and overnight camping rentals with no daily sales cap of \$500;
- Exempt up to one-half of the borough's lodging tax in an amount equal to a similar city tax on these rentals with the intent of helping to level the temporary lodging rates inside and outside of the cities in the borough;
- Become effective January 1, 2026.

The revenue from this tax will help offset visitor costs, maintain the fund balance, and lower the Borough mill rate as appropriate. Your support in giving Borough residents a chance to vote on including this type of taxation in the Borough is appreciated.

Please note that the intent is to postpone the hearing on this to the July 9, 2024 regular Assembly meeting to give residents, cities, and interested parties time to comment and make suggestions.