

Introduced by: Bagley
Date: 05/16/17
Shortened Hearing: 06/06/17
Action: Introduced and Set for
Public Hearing
Date: 06/06/17
Action: Failed to Enact
Vote: 3 Yes, 6 No, 0 Absent

**KENAI PENINSULA BOROUGH
ORDINANCE 2017-11**

**AN ORDINANCE AMENDING KPB 5.18.200 TO CHANGE THE SEASONAL
EXEMPTION FROM SALES TAXES OF NONPREPARED FOOD ITEMS TO APPLY
FROM OCTOBER 1 TO MARCH 31 OF EACH YEAR**

- WHEREAS**, initiative Ordinance 2008-01 effective January 1, 2009, exempted all sales of nonprepared food items from the borough sales tax from September 1 until May 31 each year; and
- WHEREAS**, the voters approved this exemption during the October 2008 regular election; and
- WHEREAS**, in 2011 the voters defeated proposition 1 which would have repealed the seasonal exemption of sales tax of non-prepared food items; and
- WHEREAS**, this seasonal sales tax exemption has resulted in annual reductions in sales tax revenues of approximately \$3,108,941 in fiscal year 2012, \$3,179,398 in fiscal year 2013, \$3,335,187 for fiscal year 2014, \$3,563,600 for fiscal year 2015, and \$3,612,416 for fiscal year 2016; and
- WHEREAS**, if a 6 month exemption had been in effect in FY16 the finance department estimates that borough revenues would have seen an increase of approximately \$1.3 million; and
- WHEREAS**, due to the projected severe budget deficit at the state level it is anticipated that the borough revenue share will decrease from about \$2 million to roughly \$1.1 million this year, that school district funding by the state will be significantly reduced this year, followed by significantly greater reductions in future years, and capital project grants and appropriations to the borough and school district will continue to be substantially reduced; and
- WHEREAS**, reducing the seasonal sales tax exemption from 9 months to 6 months will increase revenues for the borough and general law cities while leaving the exemption in place for half the year; and

WHEREAS, changing the exemption period to coincide with typical quarterly filing periods will help the sellers administer the exemption; and

WHEREAS, making this ordinance effective July 1, 2017, would keep the exemption in place until May 31 this year, providing time for the local businesses to adjust their systems, and would also coincide with the fiscal year;

NOW, THEREFORE, BE IT ORDAINED BY THE ASSEMBLY OF THE KENAI PENINSULA BOROUGH:

SECTION 1. That KPB 5.18.200(15)(D), providing for a seasonal exemption of nonprepared food from sales taxes, is hereby amended as follows:

5.18.200. Exemptions/waivers – Exemptions.

...

15. Retail sales of food are exempt in the following circumstances:

- a. When served in cafeterias or lunchrooms of elementary, secondary, post-secondary schools, colleges or universities which are operated primarily for students and staff, and are not operated for the public or for profit;
- b. When served to clients and staff, and not to the public or for profit, as part of services provided by a nonprofit hospital or other nonprofit or government organization licensed by the State of Alaska for the care of humans;
- c. Meals delivered by a nonprofit organization to handicapped or senior citizens at their place of residence or meals served on the premises of a nonprofit senior citizens; organization which receives funding from the State of Alaska or a political subdivision of the state: provided that the sale price of such meals does not exceed the cost of delivery or service of such meals;
- d. Exemptions/waivers - Sales of nonprepared food items by sellers authorized to participate in the federal food stamp program and by convenience stores. Sales tax is prohibited on sales of nonprepared food items sold by sellers authorized to participate in the federal food stamp program and by convenience stores from [SEPTEMBER] October 1 until [MAY] March 31 of each year. These food items exempted from sales tax include those which have been previously granted exemption in KPB 5.18.200(14) for food purchased with coupons issued under the federal food stamp program. "Convenience store" means a small retail business that stocks a

range of everyday items such as groceries, snack foods, confectionery, toiletries, soft drinks, tobacco products, magazines and newspapers, with those items providing the majority of the store's sales.

SECTION 2. That this ordinance shall take effect July 1, 2017.

**ENACTED BY THE ASSEMBLY OF THE KENAI PENINSULA BOROUGH THIS *
DAY OF * 2017.**

Kelly Cooper, Assembly President

ATTEST:

Johni Blankenship, MMC, Borough Clerk

FAILED TO ENACT

Yes: Bagley, Hibbert, Schaefer

No: Carpenter, Dunne, Fischer, Ogle, Welles, Cooper

Absent: None

FAILED TO ENACT