

Introduced by: Johnson, Hibbert,
Chesley
Date: 06/07/22
Hearing: 07/05/22
Action: Withdrawn
Vote: 8 Yes, 0 No, 1 Absent

**KENAI PENINSULA BOROUGH
ORDINANCE 2022-23**

**AN ORDINANCE AMENDING KPB 5.18.200 AND KPB 5.18.430 RELATING TO
BOROUGH SALES TAX TO PROVIDE AN EXEMPTION FOR RESIDENTIAL
RENTALS IN EXCESS OF 30 CONSECUTIVE DAYS AND TO INCREASE THE
MAXIMUM AMOUNT OF A SALE SUBJECT TO BOROUGH SALES TAX TO \$1,000,
SUBJECT TO VOTER APPROVAL**

- WHEREAS**, Ordinance No. 9a, enacted by the Kenai Peninsula Borough (KPB) assembly on April 20, 1965, set the sales tax rate and provided that the tax “shall be applied only to the first \$500 of each separate sale, rent, or service transaction”, often referred to as the “maximum tax” or the “sales tax cap”; and
- WHEREAS**, since adopting Ordinance 9a, the sales tax cap has never been adjusted for inflation; and
- WHEREAS**, according to inflation calculators available on the internet, \$500 dollars in 1965 equates to \$4,564 in 2022; and
- WHEREAS**, KPB schools face a repair, maintenance and construction cost exceeding \$65.5 million dollars; and
- WHEREAS**, the KPB School District (KPBSD) funding has been assisted by “COVID Funding” in the form of Elementary and Secondary Emergency Relief (ESSER II) over \$9 million dollars available for the 2023 fiscal year budget; and
- WHEREAS**, in 2024 the KPB will face a sudden adjustment to maintain education services with greatly reduced federal funding; and
- WHEREAS**, raising the sales tax cap will provide additional revenue of approximately \$3 to \$3.5 million per year, dedicated to schools; and
- WHEREAS**, about half of the KPB General Fund mill rate is used to support KPB schools; and
- WHEREAS**, raising the sales tax cap will mean approximately \$3 to \$3.5 million is available from the General Fund for annual repairs to school buildings; and

WHEREAS, upon voter approval this ordinance would also enact a residential rental of real property exemption for rentals in excess of 30 consecutive days; and

WHEREAS, enactment of a residential rental of real property exemption for rentals in excess of 30 consecutive days will reduce sales tax revenue dedicated to school by approximately \$720,000 per year;

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

SECTION 1. That KPB 5.18.200(A) is amended to add a new subsection (A)(22) as follows:

5.18.200. – Exemptions/waivers—Exemptions.

A. The following classes of retail sales, services and rentals are exempt:

22. Residential rentals of real property where the tenancy period is in excess of 30 consecutive days.

SECTION 2. That KPB 5.18.430 (A), (B) and (C) are amended as follows:

5.18.430. Computation—Maximum taxable amount.

- A. The sales tax referred to in KPB 5.18.100 shall be applied only to the first [\$500] \$1,000 of each separate sale, rent or service transaction, except as otherwise provided in this section.
- B. Except as provided below for long-term vehicle leases, the payment of rent, [whether for real or] for personal property [\$500] \$1,000 and for more than one month, shall be treated as several separate transactions covering the rental/lease for one month each.
- C. Services provided on account and billed to the customer on a periodic basis are subject to application to the tax on a maximum of [\$500.00] \$1,000 of each billing, per account. For purposes of this section, any advance payment for services other than to a trust or escrow account is considered to be paid pursuant to a “billing.”
- D. Each night's rental of each individual unit of temporary lodging shall be considered a separate transaction and therefore the maximum tax computation shall be calculated on a per unit per night basis. Rental by a single person or entity of an entire facility, such as a lodge or hotel for multi-person overnight use, does not affect this provision that each night's rental of each individual unit shall be considered a separate transaction.

- E. Long-term vehicles leases shall be treated as one transaction per year, and per fractional year, of the lease term. The tax paid for any fraction of a year shall equal the tax paid for a whole year. The sales tax for the entire long-term vehicle lease shall be due and collected at the time of the first payment. Tax shall be calculated at the sales tax rate in effect on the day the lease is signed. There shall be no refund of such taxes should the lease terminate earlier than on its terms. Any extension of the initial lease term shall be treated as a new long-term vehicle lease.
- F. Any increase to the maximum sales tax described in subsection (A), above, shall not take effect until ratified by a simple majority of voters at a regular borough election.
- G. Recreational sales shall be treated on a per person per day basis and therefore the maximum tax computation shall be calculated on a per person per day basis. For purposes of this subsection, the term "person" means an individual human being.

SECTION 3. That a ballot proposition shall be placed before voters at the next regular election to read as follows:

PROPOSITION NO. _____

Shall Section 1 of Ordinance 2022-xxx, increasing the maximum amount of a sales subject to the borough sales tax from \$500 to \$1,000, be ratified?

YES _____ A "yes" vote means you support increasing the amount of a sale subject to the borough sales tax 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 from \$500 to \$1,000.

SECTION 4. That Section 1 and Section 2 of this ordinance shall be effective January 1, 2023, only if the proposition contained in Section 3 is approved by a majority of voters voting on the question in the regular election of October 3, 2022.

SECTION 5. That Section 2 of this ordinance shall be effective immediately upon its enactment.

**ENACTED BY THE ASSEMBLY OF THE KENAI PENINSULA BOROUGH THIS * DAY
OF * 2022.**

Brent Johnson, Assembly President

ATTEST:

Johni Blankenship, MMC, Borough Clerk

Yes:

No:

Absent: