

**KENAI PENINSULA BOROUGH  
PROPOSITION NO. 3**

**INCREASING THE MAXIMUM AMOUNT OF A SALE SUBJECT TO THE BOROUGH SALES TAX TO  
\$1,000 AND EXEMPTING RESIDENTIAL RENTALS FROM SALES TAX**

*(To be voted on by all borough voters)*

*Shall the provisions in Section 2 of Ordinance 2016-16, increasing the maximum amount of a sale subject to the borough sales tax from \$500 to \$1,000 be ratified? If this proposition is ratified, residential rentals would be exempted from sales tax as provided in ordinance 2016-16.*

In 1965 the assembly and borough voters set the maximum amount of goods and services transactions subject to sales tax at \$500 per transaction. If \$500 in 1965 were adjusted for inflation it would be more than \$3,000 in 2016. This ordinance would amend borough code, subject to voter approval, to set the maximum transaction subject to sales tax at \$1,000, effective January 1, 2017.

An increasing share of general fund dollars is coming from property taxes, and that gap is projected to widen. An increase in the maximum taxable amount would generate an estimated \$3.6 million a year in additional sales tax revenues for the borough. That revenue estimate would be reduced, however, by that section of the ordinance which would exempt residential rent from sales tax, which would be impacted by the increased tax cap on a recurring basis each month.

Fiscal Note: Exempting residential rent from sales tax would reduce borough revenues by an estimated \$700,000 for a full year. When combined with the proposed increase in the maximum taxable amount, the estimated net gain in borough revenues would be approximately \$2.9 million for a full fiscal year which is equivalent to about 2.2 percent of the borough's total estimated revenues for FY 2016.

<b>BALLOT LANGUAGE</b>
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Shall the provisions in Section 2 of Ordinance 2016-16, increasing the maximum amount of a sale subject to the borough sales tax from \$500 to \$1,000 be ratified?

**YES**    *[A "Yes" vote means that the maximum amount of a sale subject to the borough sales tax will be increased to \$1,000. If the majority vote "yes," a secondary result or byproduct of that vote would be that monthly rental amounts for residential dwelling units used as a permanent place of abode will be exempt from borough sales taxes.]*

**NO**    *[A "No" vote means that the maximum amount of a sale subject to the borough sales tax will remain at a maximum of \$500. If the majority vote "no," a secondary result or byproduct of that vote would be that borough sales taxes will continue to be charged on rental amounts for residential dwelling units used as a permanent place of abode.]*