

Introduced by:	Mayor
Date:	09/06/16
Hearing:	09/20/16
Action:	Enacted as Amended
Vote:	8 Yes, 0 No, 1 Absent

**KENAI PENINSULA BOROUGH
ORDINANCE 2016-19-07**

**AN ORDINANCE APPROPRIATING \$700 FOR COSTS OF PRINTING AND
DISSEMINATING INFORMATION ABOUT BALLOT PROPOSITIONS 3 AND 4
CONCERNING THE PROPOSED SALES TAX CAP INCREASE TO \$1,000 AND A
PHASE-OUT OF THE OPTIONAL SENIOR CITIZEN TAX EXEMPTION, TO
ENSURE COMPLIANCE WITH LEGAL RESTRICTIONS ON THE USE OF
BOROUGH FUNDS AND ASSETS RELATING TO BALLOT PROPOSITIONS**

WHEREAS, the assembly recently approved Ordinances 2016-16 and 2016-24 to phase out the optional senior citizen exemption of \$150,000 by the year 2024 and increase the sales tax cap to \$1,000 subject to voter approval; and

WHEREAS, the administration is preparing educational information relating to these ballot propositions which is intended to be neutral; and

WHEREAS, AS 15.13.145 prohibits municipalities from influencing the outcome of an election concerning a ballot proposition unless the funds have been specifically appropriated for that purpose by state law or municipal ordinance; and

WHEREAS, KPB 4.10.100 prohibits the use of public monies, facilities, equipment or supplies purchased with public monies, and services of public employees in kind to promote the passage of ballot propositions; and

WHEREAS, the determination of what constitutes influencing the outcome of an election or promoting the passage of ballot propositions is a grey area; and

WHEREAS, to avoid issues and related expenses should a complaint be filed alleging that the material and presentations were intended to promote or influence the outcome of the election, the appropriation of sufficient funds to pay costs of preparing and disseminating the material, acknowledging that they may be used to influence the outcome of the election, and approving the dissemination of the information notwithstanding KPB 4.10.100, is in the best interests of the borough;

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

SECTION 1. The sum of \$700 is hereby appropriated from the general fund, fund balance account 100.00000.00000.27910, to account number 100.11210.16VOT.43011 which may be used to influence the outcome of the election on October 4, 2016, on the ballot propositions allowing for a phase-out of the optional senior citizen tax exemption of \$150,000 and the increase of the sales tax cap to \$1,000.


SECTION 2. Notwithstanding KPB 4.10.100, the mayor is authorized to publicly distribute the informational brochures and the power point presentation relating to the phase out of the senior citizen tax exemption and the sales tax cap increase to \$1,000, copies of which are attached to this ordinance.

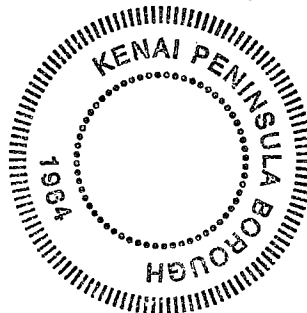
SECTION 3. That this ordinance takes effect retroactively on September 1, 2016.

ENACTED BY THE ASSEMBLY OF THE KENAI PENINSULA BOROUGH THIS 20TH DAY OF SEPTEMBER, 2016.


Blaine Gilman, Assembly President

ATTEST:


Jonni Blankenship, MMC, Borough Clerk



Yes: Bagley, Cooper, Dunne, Holmdahl, Johnson, Knopp, Ogle, Gilman
No: None
Absent: Welles



OCT 4 BALLOT PROPOSITION RAISING MAXIMUM AMOUNT SUBJECT TO BOROUGH SALES TAX INFORMATIONAL BROCHURE

Proposition Overview

1. Under existing code, the borough sales tax is charged on the first \$500 of a transaction.
2. The proposition, if approved by voters, would raise taxable limit to \$1,000 effective Jan. 1, 2017.
3. If the proposition is approved, borough code would be amended to exempt residential rent from tax Jan. 1, 2017.

Voting Information

- Polls will be open 7 a.m. to 8 p.m. Tuesday, Oct. 4.
- A list of polling places is available at:
www.kpb.us/pollingplaces
- Absentee ballots available online at:
www.kpb.us/absentee

How does the borough sales tax cap work?

Two examples of how a purchase would be impacted if voters approve the proposition



Example 1. \$300 shopping trip

Current borough code: $\$300 \times 3$ percent borough tax = \$9

If proposition is approved: $\$300 \times 3$ percent borough tax = \$9

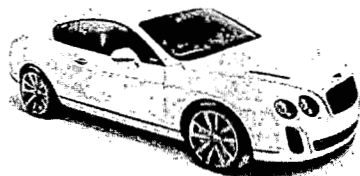
This proposition would not change sales tax on purchases under \$500

Example 2. \$25,000 vehicle

Current borough code: $\$500 \times 3$ percent borough tax = \$15

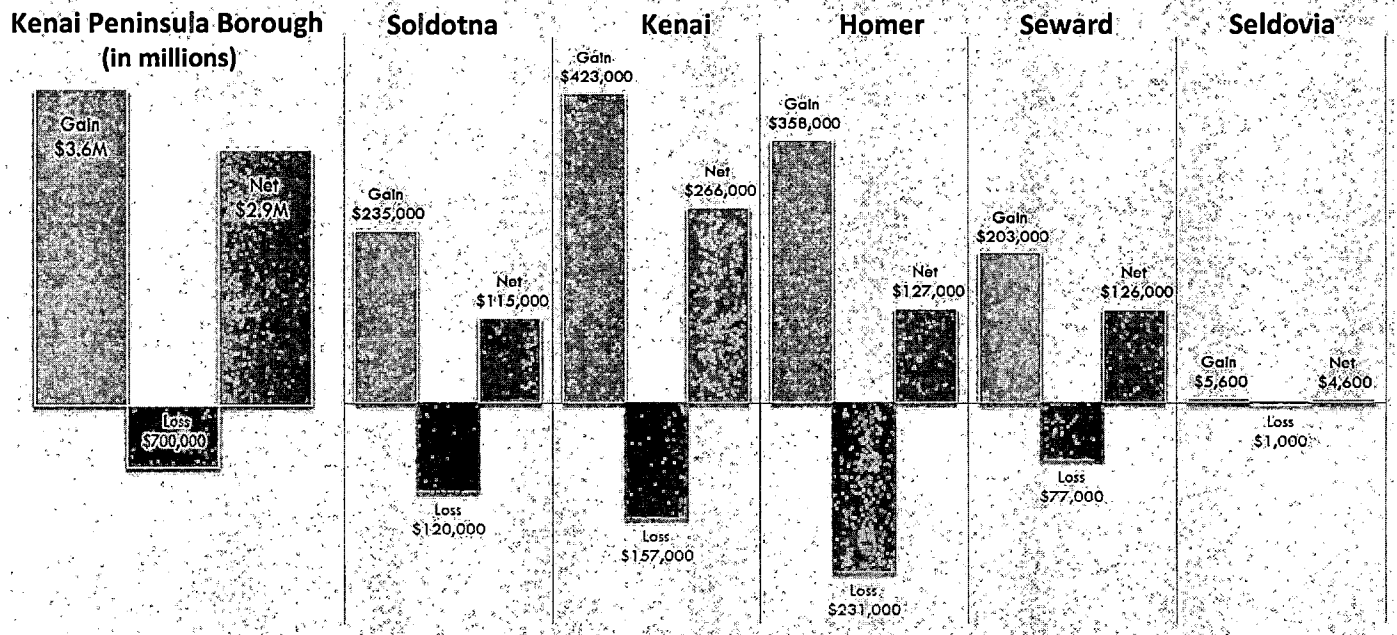
If proposition approved: $\$1,000 \times 3$ percent borough tax = \$30

This proposition would increase taxable transaction cap to \$1,000



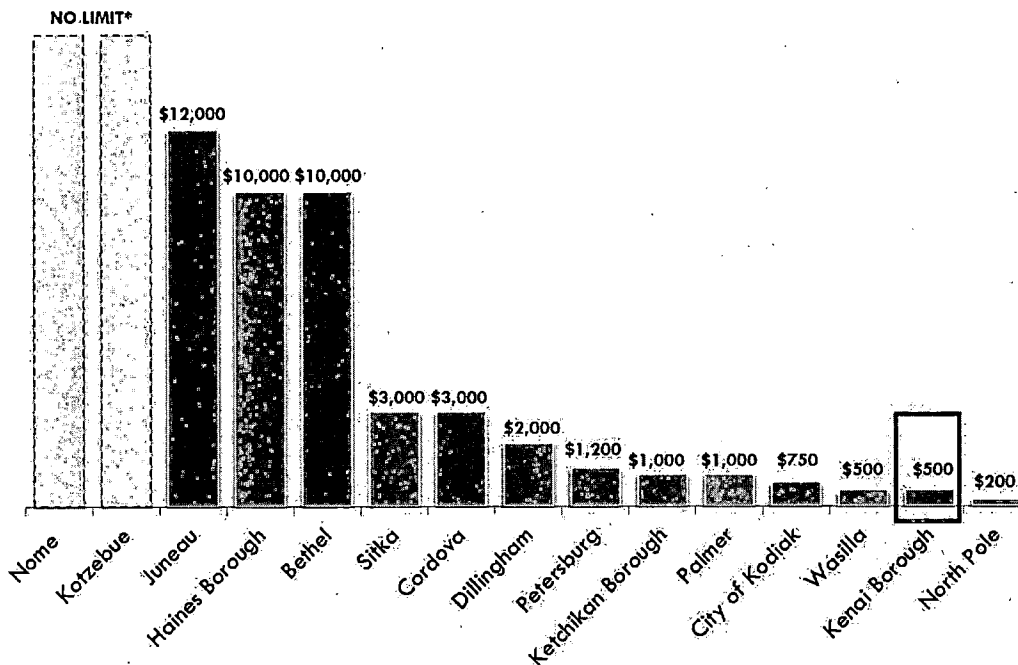
Estimated change in sales tax revenues for borough and cities

Gain from raising sales tax cap, loss from exempting residential rent, and net impact to revenue



Examples of sales tax caps in some Alaska cities and boroughs

Maximum amount subject to sales tax for select Alaska municipalities



FOR MORE INFORMATION

Larry Persily
Assistant to the Mayor
907-714-2158
Email: lpersily@kpb.us



* Kotzebue: No limit; \$1,000 limit on boats, cars, trucks, ATVs, snowmachines.

* Nome: No limit; \$1,500 limit on cars trucks, ATVs, snowmachines

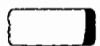
* Bethel: \$3,500 limit on ATVs, boats, boat motors, snowmachines * Haines: \$5,000 limit on several types of sales.

Oct. 4 ballot proposition
to raise maximum amount
subject to borough sales tax

Proposition would raise taxable limit

2

- Under existing code, the borough sales tax is charged on the first \$500 of each transaction
- The proposition approved by the borough assembly for Oct. 4 ballot, if approved by voters, would raise taxable transaction limit to \$1,000 on Jan. 1, 2017
- If proposition passes, borough code would be amended to exempt residential rents from sales tax Jan. 1, 2017
- By Fiscal 2018, net borough gain from higher taxable limit and rent exemption estimated at \$2.9 million/year



Taxable limit unchanged since 1965

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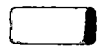
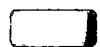
- The \$500 limit has not been changed since borough voters adopted the first sales tax ordinance in 1965
- If adjusted for inflation, \$500 in 1965 would have the same buying power as more than \$3,000 today
- Many Alaska municipalities have a sales tax limit
- Many caps are at \$1,000 or higher; some are lower
- As home-rule cities, Seward and Kenai determine their own sales tax cap; other cities ruled by borough cap

Examples of sales tax caps in Alaska

4

<input type="checkbox"/> North Pole	\$200
<input type="checkbox"/> Wasilla	\$500
<input type="checkbox"/> City of Kodiak	\$750
<input type="checkbox"/> Palmer	\$1,000
<input type="checkbox"/> Ketchikan Borough	\$1,000
<input type="checkbox"/> Petersburg	\$1,200
<input type="checkbox"/> Dillingham	\$2,000
<input type="checkbox"/> Cordova	\$3,000

<input type="checkbox"/> Sitka	\$3,000
<input type="checkbox"/> Bethel	\$10,000
<input type="checkbox"/> Haines Borough	\$10,000
<input type="checkbox"/> Juneau	\$12,000
<input type="checkbox"/> Kotzebue	No limit; \$1,000 limit on boats, cars, trucks, ATVs, snowmachines
<input type="checkbox"/> Nome	No limit; \$1,500 limit on cars, trucks, ATVs and snowmachines



Estimated change in tax revenues

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- Kenai Borough: Plus \$3.6 million from \$1,000 cap, minus \$700,000 from residential rent exemption
- Soldotna: Plus \$235,000, minus \$120,000
- Kenai: Plus \$423,000, minus \$157,000
- Homer: Plus \$358,000, minus \$231,000
- Seward: Plus \$203,000, minus \$77,000
- Seldovia: Plus \$5,600 and minus \$1,000

Voting information

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- Polls will be open 7 a.m. - 8 p.m. Tuesday, Oct. 4.

A list of polling places is available at:

www.kpb.us/pollingplaces

- Absentee ballots are available online at:

www.kpb.us/absentee

- For information on the propositions, contact Larry Persily in the mayor's office, 714-2158 (lpersily@kpb.us)



More information

More information at kpb.us, at Sales and Property Tax Revisions under Hot Topics

Quick facts

- Of the 4,162 senior-owned properties in the borough that received a borough property tax exemption in 2015, more than 3,600 were valued at under \$350,000 and paid no borough or service area property taxes. The exemption is \$150,000 for city property taxes.
- The number of senior properties that receive a tax exemption has increased 43% since 2009.
- The total value of tax-exempt senior property has increased almost 75% since 2009.
- In 2015, \$815 million in senior-owned property was tax exempt in the borough. That represents just under 12% of all residential and commercial property in the borough (excluding oil and gas property).
- The state projects the borough's senior population will grow from 8,600 in 2015 to almost 15,000 by 2030, numbering almost one-quarter of the borough's entire population in 2030.
- The state stopped fully reimbursing the borough for all \$150,000 of the senior tax exemption in 1986, and stopped any reimbursement in 1997. The second \$150,000 of the tax exemption is optional for municipalities — and has never been reimbursed by the state.
- The ordinance would not change the \$50,000 exemption provided seniors and all other residential property owners in the borough.

To vote

- The polls will be open 7 a.m. to 8 p.m. Tuesday, Oct. 4. A list of polling places is available at: http://www.kpb.us/images/KPB/CLK/Elections/Polling_Places.pdf
- An absentee ballot is available online at: http://www.kpb.us/images/KPB/CLK/Elections/2016_Absentee_Application.pdf

For more information

- Contact Larry Persily (lpersily@kpb.us) in the Mayor's Office, 714-2158.

KPB Mayor's Office
144 N. Binkley St.
Soldotna AK
www.kpb.us



OCT. 4 BALLOT PROPOSITION

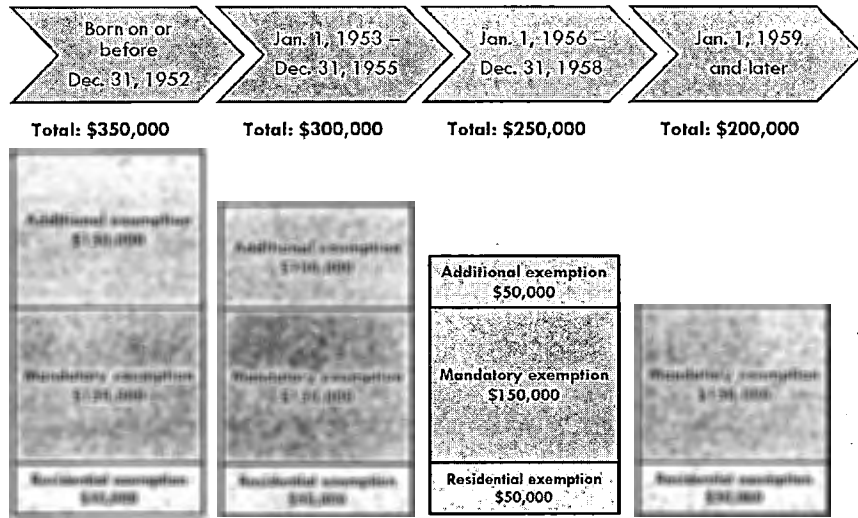
Senior Property Tax Exemption Changes INFORMATIONAL BROCHURE

- 1** The changes in this ballot proposition would not eliminate the borough's senior property tax exemption.
- 2** Whatever exemptions seniors currently receive for their primary residence would remain as long as they are eligible.
- 3** The Kenai Borough property tax exemption for senior citizens currently matches the largest in the state, and under this proposition would move to fourth-largest in the state for newly eligible applicants starting in 2024.
- 4** Under this proposition, residents who turn 65 years old after Dec. 31, 2023, owning a home assessed at less than \$200,000 would pay no borough or service area property taxes.
- 5** This proposition would not change the borough hardship provision that limits a qualifying senior's property tax bill to 2% of gross annual household income.

Proposed phase-in of changes

No change for currently exempt seniors or people who turn 65 before 2018

Senior citizens total property tax exemption by owner's birthday



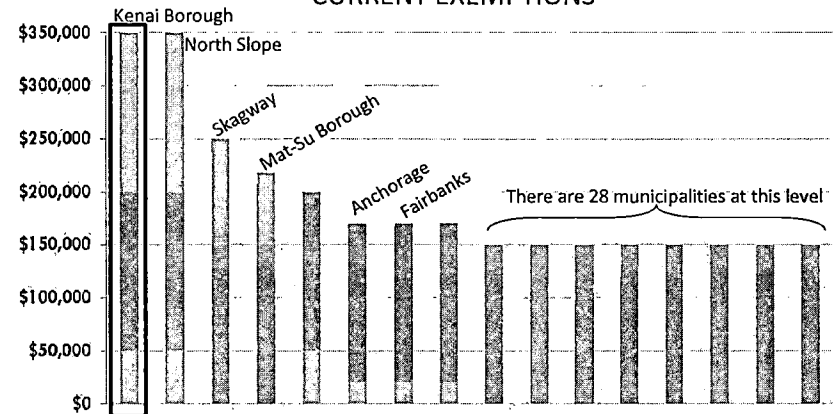
How does this apply to me?

- What is your birthdate? Check above to see what your exemption would be, based on your birthdate. If you were born on or before Dec. 31, 1952, this proposition would not affect your borough property tax exemption.
- What if I don't turn 65 until 2025? Under this proposition, you would be exempt from borough taxes on up to \$200,000 in property value.
- Do you qualify for a hardship exemption? If your borough tax bill is greater than 2% of your household annual gross income, you may qualify for a hardship exemption. This would not change the hardship exemption.

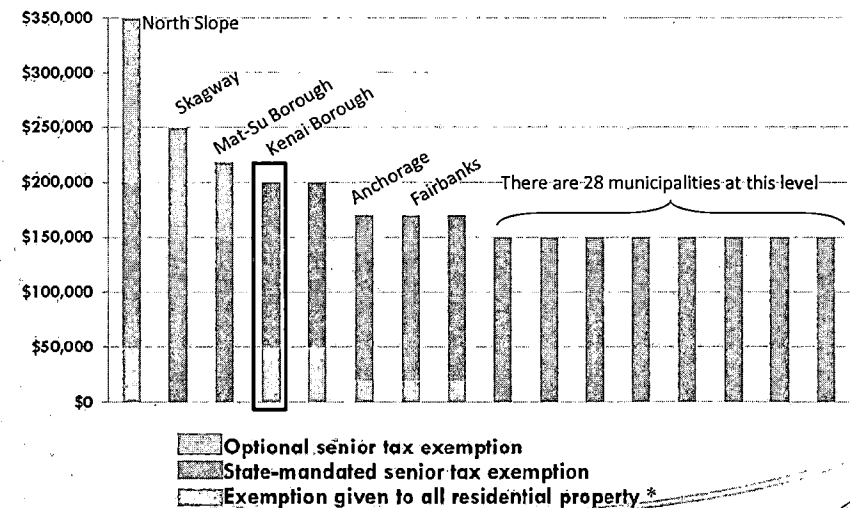
Comparison of Kenai Borough with other municipalities

The Kenai Borough currently leads the state — along with the North Slope Borough — in senior property tax exemptions. If the ballot proposition is approved, the Kenai Borough would move to fourth place in senior exemptions among Alaska municipalities.

CURRENT EXEMPTIONS



IF PROPOSITION IS APPROVED, EXEMPTIONS IN 2024



*Anchorage and Fairbanks exempt 10% and 20%, respectively, of residential property value up to \$20,000.

