

Kenai Peninsula Borough Assembly

MEMORANDUM

TO: Brent Johnson, Assembly President
Members, KPB Assembly

FROM: Tyson Cox, Assembly Vice President *TRC*
Brent Hibbert, Assembly Member *BH*

DATE: June 6, 2024

SUBJECT: Resolution 2024-029, Placing an Areawide Question on the October 2024 Ballot Asking Whether the Borough Should Levy Up To a 12 Percent Tax on Short-Term Accommodation Rentals and Overnight Camping Facilities, Exempt these Rentals from the General Sales Tax, and Provide that All Cities Within the Kenai Peninsula Borough May Exempt Up To One-Half of the Borough's Tax on these Rentals (Cox, Hibbert)

Placing a short-term accommodation rentals 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 placing asking that the question be placed on the ballot before introducing and/or enacting an ordinance containing the levy and processes and procedures for implementing and collecting the tax. If approved, the intent would be that this tax will take effect no sooner than 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 accommodation rentals.

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 approved, the sponsors' intent would be to bring forward an ordinance that will enact a new chapter for KPB Code and will include but is not limited to:

- exempt short-term accommodation rentals from the current general sales tax rate of 3%;
- levy a maximum bed tax of 12% on short-term accommodation and overnight camping facilities throughout the Borough;
- adopt an exemption in cities that levy a short-term accommodation rentals and overnight camping facilities tax in a manner similar to the Borough and in an amount equal to the city's tax, up to a maximum of one-half of the Borough's tax with the intent of helping to level the temporary lodging rates inside and outside of the cities in the Borough; and
- adopt processes and procedures for implementing the tax.

The revenue from this tax will help offset visitor costs, help maintain the fund balance, and lower the Borough mill rate as appropriate.

The intent is to postpone the hearing on this to the July 9, 2024 regular Assembly meeting.

Your support in giving Borough residents a chance to vote on including this type of taxation in the Borough is appreciated.

Fiscal Note

Kenai Peninsula Borough
Fiscal Year 2024

Ordinance/Resolution:
Fiscal Note Number:
Publish Date:

Ord _____
6/18/2024

Title: Levy areawide 12% Bed Tax, exempt these rentals from general sales tax and allow cities that levy a similar sales tax to exempt up to one half of the borough's tax on these rentals **EFFECTIVE 1/1/2026**

Department: Assembly

Sponsor(s): Assembly members: Cox & Hibbert

Expenditures/Revenues

Note: Amounts do not include inflation unless otherwise noted below.

	Current Year Estimate	Year 2 Estimate	Current Year Estimate
	<u>FY26</u>	<u>FY27</u>	<u>FY28</u>
Operating Expenditures to Borough			
Personnel <i>1 FTE Program Manager</i>	234,855	198,666	204,229
Supplies <i>Misc.</i>	200	200	200
Services <i>Printing, Adv, trvl, postage</i>	7,251	7,251	7,251
Capital Outla <i>Software</i>	859,740	107,000	107,000
Other <i>Wkstation/Tools/scanner</i>	3,665	-	-
Total Operating + Capital Cost to Borough	1,105,711	313,117	318,680
Estimated Revenues for the Borough	1,960,000	5,600,000	5,600,000
Net annual impact to the Borough	854,289	5,286,883	5,281,320

Estimated Revenues for ea. Incorporated City w/in Borough:

Kenai	47,250	135,000	135,000
Homer	70,000	200,000	200,000
Seldovia	-	-	-
Seward	-	-	-
Soldotna	124,950	357,000	357,000

Number of Positions

Full-Time	1	1	1
Part-Time			
Temporary	1		

Estimated Supplemental Funding:

1,105,711

ASSOCIATED REGULATIONS

Will the legislation result in procedural or regulation changes within a department?

Y N (circle one)

If yes, by what date are the regulations to be adopted, amended or repealed?

1/1/2026

Supplemental appropriation will be needed for personnel, to change the sales tax form, make changes to the sales tax

Prepared By: Brandi Harbaugh, Finance Director

Brandi Harbaugh



Kenai Peninsula Borough

144 North Binkley Street
Soldotna, AK 99669

Legislation Text

File #: 2024-029, **Version:** 1

Introduced by:

Cox, Hibbert

Date:

06/18/24

Action:

Vote:

**KENAI PENINSULA BOROUGH
RESOLUTION 2024-029**

**A RESOLUTION PLACING AN AREAWIDE QUESTION ON THE OCTOBER 2024
BALLOT ASKING WHETHER THE BOROUGH SHOULD LEVY UP TO A 12
PERCENT TAX ON SHORT-TERM ACCOMMODATION RENTALS AND
OVERNIGHT CAMPING FACILITIES, EXEMPT THESE RENTALS FROM THE
GENERAL SALES TAX, AND PROVIDE THAT ALL CITIES WITHIN THE KENAI
MAY EXEMPT UP TO ONE-HALF OF THE BOROUGH'S TAX ON THESE RENTALS**

WHEREAS, the Kenai Peninsula Borough ("borough") must raise revenue to protect the general fund which is declining because of losses in tax revenues due to our generous borough tax exemptions, to the continuing decline in state assistance to municipalities, and to the increasing reliance on borough funding for education; and

WHEREAS, currently, 49 Alaska municipalities including cities and boroughs have a short-term accommodation rentals tax, also referred to as a room tax, bed tax or short term lodging rental tax, in addition to other sales taxes, with such bed or lodging tax rates ranging from a low of 4 percent to a high of 12 percent; and

WHEREAS, 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 short-term accommodations; and

WHEREAS, of the 5 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 accommodations; and

WHEREAS, like the other 4 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; and

WHEREAS, this many visitors create a large demand on public services offered within the borough, which impact borough services including solid waste, roads, recreational & senior citizen services, 911 & emergency services, hospital services, and disaster services; and

WHEREAS a short-term accommodation rentals tax would be defined to include a rental that is less than one month in duration; and

WHEREAS, a short-term accommodation rentals tax of 12 percent is estimated to generate an additional revenue of approximately \$1,960,000 in FY2026, \$5,600,000 in FY2027, and \$5,600,000 in FY2028, not including any revenue collected from overnight camping facilities; and

WHEREAS, the estimated operating and capital cost to implement and collect a short-term accommodation rentals tax of 12 percent is \$1,105,711 in FY2026, \$313,117 in FY2027, and \$318,680 in FY2028; and

WHEREAS, the tax cap of \$500 on sales in the borough outlined in KPB 5.18.430 will not apply to the tax levied on any short-term accommodations; and

WHEREAS, to enable the cities to levy a similar tax and allow the tax to apply evenly throughout the borough, the intent would be for the ordinance that enacts the levy and code will exempt from the borough's 12 percent short-term accommodation rentals tax an amount equal to a similar city tax of up to one-half of the borough's tax on such rentals; and

WHEREAS, this resolution puts the question on the ballot, if approved, the borough would then follow-up with a short-term accommodation rentals and overnight camping facilities chapter of borough code, which will provide the levy, implementation, and process and procedure for the tax including specifically authorizing all cities within the borough to levy a short-term accommodation rentals tax, pursuant to AS 29.45.700(a), via future ordinance;

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

SECTION 1. That a ballot proposition shall be placed before borough voters at the regular election held on October 1, 2024 to read as follows:

Shall the Kenai Peninsula Borough levy a tax of up to 12 percent on short-term accommodation rentals and overnight camping facilities, exempt such rentals from the general sales tax, and provide that all cities within the Kenai Peninsula Borough may exempt up to one-half of the Borough's short-term accommodations tax?

Yes _____ A "yes" vote means you approve of a borough tax on short-term accommodation rentals and overnight camping facilities of up to 12 percent that will remove the general sales tax on these rentals.

No _____ A "no" vote means you oppose a borough tax on short-term accommodation rentals and overnight camping facilities of up to 12 percent that will remove the general sales tax on these rentals.

SECTION 2. That, if approved by a majority of the qualified voters voting on the quest, the intent would be to follow-up by enacting a new chapter of KPB Code, the code will:

- 1) Establishes a borough tax of up to 12 percent on short-term accommodations or rentals, and overnight camping with no daily sales cap of \$500;
- 2) Exempts short-term accommodations and overnight camping rentals from the current borough general sales tax of 3 percent;
- 3) Exempt any similar tax levied by a city. This exemption in the cities cannot exceed one-half of the borough's short-term accommodations tax on these rentals;
- 4) Allow cities that levy a similar sales tax on short-term accommodations and overnight camping to exempt up to one-half of the borough's tax on these rentals with the intent of helping to level the short-term accommodations rates inside and outside of the cities in the borough;
- 5) Define "Short-term accommodation rentals".
- 6) Define "Overnight camping facilities".
- 7) Is effective January 1, 2026.

SECTION 3. That this resolution takes effect immediately.

ADOPTED BY THE ASSEMBLY OF THE KENAI PENINSULA BOROUGH THIS * DAY OF *, 2024.

Brent Johnson, Assembly President

ATTEST:

Michele Turner, CMC, Borough Clerk

Yes:

No:

Absent: