

**KENAI PENINSULA BOROUGH
PROPOSITION SUMMARY - PROPOSITION NO. 1**

SEASONAL SALES TAX ON NONPREPARED FOOD ITEMS

To be voted on by all borough voters

On May 23, 2008, the Borough Clerk issued a petition to sponsors seeking an initiative to seasonally (September 1 through May 31) exempt sales of all nonprepared food items from borough sales tax. These food items would be those that have been previously granted an exemption in KPB 5.18.200 (14) for food purchased with coupons issued under the federal food stamp program.

Petition packets were returned to the Clerk on July 28, 2008. A review of the petitions revealed that the petitioners had collected the requisite 1,380 signatures of qualified voters of the borough, thus requiring placement of the question on the ballot for the October 7, 2008, regular election.

Fiscal Note: If approved by a majority of the voters voting on the question at the October 7 election, borough sales tax will no longer be collected on the sale of nonprepared food items from September 1 through May 31 of each year. It is estimated that this will result in the reduction of approximately \$1,800,000 (the 2008 equivalent of .3 mills) annually based on current tax revenues to the borough. One hundred percent of sales taxes levied by the borough are used to fund education.

Applicability: Under Alaska Statutes Title 29, the borough collects sales taxes levied by the borough and by those levied by cities located within the borough. Currently, that includes taxes levied by the cities of Homer, Kenai, Seldovia, Seward and Soldotna. As home rule municipalities, Kenai and Seward have the power to locally determine whether to apply or reject such an exemption; however, general law municipalities, Homer, Seldovia and Soldotna may only reject this exemption if authorized to do so by borough ordinance.

Implementation: If the initiative is approved by a majority of the voters, implementation of the exemption would be effective January 1, 2009.

BALLOT LANGUAGE FOR PROPOSITION 1

Shall Initiative Ordinance 2008-02, calling for a seasonal (September 1 to May 31) exemption of all sales of nonprepared food items from borough sales tax, be enacted? This ordinance would prohibit sales tax on all sales of nonprepared food items from September 1 until May 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.

YES [A "YES" vote will approve the exemption and means that nonprepared food items will be exempt from the borough sales tax from September 1 of each year and continuing through May 31 of the following year.]

NO [A "NO" vote means that the borough sales tax code will remain unchanged.]