

# KENAI PENINSULA BOROUGH

## Kenai Peninsula Borough Assembly

144 North Binkley Street  
Soldotna, AK 99669  
Phone 907-714-2160  
Fax 907-714-2388

Gary Knopp, Assembly President  
Charlie Pierce, Vice President

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### MEMORANDUM

**TO:** Kenai Peninsula Borough Assembly Members

**FROM:** Gary Knopp, Assembly Member *B. for A.K.*  
David R. Carey, Mayor *D.R. Carey*

**DATE:** April 5, 2011 ✓

**RE:** Ordinance 2011-Db; amending KPB 5.18.430 to increase the maximum amount subject to borough sales taxes to \$2,500

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KPB 5.18.430(A) currently provides for a 'maximum tax' of \$500, meaning that the borough's sales tax is generally only applied to the first \$500 of each separate sale, rent, or service. The \$500 maximum tax was set by the assembly in 1965 and has never been adjusted for inflation or otherwise. It is estimated that raising the maximum tax to \$2,500 will generate an increase in sales tax revenue for the borough of approximately \$6,300,000. Based on inflation, the value of \$2,500 today is still less than the value of \$500 in 1965. The increased revenue generated from raising the maximum tax would be used exclusively for borough school purposes.

On October 4, 2005, the voters of the Kenai Peninsula Borough enacted by initiative Ordinance 2005-02 which among other things amended KPB 5.18.430 to require that any increase to the maximum sales tax not take effect until ratified by at least 60% of voters at a regular borough election. While the legality of the initiative has been successfully challenged by the borough at the superior court level and is currently pending a decision by the Alaska Supreme Court, the borough assembly nevertheless has the power to enact the proposed ordinance pursuant to AS 29.26.190 because more than two years have passed since the initiative ordinance was enacted.

Thank you for your consideration.