

Introduced by: Knopp, Mayor
Date: 04/05/11
Hearing: 05/03/11
Action: Failed to Enact
Vote: 0 Yes, 9 No, 0 Absent

**KENAI PENINSULA BOROUGH
ORDINANCE 2011-06**

AN ORDINANCE AMENDING KPB 5.18.430, COMPUTATION-MAXIMUM TAX, BY INCREASING THE MAXIMUM AMOUNT OF A SALE SUBJECT TO THE BOROUGH SALES TAX TO \$2,500 AND DELETING THE REQUIREMENT THAT ANY CHANGE TO THIS AMOUNT BE APPROVED BY AT LEAST 60 PERCENT OF THE VOTERS

WHEREAS, KPB 5.18.430(A) currently provides for a 'maximum tax' of \$500, meaning that the borough's sales tax is only to be applied to the first \$500 of each separate sale, rent, or service transaction unless otherwise provided; and

WHEREAS, Ordinance No. 9, enacted by the assembly in 1965, set the maximum taxable amount at \$500 and this sum has never been adjusted for inflation or otherwise; and

WHEREAS, the net proceeds from borough sales tax is used exclusively for borough school purposes; and

WHEREAS, changing the maximum taxable amount from \$500 to \$2,500 is estimated to generate an annual increase of sales tax revenue for the borough of approximately \$6,300,000; and

WHEREAS, the value of \$2,500 today is less than \$2,764, which is the present value of \$500 in 1965; and

WHEREAS, the requirement that any change to this amount be approved by 60 percent of the voters may legally be repealed as more than two years have passed since the initiative imposing this requirement became effective;

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

SECTION 1. That Kenai Peninsula Borough Code of Ordinances Section 5.18.430 shall be amended as follows:

5.18.430. Computation—Maximum tax.

A. The sales tax referred to in KPB 5.18.100 shall be applied only to the first \$2,500.00[500.00] of each separate sale, rent or service transaction, except as otherwise provided in this section.

- B. Except as provided below for long-term vehicle leases, the payment of rent, whether for real or personal property, in excess of \$2,500.00[500.00] and for more than one month, shall be treated as several separate transactions covering the rental/lease for one month each.
- C. Services provided on account and billed to the customer on a periodic basis are subject to application to the tax on a maximum of \$2,500.00[500.00] of each billing, per account. For purposes of this section, any advance payment for services other than to a trust or escrow account is considered to be paid pursuant to a "billing".
- D. Each night if each individual room shall be considered a separate transaction and therefore the maximum tax computation shall be calculated on a per room per night basis.
- E. Long-term vehicles leases shall be treated as one transaction per year, and per fractional year, of the lease term. The tax paid for any fraction of a year shall equal the tax paid for a whole year. The sales tax for the entire long-term vehicle lease shall be due and collected at the time of the first payment. Tax shall be calculated at the sales tax rate in effect on the day the lease is signed. There shall be no refund of such taxes should the lease terminate earlier than on its terms. Any extension of the initial lease term shall be treated as a new long-term vehicle lease.
- [F. ANY INCREASE TO THE MAXIMUM SALES TAX DESCRIBED IN SUBSECTION (A), ABOVE, SHALL NOT TAKE EFFECT UNTIL RATIFIED BY AT LEAST 60 PERCENT OF VOTERS AT A REGULAR BOROUGH ELECTION.]
- F[G]. Recreational sales shall be treated on a per person per day basis and therefore the maximum tax computation shall be calculated on a per person per day basis. For purposes of this subsection, the term "person" means an individual human being.

SECTION 2. That this ordinance takes effect July 1, 2011.

**ENACTED BY THE ASSEMBLY OF THE KENAI PENINSULA BOROUGH THIS *
DAY OF * 2011.**

Gary Knopp, Assembly President

ATTEST:

Johni Blankenship, Borough Clerk

Yes: None

No: Haggerty, Johnson, McClure, Murphy, Pierce, Smalley, Smith, Tauriainen, Knopp

Absent: None