

Introduced by: Jean, Dimmick &
Arness, of Spec.
Tax Committee
Date: Jun. 15, 1982
Hearing: Jul. 20, 1982
Vote:
Action:

KENAI PENINSULA BOROUGH

ORDINANCE 82-43

AMENDING CHAPTER 5.16 OF THE BOROUGH CODE OF ORDINANCES TO INCREASE THE TAX BASE BY PROVIDING A MORE EQUITABLE SALES TAX SYSTEM, AND EXEMPTING PURCHASES OF ELECTRICITY, NATURAL GAS, PROPANE AND FUEL OILS FOR HEATING FROM THE BOROUGH SALES TAX.

WHEREAS, the present sales tax system of the Borough is inequitable in its impact upon the taxpayers partially because two percent is collected on only 40 percent of the gross sales in the Borough; and

WHEREAS, inflation has caused an escalation in the cost of basics, necessities, and utility services to Borough residents who cannot escape the impact of the sales taxes; and

WHEREAS, the escalation in the retail prices of energy and heating has burdened consumers, and imposed substantial hardships upon numerous Borough residents; and

WHEREAS, the imposition of a Borough sales tax upon the retail sales of energy and heating results in additional costs to be borne by consumers for vital necessities; and

WHEREAS, a more equitable and efficient tax collection can offset the effect of any additional exemptions, including the exemption of the sales tax on necessary energy purchases; and

WHEREAS, the Assembly finds that relief to consumers from the high cost of energy and heating is warranted, and that such relief is not likely to be provided by the producers or suppliers;

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

Section 1. That Section 5.16.020 of the Borough Code of ordinances is amended to read:

5.16.020 Levied--Amount. There is levied a consumers' sales tax of 2 percent on all retail sales, on all rents, and on all services made or

rendered within the Borough, measured by the gross sales price of the seller on the first \$500.00 of each separate sale, rent, or service transaction. For sales in excess of \$500.00 there is levied an additional consumers' sales tax according to this schedule:

	Sales Tax
\$ 501 - 5,000	\$ 20.00
\$ 5,001 - 10,000	\$ 25.00
\$ 10,001 - 25,000	\$ 50.00
\$ 25,001 - 50,000	\$100.00
\$ 50,001 - 100,000	\$200.00
\$100,001 and over	\$250.00

Section 2. That Section 5.16.090 of the Borough Code of ordinances is amended by adding a new Subsection (O) to read:

O. Sales of electricity, natural gas, propane, and fuel oils for energy and heating and delivered to the point of use in the Borough.

Section 3. That this ordinance takes effect at 12:01 a.m., on October 1, 1982 Alaska Standard Time.

ENACTED BY THE ASSEMBLY OF THE KENAI PENINSULA BOROUGH ON THIS _____ DAY OF _____, 1982.

John C. Davis, Assembly President

ATTEST:

Borough Clerk

The nature and effect of this ordinance on each group affected is:

All borough residences and businesses will be exempt from tax on energy for heating. The graduated tax scale will provide a more equitable basis for collecting the sales tax and will more than offset the decrease in sales tax revenues due to the exemption of tax on energy for heating.

The graduated scale will affect the businesses in that they will be required to: (1) adjust to a new tax form, and (2) maintain records such that a clear audit trail of the size of each invoice (and the tax thereon) can be verified by the borough sales tax auditor. Persons purchasing goods and services in the borough will be required to pay tax on invoice amounts greater than \$500.00.

The following schedule of sales tax revenue indicates that revenues of \$319,000 would be lost due to the exemption and that the revenues lost would be offset by the increase of approximately \$570,000 in sales tax generated by the graduated scale.

SCHEDULE OF SALES TAX REVENUES

Revenue Generated by:

Natural Gas Sales	\$ 58,894
Electricity	159,200
Oil	82,983
Propane	<u>17,986</u>
Total	319,063
Estimated Increase Due to New Tax Rate Schedule	<u>570,000</u>
Net Increase	<u><u>\$250,937</u></u>

