

MEMORANDUM

TO: Grace Merkes, Assembly President
Members, Kenai Peninsula Borough Assembly

THRU: John J. Williams, Kenai Peninsula Borough Mayor

FROM: Craig Chapman, Finance Director

DATE: December 20, 2007

SUBJECT: Ordinance 2007-19-36, appropriating \$100,000 to make changes to the borough's sales tax system

The City of Seward has adopted a tax cap of \$1,000 as part of its 2008 budget. This change in their tax cap would be effective April 1, 2008.

Under Alaska Statute 29.45.700, any municipality within the borough may levy a consumer sales tax, which shall be reported, collected, and enforced by the borough. Seward as a home rule community may also make changes to transactions that are subject to sales tax. Therefore, for any change that Seward makes to its sales tax code, the borough is responsible for collecting and remitting the tax to them.

The Borough will need to contract with the developers of the software in order to implement this change. The current estimate is approximately \$100,000. This includes contracting with the software developers for the modification to the program, revising various forms and databases, and testing and notification of the changes to all taxpayers.

The administration is requesting that this ordinance be heard on shortened time in order to start the process of making these changes to the sales tax system in an expedient manner.

It should be noted that even with a shortened hearing, the likelihood of the sales tax system being ready to accept this change by April 2008 is highly unlikely. The administration has requested the City of Seward to delay implementation of this change until July 1, 2008, or January 1, 2009.

It should also be noted that the e-tax portion (the ability to file online) of the new sales tax program which was scheduled to go live in February 2008 will need to be put on hold until implementation of this change.