

Proposition No. 5

MAXIMUM BOROUGH SALES TAX RATE

To be voted on by all borough voters

Shall Initiative Ordinance 2005-02 setting the maximum borough sales tax rate at 2 percent on the first \$500 of retail sales and requiring that any future increase to the tax cap or computation of the maximum sales tax be ratified by at least 60 percent of voters at a regular election be approved?

YES [A Yes vote would reduce the maximum borough sales tax rate to 2 percent and would require 60 percent voter approval for any changes to the sales tax rate or its computation.]

NO [A No vote would defeat the ordinance and would result in no change to the existing 3 percent borough sales tax cap or computation.]

PROPOSITION SUMMARY:

On August 4, 2005, the Borough Clerk certified an initiative petition which seeks to set the maximum borough sales tax rate at 2 percent and that any increase to the rate or computation of the sales tax rate be ratified by no less than 60 percent of the voters at a regular borough election.

In the General Borough Election of October 6, 1964, Proposition No. 1, the voters authorized the Kenai Peninsula

Borough Assembly to levy a borough-wide sales and use tax "not exceeding three percent (3%) of the price of all retail sales, all rents and all services rendered within the borough, the proceeds of the tax so levied to be use exclusively for borough school purposes."

The sales tax rate was thereby established at 3 percent. In 1975 , the borough sales tax rate was reduced by assembly ordinance to 2 percent on the first \$500 of each sale and has remained unchanged. All borough sales tax collected is dedicated to education funding.

In Ordinance 2005-09, the Borough Assembly increased the borough sales tax rate to 3 percent, effective January 1, 2006. Each 1 percent in the borough sales tax generates education funds of approximately \$7.5 million annually, which, using current year assessed values is the equivalent of approximately 1.67 mills in property taxes.
