

Alaska NW Charters, llc

1600 E. Camino Colorado
Fort Mohave, AZ 86426

August 27, 2010

Dear Assembly of Sitka:

It has come to my personal attention that no tax returns have been filed for NON-taxable events---apparently required.

I had an employee, who we trusted to do this kind of paper work, and found after 5 years that a lot of this kind of stuff was just not being handled in a proper way and to prove the point one day ----she literally just quit with NO notice and we are still cleaning up messes like this one in Sitka.

As you all might be aware the charter business for the past two years has been off more than 50% for us personally and we have had to lower our pricing too almost less than 50% just to get the few charters that we did get.

For 09 we only had 5 and for 10 we only had 3 at these reduced prices and as a net result we are literally broke. We had an unexpected log hit on the way back to Seattle last season, which bent both shafts, and props and the repairs exceeded \$130,000, which the insurance company did not pay for in any manner. The \$130,000 is not totally paid off as yet as well.

I do not totally understand the value of filing reports for a NON-taxable event. It would appear to me that in these economic times or anytime for that matter---that saving city time and labor and the tax payer time and labor is more prudent than shuffling papers with NO value and the end of the day. Of course I'm coming from limited resources and try to save time and labor where necessary to create a small profit. I fully understand that most if not all governments do NOT think or work with this in mind...If they all did we might not be in the economic mess WE ARE ALL IN TODAY.

Having said all of that I'm asking a pleading for relief from this onerous penalty and late fees on events that created NO tax liability and at the same time asking the Assembly to reconsider asking people to supply records for


non-taxable events. I'm sure there are many other jobs city employees need to be doing that create REAL taxable income.

Thank you for your consideration in this matter.

Captain Bob Stephens, CEO
Alaska NW Charters,llc

INTER OFFICE

MEMO

To: City and Borough of Sitka Assembly Members
From: David Wolff, Finance Director 
Subject: Alaska NW Charters, LLC letter
Date: September 4, 2010

Listed below is a brief outline of procedures followed by the Sales Tax staff in regards to businesses and their sales tax returns:

- 1) At the time of registration, each business owner is informed that sales tax returns are mailed to them as a courtesy. If they do not receive a return in the mail, they **are still responsible to file quarterly** until they close their account with the City and Borough of Sitka. Sales Tax returns may be obtained in the City offices or on our website.
- 2) Several attempts are made by the City and Borough of Sitka Sales Tax staff if a business does not file a required return. Two letters are mailed to the business from the Sales Tax clerk (one within 20 days of delinquency and another 20 days later); a final notice is delivered from the Sales Tax Auditor after another 30 days; 20 days later the Sales Tax Auditor makes courtesy calls and within a week a demand letter is sent from the Finance Director before court action or further collection procedures begin.

FACTS:

- ◆ Alaska NW Charters, LLC has been registered with the City & Borough of Sitka since 2002.
- ◆ In 2004, charter operations that did not begin and end their activities were no longer taxed and not required to report their activity to the City and Borough of Sitka. At that time, the Sales Tax Auditor contacted a representative of Alaska NW Charters, LLC who's name was Joy Johnson, and she stated that occasionally this business might have a Sitka to Sitka charter and would prefer to keep the account open. In 2006 and 2007, it reported a single Sitka to Sitka taxable transaction.

- ◆ In 2006, the citizens of Sitka voted in a "fish box" tax. In 2007 and in 2009, Alaska NW Charters, LLC reported "fish box" tax.
- ◆ Mid 2008 returns quit being filed. As is standard procedure, 3 notices were mailed for non-filing on each quarter to their current address in Fort Mohave, AZ. A demand letter from our Finance Director was mailed on 2/17/09. On 6/12/09, the Sales Tax Auditor called Leigh Verley, CPA and was told that he would file the -0- returns immediately and work on third quarter 2008 to determine liability at a later date. On 7/10/09, after CBS received nothing, he was called again and a message was left with his secretary. On 9/8/09, the Sales Tax Auditor spoke with Leigh and he informed her that he had mailed the -0- quarterly returns but will re-mail and work on this immediately. On 9/30/09, a second demand letter was mailed from our Finance Director informing Alaska NW Charters, LLC of assessments that the City and Borough of Sitka would pursue in court proceedings if action was not taken to file and remit payment.
- ◆ At this point, the Sales Tax Auditor had to take some family leave and was not able to look at this account until an email (one last attempt) was sent to the business owner on 8/19/10. On 8/23/10, the City and Borough of Sitka was fax'd all the missing returns by Leigh Verley, CPA and the Sales Tax Auditor mailed/emailed the balance of taxes, penalties and interest owing on this account as of 8/31/10 in the amount of \$1,033.43 (as per the attached letter).

CONCLUSION:

No place in the City and Borough of Sitka's Sales Tax code 4.09 does it state that the City must mail forms to the business. SGC 4.09.280 states that the business must supply the required information on forms provided by the City and Borough of Sitka. The Sales Tax staff has made these forms more than available - by mail, office copies or internet copies.

For almost 3 years, this business has refused to file the required sales tax returns, not closed the account, or acknowledged the many notices for non-filing that have been sent to them. Mr. Leigh Verley, CPA, had filed two (2) quarterly returns after Joy Johnson was no longer employed by his office and Mr. Verley knew of the filing requirement but chose to ignore it. The business did have tax liability and therefore should be required to file tax returns and pay the penalties associated with non-filing.



City and Borough of Sitka

SALES TAX DIVISION
100 Lincoln Street • Sitka, Alaska 99835
PHONE (907) 747-1840 or 1853 FAX (907) 747-0536

August 23, 2010

Alaska & NW Charters LLC
Penni Manns
1600 E. Camino Colorado Avenue
Fort Mohave, AZ 86426

Sales Tax Acct #01-00089

Thank you for your recently filed returns. These returns were past due so penalty and interest have now been assessed as listed below:

	<u>Tax Balance</u>	<u>Penalty & Interest</u>	<u>Total Amount due if paid by 8/31/10</u>
3rd Quarter 2007	\$ 0.00	\$100.00	\$100.00
4th Quarter 2007	\$ 0.00	\$ 15.00	\$ 15.00
3rd Quarter 2008	\$ 0.00	\$100.00	\$100.00
4th Quarter 2008	\$ 0.00	\$100.00	\$100.00
1st Quarter 2009	\$ 0.00	\$100.00	\$100.00
2nd Quarter 2009	\$180.00	\$123.43	\$303.43
3rd Quarter 2009	\$ 0.00	\$100.00	\$100.00
4th Quarter 2009	\$ 0.00	\$100.00	\$100.00
1st Quarter 2010	\$ 0.00	\$100.00	\$100.00
2nd Quarter 2010	\$ 0.00	\$ 15.00	\$ 15.00

Total Amount Due to the City and Borough of Sitka \$1,033.43

Please put your account number on your check or enclose a copy of this letter with remittance. **This balance should be paid upon receipt of this notice. Interest accrues at \$.06 per day and the balance above should be adjusted accordingly for payment postmarked after or before 8/31/10.**

If you have any questions, please call Marjorie Parmelee, the Sales Tax Clerk, at 747-1840 or myself at 747-1853.

Sincerely,

Brenda Calkins
Sales Tax Auditor