



Sales Tax Interpretation 14-03

Elimination of Requirement to File Sales Tax Returns For Individuals Engaged in Business Whose sole commercial activity is the long-term rental of a room, set of rooms, structure, or suite for residential purposes, and whose entire commercial activity is exempted from taxation by Section 4.09.100 A. Residential Rent, and who would otherwise file a sales tax return with no sales tax liability

Sitka General Code section 4.09.270 A states that “*A person who has a tax liability under Section 4.09.010 shall file a return on a form or in a format prescribed by the City and Borough of Sitka and pay the tax due quarterly. Section 4.09.270 A further states “each person engaged in business in the City and Borough of Sitka subject to taxation under Section 4.09.010 shall fill a return in accordance with the following....”.*

Sitka General Code section 4.09.100 AA states that “*rent paid for residential housing for thirty or more consecutive days or an entire calendar month by a person or persons for a room, set of rooms, structure, or suite is exempt from sales taxes. This exemption does not apply to any transaction taxable under Chapter 4.24 regarding the hotel, motel, and bed and breakfast transient room tax”.*

Analysis and Discussion

Sitka General Code Section 4.09.270 A appears to contradict itself, in that it both requires anyone engaged in business to file a sales tax return, and conversely, anyone with a sales tax liability to file a sales tax return. The historical reason, however, for requiring all persons engaged in business to file a return, even if the entire scope of their business is exempt from taxation, has been to gather data and information as to amount of non-taxable sales, by exemption category.

Persons whose sole commercial activity is the long-term rental of a room, set of rooms, structure, or suite for residential purposes have historically been required to file sales tax returns, even though their sales tax returns have shown no sales tax liability, due to the entire amount of the activity being exempt from taxation by Sitka General Code Section 4.09.100 AA. The purpose of this requirement has historically been to collect data as to the number of long-term rentals in Sitka. The Planning Department has been gathering data as to the total number of living units within existing structures in Sitka, so to a large degree, the original purpose of for requiring the filing of sales tax returns for long-term rentals is being duplicated.

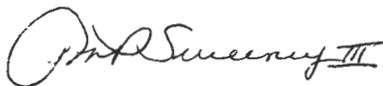
A secondary reason for requiring the filing of sales tax returns for long-term rentals has been to capture data as to the amount of economic activity exempted from taxation, in order to answer potential questions. This requirement remains valid; however, existing historical returns can serve as a baseline for making reasonable estimations of the amount of exempted economic activity, if requested in the future.

As the filing of sales tax returns for long-term rentals is a burden on the taxpayers, requires the expenditure of time by municipal staff to process such returns, and does not produce relevant data which could not otherwise be obtained, it is prudent to eliminate the requirement for such returns to be filed.

Determination

It is, therefore, my determination as Finance Director, as authorized by Section 4.09.400 of the Sitka General Code, that the filing of sales tax returns by persons whose sole commercial activity is the long-term rental of a room, set of rooms, structure, or suite for residential purposes, and who would otherwise file a return showing no sales tax liability, and who do not have tax liability under the hotel, motel, and bed and breakfast transient room tax, is no longer required under the provisions of Sitka General Code section 4.09.270 A. This determination is also hereby made retroactive to January 1, 2014, in order to apply to persons who file annual returns. This determination is hereby promulgated and shall be submitted to the Assembly for adoption or rejection. Until such time as the Assembly takes action on this interpretation, this interpretation shall govern all applicable business transactions within the City and Borough of Sitka.

May 22, 2014

A handwritten signature in black ink, appearing to read "John P. Sweeney III". The signature is written in a cursive style with a large initial "J" and "P".

John P. Sweeney III
Finance Director