


CITY AND BOROUGH OF SITKA

A COAST GUARD CITY

MEMORANDUM

To: Mayor Eisenbeisz and Assembly Members

Thru: John Leach, Municipal Administrator 

From: Brooke Volschenk, Finance Director

Date: May 29, 2026

Subject: Personal Guaranty for Tax Payments/Update to CBS Code 4.25.330.D

Background

The Finance Department has historically required business owners to execute a personal guaranty and assumption of liability for the payment of sales tax as a condition of obtaining sales tax registration. This practice has been applied to all business ownership structures, including sole proprietorships, partnerships, limited liability companies, and corporations.

Code section 4.25.330.D currently references only corporate officers, directors, and shareholders. While the existing administrative practice has been broader than the code language, the current form and code provisions do not clearly reflect the full range of business ownership structures now commonly used.

Analysis

Code section 4.25.330.D presently mandates that corporate officers, directors, or shareholders provide a personal guaranty and assume liability for sales tax. In practice, the Finance Department has applied this requirement to all business ownership forms to help ensure compliance with sales tax requirements and improve the City and Borough of Sitka's ability to collect delinquent taxes when necessary. Because sales tax is collected from customers and held by businesses until remitted to CBS, personal guaranties provide an additional mechanism to hold business owners accountable for those funds if a business ceases operations or lacks sufficient assets to satisfy outstanding sales tax obligations.

The proposed ordinance would explicitly require a personal guaranty from owners of all business forms, including sole proprietorships, partnerships, corporations, and limited liability companies. The amendment would align municipal code with the department's administrative practice and provide greater clarity and consistency for both staff and business owners.

Fiscal Note

The proposed amendment is not expected to have a direct fiscal impact on CBS revenues or expenditures. The ordinance codifies existing administrative practice and does not create any new programmatic costs. Personal guaranties support collection efforts and help protect CBS against uncollectible sales tax liabilities.

Recommendation

CBS Staff recommends the Assembly approve the ordinance update to 4.25.330.D to require a personal guaranty and assumption of liability for sales tax from owners of all business forms, thereby aligning practice with the code and policy.

Encl: Enclosure 1 – Proposed Ordinance
Enclosure 2 – Proposed Personal Guaranty form