

Memo

To: Jim Dinley, Municipal Administrator
From: Jay Sweeney, Finance Director
Date: 1/18/2012
Re: Discussion Item For January 24 Assembly Meeting In Regards To Business Licenses

Jim,

We have an ordinance drafted and undergoing legal review in regards to the implementation of a business license requirement for all businesses operating in Sitka. This ordinance was drafted during Mr. Wolff's tenure but never introduced to the Assembly for consideration. As with the sales tax cap issue, it may be helpful to schedule a discussion item on this issue for the next Assembly meeting.

The essence of the ordinance is that we will be proposing a new Section 6.02 of the Sitka General Code, adopting business license requirements for all businesses, and repealing Section 6.04 of the Sitka General Code, which currently requires business licenses for all non-resident businesses. To frame the discussion there are several key issues for the Assembly to consider.

The reasons for the proposal are two-fold. First and foremost, the primary purpose of the new Section would be to provide greater enforcement capability for the City and Borough to ensure collection of sales taxes and compliance with existing law. The reasoning is that business licenses could be revoked for businesses who do not comply with sales tax laws, thereby making it unlawful for them to operate, and this would help to increase the level of compliance with existing law. The secondary purpose is the raising of additional revenue. We estimate that additional license fees would amount to around \$50,000 per year.

An additional significant aspect of the proposed ordinance is that businesses who are currently exempted from collecting and remitting sales tax and who do not have active sales tax accounts would be required to obtain a business license.

Two other points for discussion include whether those who rent apartments in their homes should be required to obtain a business license, and, whether there should be a *de minimis* rule sales rule for small crafters which would exempt them from the requirement.

Regards,

Jay Sweeney