CITY AND BOROUGH OF SITKA

A COAST GUARD CITY

ADMINISTRATION
100 Lincoln Street | Sitka, Alaska 99835
www.cityofsitka.com
administrator@cityofsitka.org
907-747-1812

July 23, 2026

[VIA EMAIL ONLY]

Cruise Lines International Association
360 K Street, Suite 300
Anchorage, AK 99501

Re: Sales Tax Collection Obligations

Ms. Renee Limoge Reeve,

Thank you for your letter of July 20, 2026, and for the constructive dialogue that has accompanied this matter. The City and Borough of Sitka appreciates the diligence with which CLIA and its legal counsel have reviewed the requirements of Sitka General Code (SGC) Chapter 4.25.

The City and Borough has reviewed the analysis provided by your counsel. With respect to SGC 4.25.100(BB), we agree that the portion of the sales price for Sitka travel and adventure services purchased outside the City and Borough that is retained by the cruise line as a selling cost, commission, or similar charge, and is not remitted to the person providing or performing the service, is exempt from taxation. The portion of the sales price that is remitted, directly or indirectly, to the person providing or performing the service in Sitka remains subject to sales tax, and as described below, that tax will be collected by the local provider at the point of sale to the cruise line.

With respect to SGC 4.25.100(E) and sales occurring outside the City and Borough, we note that SGC 4.25.010(A) levies the tax on sales of services performed wholly or partially within the City and Borough when the provision of those services originates or terminates here, without regard to the location of the sale itself. We recognize that this question is squarely presented in *Cruise Lines International Association, Inc. v. Municipality of Skagway Borough*. In the interest of continued cooperation, the City and Borough will not require collection on sales occurring outside its boundaries at this time and will proceed consistent with the position outlined in your letter pending resolution of that litigation. The City and Borough expressly reserves its rights under SGC 4.25.010(A) and all other provisions of Sitka General Code, and its position on this question may be revisited following the outcome of the Skagway proceedings.

Regarding excursions, tours, and other passenger services provided by operators located within the City and Borough, those operators will be required to collect and remit Sitka sales tax on all sales made to cruise lines, and those sales will be treated as the final taxable point of sale for purposes of SGC Chapter 4.25. The wholesale exemption under SGC 4.25.100(P) will not apply to these transactions. Because the tax is collected at the point of sale by the local provider, no additional Sitka sales tax will be due on the cruise line's subsequent resale of those services to passengers, regardless of where that resale occurs. This treatment ensures the tax is collected once, at a point of sale occurring within the City and Borough, and eliminates any double taxation within the supply chain.

We also confirm our shared understanding regarding onboard transactions. Beginning with the 2027 cruise season, defined as the first port of call of a CLIA represented cruise line into Sitka during the 2027 calendar year, member cruise lines will collect and remit Sitka sales tax on onboard sales of goods and services occurring while a vessel is within the waters of Sitka Sound, as defined by the Alaska Department of Fish and Game boundary coordinates set forth in my letter of June 24, 2026.

The City and Borough will continue to monitor the Skagway proceedings closely and will communicate with CLIA regarding any adjustments to its position that the outcome of that litigation may warrant.

Thank you again for CLIA's cooperation and collaborative approach. The advance work completed through this dialogue positions both the City and Borough and your member lines for a smooth implementation ahead of the 2027 season. Please direct any further correspondence on this matter to my attention at administrator@cityofsitka.org.

Sincerely,

John M. Leach
Municipal Administrator

Encl: City and Borough of Sitka letter to CLIA dated June 24, 2026
CLIA letter to City and Borough of Sitka dated July 20, 2026

Cc: Rachel Jones, Municipal Attorney
Brooke Volschenk, Finance Director
Judson Rusk, Tourism Manager

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A COAST GUARD CITY

ADMINISTRATION
100 Lincoln Street | Sitka, Alaska 99835
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907-747-1812

June 24, 2026

[VIA EMAIL ONLY]

Cruise Lines International Association
1201 F Street NW, Suite 250
Washington, DC 20004

Re: Sales Tax Collection Obligations

Ms. Renee Limoge Reeve:

I am writing on behalf of the City and Borough of Sitka to address the collection of local sales tax by cruise lines and their tour and excursion partners operating within Sitka's jurisdiction. It is the City and Borough's position that sales tax collection obligations under Sitka General Code (SGC) Chapter 4.25 apply to a broad range of transactions conducted in connection with cruise operations in Sitka, and we are initiating a direct effort to ensure compliance with these requirements.

SGC 4.25.010(A) levies a consumer's sales tax on all sales, rentals, and leases made within the City and Borough of Sitka, including sales of services performed wholly or partially within the City and Borough when the provision of such services originates or terminates within the City and Borough. SGC 4.25.030 further establishes that every sale made within the City and Borough is taxable unless a specific exemption under SGC 4.25.100 applies and is properly documented. These provisions apply broadly to transactions connected to cruise activity, including those facilitated by cruise lines and their partners.

Of particular relevance to cruise-related commerce is SGC 4.25.100(P), which governs the wholesale exemption. A wholesale purchase made for resale may qualify for exemption at the point of initial sale to the cruise line; however, that exemption does not eliminate the ultimate sales tax obligation. Excursions, tours, and other passenger services purchased at wholesale from operators within the City and Borough and resold to passengers at any price and at any location are subject to Sitka sales tax on the full retail sales price when those services are performed wholly or partially within the City and Borough and originate or terminate here, as provided under SGC 4.25.010(A). The wholesale exemption is intended to prevent double taxation within a supply chain and does not extend to the final consumer transaction. Accordingly, the obligation to collect and remit sales tax attaches to the seller at the point of final sale to the consumer, regardless of whether that sale occurs aboard the vessel, through an online platform, or at a shore-side location.

The City and Borough recognizes that SGC applies across the full geographic extent of the borough, which encompasses a substantial amount of area around Baranof Island. We also understand that applying sales tax obligations to cruise vessels throughout the entirety of that area would not reflect a practical or good-faith approach to administration or enforcement. In the interest of working collaboratively with CLIA and supporting efficient cruise operations, the City and Borough intends to apply these requirements to onboard transactions only when a vessel enters Sitka Sound. By establishing this boundary, operationally reasonable enforcement will be easier to achieve while maintaining consistency with SGC 4.25.010(A) and SGC 4.25.030.

For clarity and consistency, Sitka Sound is defined using the same geographic boundary established by the Alaska Department of Fish and Game, enclosed on the north by lines from Kruzof Island at 57° 20.50' N. lat., 135° 45.17' W. long. to Chichagof Island at 57° 22.05' N. lat., 135° 43' W. long., and from Chichagof Island at 57° 22.58' N. lat., 135° 41.30' W. long. to Baranof Island at 57° 22.28' N. lat., 135° 40.95' W. long., and on the south and west by a line running from the southernmost tip of Sitka Point at 56° 59.38' N. lat., 135° 49.57' W. long. to Hanus Point at 56° 51.92' N. lat., 135° 30.50' W. long. to the green day marker in Dorothy Narrows at 56° 49.28' N. lat., 135° 22.75' W. long. to Baranof Island at 56° 49.28' N. lat., 135° 22.60' W. long.

The City and Borough of Sitka anticipates full implementation of these requirements by the beginning of the 2027 cruise season, defined as the first port of call of a CLIA represented cruise line into Sitka during the 2027 calendar year. This timeline provides sufficient opportunity to align operational, accounting, and compliance systems with the requirements of Sitka General Code.

The City and Borough is committed to working collaboratively with CLIA and its member lines to ensure clear and effective compliance. We welcome the opportunity to meet at a mutually convenient time to discuss implementation.

Please direct correspondence on this matter to my attention at administrator@cityofsitka.org.

Respectfully,

John M. Leach
Municipal Administrator
City and Borough of Sitka, Alaska

CRUISE LINES INTERNATIONAL ASSOCIATION
ALASKA

July 20, 2026

City and Borough of Sitka
100 Lincoln Street
Sitka, Alaska 99835

Attention: City Administrator John Leach

Dear Administrator Leach,

Thank you for your June 24, 2026 letter regarding collection of City and Borough sales tax by Cruise Lines International Association (CLIA) member cruise lines starting in the 2027 cruise season, as required by existing Sitka General Code. CLIA appreciates the manner and spirit in which you have brought this matter to our attention and for the subsequent conversations regarding implementation.

As discussed, CLIA member cruise lines are to begin collecting sales tax onboard their vessels when they are in the waters of Sitka Sound as established by the boundary of the GPS coordinates provided in your correspondence. We appreciate the ample notice for our member cruise lines to implement this change in their systems.

Regarding the matters of collection of sales tax outside the borough, and the payment of sales tax on the portion of the sale representing the cruise lines' facilitation fee, CLIA consulted our legal counsel, Larry Kaye with Kaye, Rose and Partners, LLC. He believes two sections of the Sitka General Code may address these issues.

Section 4.25.100, entitled "Exemptions" states (emphasis added):

> *The following sales are exempt from taxation:*
>
> *[...]*
>
> *E. Federal and state prohibitions.* ***A sale which the municipality is prohibited from taxing under the Constitution and laws of the United States or the Constitution of the state of Alaska is exempt****.*
>
> *[...]*
>
> *BB.* ***Sale of service*** *costs or* ***commission****.* ***That part of the sales price paid by the buyer for Sitka travel and adventure services purchased outside the city and borough of Sitka*** *which is not remitted, directly or indirectly, to the person providing or performing the service,* ***and which is a selling cost or commission or similar charge.***

Per subsection E above, the assessment of sales tax for sales occurring outside of Sitka violates the Tonnage Clause and Commerce Clause of the US Constitution, as well as the Alaska Constitution which prohibits taxation for activities occurring outside a municipality's boundaries. Further, per subsection BB above, we believe the margin earned for the sale of shore excursions occurring outside of Sitka is exempt from sales tax.

As you are aware, both issues are currently being litigated in *Cruise Lines International Association, Inc. v. Municipality of Skagway Borough*.

CLIA member cruise lines endeavor to comply with the requirements of the communities they visit in Alaska and across the globe. Thank you again for your collaborative approach to this matter, as engaging in this dialogue with Sitka now ensures we are prepared for the 2027 season. We look forward to your review of these points and the continued dialogue.

Sincerely,

Renée Limoge Reeve
Vice President of Government Relations
Cruise Lines International Association

cliaalaska.org
360 K Street, Suite 300 | Anchorage, AK 99501 | United States