

If these items are pulled from the Consent Agenda
the following motion would be in order:

POSSIBLE MOTION

I MOVE TO adopt the Finance Director's interpretation of the taxation for "suggested donations" constitutes a sale of services subject to sales tax



City and Borough of Sitka

100 LINCOLN STREET • SITKA, ALASKA 99835

Sales Tax Interpretation 14-02

Clarification of Taxation of sales of Services For Donations

The City and Borough of Sitka General Code section 4.09.030 (A) (1) states that *“In order to prevent the evasion of sales tax and to aid in its administration, it is presumed that: 1. All sales by a person engaging in business are subject to the sales tax”*.

A question has arisen as to whether the provision of services as a business, on a routine ongoing basis, for “suggested donations” constitutes a sale of services subject to sales tax. Business have sought to evade the collection and remittance of sales taxes by claiming that services provided for “donations” do not constitute sales.

It is my interpretation of the Sitka General Code that the intent of Section 4.09.030 is that all sales of services are presumed to be taxable unless specifically exempted by an exemption listed in SGC 4.09.100. SGC 4.09.100 A lists casual and isolated sales as exempt from taxation. Nothing in Chapter 4.09 of the Sitka general Code, however, allows for the routine, reoccurring provision of services on a “suggested donation” basis to be exempt from sales taxation.

It is, therefore, my determination as Finance Director, as authorized by Section 4.09.400 of the Sitka General Code, that the provision of services as a business, on a routine ongoing basis, for “suggested donations” constitutes a sale of services subject to sales tax. 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.

March 3, 2014

John P. Sweeney III
Finance Director