CITY AND BOROUGH OF SITKA

A COAST GUARD CITY

ADMINISTRATION
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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