




City and Borough of Sitka

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A Coast Guard City

MEMORANDUM

To: Mayor Eisenbeisz and Assembly Members

From: John Leach, Municipal Administrator 

Date: September 8, 2021

Subject: Siemens Industry, Inc. Request for Waiver of Sales Tax Filing Late Fee

Background

On August 11, 2021, Siemens Industry, Inc. sent an email to the Assembly regarding a waiver of a \$100 late fee penalty being assessed for the Q4 2020 filing period.

Analysis

Siemens was unaware that their \$0 return didn't arrive, which was claimed to have been mailed to CBS offices on January 15, 2021, and well before the original due date. They received a notice dated June 23, 2021, in their office on August 10, 2021 (attached), which was well beyond the time limit to request penalty abatement with the tax office.

There is no exception in SGC allowing for a waiver of filing – even when it's a zero return. Since the CBS doesn't issue business licenses, the filing requirement allows CBS to recognize that businesses in Sitka are still operating and in compliance with local sales tax laws. For example, when we issued CARES grants last fall, we had many businesses that applied for the CARES business grants but weren't registered as businesses in Sitka since they were not collecting or remitting sales tax. Their CARES grants were either not issued or otherwise placed on hold until they became current with sales tax filings.

There is a waiver of penalty provision in the Sitka General Code for late filing of sales tax returns which was passed by Ordinance 17-08 (second reading and passage on 3/28/2017). It is codified in SGC 4.09.350 C as follows:

- C. Waiver of Penalties. Penalties from a delinquent tax remission shall be waived if:
1. The seller submits a penalty abatement request form to the finance department within seven calendar days of the due date and has paid the delinquent tax in full;
 2. The seller has no past due balances with any department of the city and borough of Sitka; and

3. The finance department verifies that the seller has not filed a late sales tax return or been granted an abatement within three years of the request for abatement.

Attached is the ordinance where you can see that the Administrator's ability to waive the penalty was removed. The Administrator's authority only lies within the specified abatement request period of seven calendar days of the due date.

Fiscal Note

Waiver of this penalty will cost the CBS \$100 in lost fees plus any applicable interest.

Recommendation

I recommend denial of this waiver request to ensure compliance of sales tax filings. Since the CBS does not issue business licenses, timely filing and remittance of sales tax is the only way the CBS knows if a business is still operating in good standing. Significant progress was made during the CARES grant application process in bringing businesses into compliance to receive a CARES grant. Approval of this waiver introduces a risk of other businesses having no incentive to continue timely filing and remittance of sales tax.

Encl: Letter to Siemens Industry, Inc.
Request of penalty waiver from Siemens Industry, Inc.
Ordinance 17-08



City and Borough of Sitka
Finance Department, Tax Division
100 LINCOLN STREET * SITKA, ALASKA 99835
(907) 747-1840 or 747-1853 Fax: (907) 747-0536



06/23/21

SIEMENS INDUSTRY, INC
SALES/USE COMPLIANCE
PO BOX 80612
INDIANAPOLIS IN 46280-612

Tax Acct #: 1900377

Dear Business Owner:

Our records indicate that the City and Borough of Sitka has not received a tax return for:

• Quarter Ending - December 31, 2020

Due Date: February 01, 2021

If you feel this notice is in error and have filed the quarterly tax return for the above period, please contact the Tax Division at 747-1840 to resolve this matter. Otherwise, you must file the return even if you had no business activity (mark the box at the top of the return and sign the bottom) or if you have had no taxable sales (complete section 1 with your total revenue received for the year and section 3 with any exemptions for the year). Late fees, penalties and interest will be assessed on all past due returns.

If the business has been closed or sold, the City and Borough of Sitka requires that a final return be filed stating this fact along with the date of the closure or sale.

Please file the quarterly tax return upon receipt of this letter. If you have any questions on how to fill out the tax return, we would be happy to assist you. Tax returns may be found online at www.cityofsitka.com or in our offices.

Sincerely,

Sales Tax Specialist
907-747-1840
tax@cityofsitka.org

PLEASE NOTE:

Month(s) delinquent	Penalty	Late Fee
1st month or part thereof	5%	\$ 15.00
2nd month or part thereof	10%	\$ 40.00
3rd month or part thereof	15%	\$ 65.00
4th month or part thereof	20%	\$ 90.00
5th month or part thereof	25%	\$ 100.00

**Interest: 12% per year



AN EXTENSION OF YOUR TAX DEPARTMENT

August 23, 2021

City and Borough of Sitka Assembly
100 Lincoln Street
Sitka, AK 99835

RE: Siemens Industry Inc
Account ID: 1900377
Reporting Period: Q4 2020

We were advised by the tax office of Sitka at tax@cityofsitka.org to write to the assembly regarding waiver of a \$100 late fee penalty being assessed for our account # 1900377 Siemens Industry Inc for the Q4 2020 filing period. We were unaware that our \$0 return didn't arrive, which was mailed on 1/15/2021 well before the original due date. We received a notice dated 6/23/21 in our office on 8/10/21, included with this letter, which is well beyond the time limit to request penalty abatement with the tax office. A copy of the original \$0 return has also been provided to the tax office of Sitka via email.

We respectfully request that the penalty be waived since we had every expectation that our mailing had arrived timely. Going forward we'll be emailing our returns to the tax office directly to avoid this issue in the future. Thank you.

Sincerely,

Jennifer Boyd
Senior Compliance Analyst

**CITY AND BOROUGH OF SITKA
ORDINANCE NO. 2017-08**

**AN ORDINANCE OF THE CITY AND BOROUGH OF SITKA AMENDING SITKA GENERAL
CODE CHAPTER 4.09 "SALES TAX" AT 4.09.350 "PROCEDURES ON DELINQUENCIES"**

1. **CLASSIFICATION.** This ordinance is of a permanent nature and is intended to be a part of the Sitka General Code of the City and Borough of Sitka, Alaska.
2. **SEVERABILITY.** If any provision of this ordinance or any application thereof to any person or circumstance is held invalid, the remainder of this ordinance and application thereof to any person and circumstances shall not be affected thereby.
3. **PURPOSE.** The purpose of this ordinance is to amend the SGC 4.09.350 so that there is a means by which an entity can request abatement of delinquent sales tax penalties when certain criteria are met.
4. **ENACTMENT.** NOW, THEREFORE, BE IT ENACTED by the Assembly of the City and Borough of Sitka that the Sitka General Code Chapter 4.09.350 "Procedures on delinquencies" (new language underlined; deleted language stricken):

**Chapter 4.09
SALES TAX**

Sections:

* * *

4.09.350 Procedures on delinquencies.

* * *

4.09.350 Procedures on delinquencies.

A. Late Fee, Penalty and Interest. Late fee, penalty and interest will be assessed as follows:

1. A late fee will be charged if the seller does not file the proper form(s) in a timely manner for the tax due dates listed in Section 4.09.270. A fee of fifteen dollars will be charged the first month or any part of that month, with an additional twenty-five dollars added for each additional month or portion of a month, up to a maximum of one hundred dollars.
2. If the seller does not remit the sales tax then due on the dates listed in Section 4.09.270, and an abatement has not been granted under subsection (C) of this section, a penalty equal to five percent of the delinquent tax shall be added to the tax for the first month or any part of that month, an additional five percent shall be added to the tax due for each month or part of a month for delinquency, with a total penalty of twenty-five percent. It shall be assessed and collected in the same manner as the tax is assessed and collected.
3. In addition to the late fee and penalty provided in subsections (A)(1) and (2) of this section, interest at the rate of twelve percent per year on the delinquent tax from the date

of delinquency until paid shall accrue and be collected in the same manner as the delinquent tax is collected.

* * *

C. Waiver of Penalties. ~~The administrator shall waive the penalties on failure to submit tax returns if:~~ Penalties from a delinquent tax remission shall be waived if:

1. ~~The seller submits a written request to the administrator~~ penalty abatement request form to the finance department within seven calendar days of the due date and has paid the delinquent tax in full.
2. ~~The submitted returns have no taxable sales and no taxable events under the bed tax set out in Chapter 4.24~~ The seller has no past due balances with any department of the city and borough of Sitka; and
3. ~~The finance department director verifies that the seller has never filed a tax return regarding sales tax or bed tax with the city and borough of Sitka.~~ not filed a late sales tax return or been granted an abatement within three years of the request for abatement.

* * *

5. **EFFECTIVE DATE.** Ordinance 2017-08 shall become effective the day after the date of its passage.

PASSED, APPROVED, AND ADOPTED by the Assembly of the City and Borough of Sitka, Alaska this 28th day of March, 2017.



Matthew Hunter, Mayor

ATTEST:



Sara Peterson, CMC
Municipal Clerk

1st reading 3/14/17

2nd reading 3/28/17