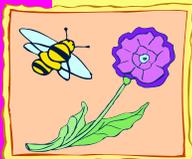




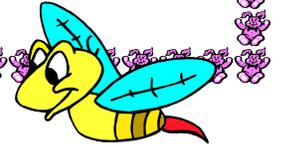
2nd Quarter 2013



REMINDER

The sales tax rate is 6% during the months of April, May, June, July, August, and September. Rentals of Real Property (except for Long term residential units) for thirty or more consecutive days remain at 5%(SGC 4.09.120). Bed tax remains at 6%.

A 6% sales tax chart may be obtained in our offices or on our website at www.cityofsitka.com under the "Business" tab and "Tax Services".



From the Tax Staff:

Hope this finds you all having a successful summer season. It has been a crazy start to the year with many changes in our offices, including the inclusion of property tax billing to our division's duties. This means that we are now a one stop shopping office for tax questions and payments. All assessment and ownership questions regarding properties will still need to be addressed to the Assessor's Office at 747-1822.

With all this change, our quarterly newsletter was missed being sent out for first quarter. We apologize for this and hope it wasn't an inconvenience for you all. Any questions can always be answered by our staff by calling or emailing our offices. On page 2 of this newsletter is a recent clarification from our Finance Director regarding the handling of gift cards.

REMINDER: SENIOR CITIZENS CANNOT USE THEIR TAX EXEMPT CARD FOR THE PURCHASE OF ALCOHOL, CIGARETTES, OR TOBACCO PRODUCTS.



REMINDER: SALES TAX CAP IS NOW \$1,500.00. THIS MEANS THE MAXIMUM SALES TAX THAT YOU WILL CHARGE IS \$90.00 PER INVOICE THROUGH SEPTEMBER. (\$75.00 OCTOBER—MARCH)

Have you applied for your 2013 Resale Exemption Card???

Thank you to those businesses that are requiring presentation of the exemption cards. It is required that you document all exemptions in your records for up to 6 years.

We are available to answer questions and help with filing of your City tax returns Monday through Friday from 8:00 a.m. to 5:00 p.m. except on City recognized holidays. The City Offices will be closed Monday, September 2nd recognizing Labor Day. Our offices are located on the second floor of the City building in the Finance Department or we may be contacted by phone at 747-1840 or 1853 or email at salestax@cityofsitka.com.

2nd Quarter, 2013
April, 2013
May, 2013
June, 2013
DUE JULY 31ST



We're on the Web
www.cityofsitka.com
Under the "Business" tab



City and Borough of Sitka

100 Lincoln Street • Sitka, Alaska 99835

July 8, 2013

To: Businesses and individuals responsible for collecting sales tax

Re: Sales Tax Charges on Gift Cards

A common question arising: Is sales tax to be charged on gift cards or are cards considered exempt from sales tax? This letter is to clarify this issue and provide guidance to ensure compliance with Sitka General Code (SGC).

1. The starting point is SGC 4.09.010(A), "There is levied a consumer's sales tax on sales, rents, and leases made in the city and borough of Sitka. This tax applies to sales, rentals, and leases of tangible personal property; sales of services sold within the city and borough of Sitka..." The SGC here states all sales made in Sitka are subject to sales tax.
2. Next SGC 4.09.020, "... The tax must be applied to the sales price." This reinforces the information from point #1 by stating the sales tax must be collected on the sales price.
3. Followed by SGC 4.09.030(A)(1), "All sales by a person engaging in business are subject to the sales tax;" is clear direction.
4. The last relevant section of SGC is 4.09.100 – Exemptions. Exemptions are specifically listed and Gift Cards are not listed.

Based on the SGC, it is clear all sales made in Sitka are subject to sales tax, unless a specific exemption applies. Gift Cards do not have an exemption so are taxable sales. However, upon review by the Finance and Legal Departments, an exception for gift cards issued by a local business for use at the same business can be sold as tax exempt provided the customer will be charged sales tax at the time of the redemption of the gift certificate. We view the Gift Card as a deposit with a business, not a sale. However, if the Gift Card to business A is purchased at business B, it is a sale for business B. This is due to business B having no involvement in the future transactions between the customer and business A in regards to the gift card.

Examples:

- A – Local Sitka Business
- B – Local Sitka Business
- C – Business outside of Sitka
- D – Internet Business
- E – VISA/Mastercard/American Express
- F – Phone Card

<u>Instance</u>	<u>Taxable/Nontaxable</u>
A sells a Gift Card for B	Taxable
A sells a Gift Card for C	Taxable
A sells a Gift Card for D	Taxable
A sells a Gift Card for E	Taxable
A sells a Gift Card for F	Taxable
A sells a Gift Card for A	Nontaxable – as long as sales tax is charged at redemption

We realize that if a customer purchases a Gift Card for business A from business B, then sales tax will also be collected at the point of redemption which will result in a double taxation on the sale. For instance, if you purchase a gift card at business B for use at business A, you will be charged sales tax at the purchase of the card and again at business A when the card is used. For sake of less confusion, we will maintain the taxation in this regard.



Mike Middleton
Interim Finance Director