



## Sales Tax Interpretation 11-01

### Inclusion of non-taxable/exempt items in sales price

Per the City and Borough of Sitka General Code 4.09.010 Levy of sales tax...

*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; sales of services performed wholly or partially within the city and borough of Sitka when the provision of such services originates or terminates within the city and borough of Sitka; and rentals and leases of real property located within the city and borough of Sitka.*

Since all sales/services, rents, and leases are subject to the sales tax then one must look at the exemptions to determine if the considerations received are a taxable event. SGC 4.09.350(F) states...

*F. Freight and Wharfage. Freight and wharfage charges, whether arising out of foreign, interstate or intrastate commerce, are exempt.*

And finally Wikipedia defines Excise as...

*An excise tax is one levied on specific goods or commodities produced or sold within a country, or on licenses granted for specific activities.*

*An excise is considered an **indirect tax**, meaning that the producer or seller who pays the tax to the government is expected to try to recover the tax by raising the price paid by the buyer (that is, to **shift** or **pass on** the tax). Excises are typically imposed in addition to another indirect tax such as a sales tax.*

**Thus, it is the City and Borough of Sitka's determination that if an exempted item or a non-taxable item is itemized on an invoice as such it is not subject to the levy of sales tax. But if it is included in the sales price of an item or combined with a taxable item (ie. an excise tax is added into the sales price as listed or freight is included into the sales price or combined with shipping and handling), then this indirect cost is taxable.**

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