



Sales Tax Interpretation 11-02

Services in regards to Outside Municipality exemption

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 exempt from taxation. SGC 4.09.100(F) states...

M. Outside City and Borough. Sales of goods or services resulting from orders received from outside the city and borough by mail, telephone, or other similar public communication where delivery of the property ordered is made outside the city and borough by mail or common carrier are exempt.

Thus, it is the City and Borough of Sitka's determination that if an order from outside the municipality is received for a service that is performed within the municipality, the service is taxable to the customer located outside of the municipality.

If a minor physical bi-product is produced as a result of the service performed but the service is the substantial portion of the sale, the entire transaction shall be considered a sale of a service. An example of this would be an accounting office performing the service of preparing tax returns or financial statements. In such a case, the service is the substantial portion of the sale while the minor bi-product is the tax return/financial statement.

Another factor to be used in making determinations as to whether a transaction is a sale of goods or services is the potential resale factor of bi-products produced. If the bi-product produced has no resale value to the general public, then the transaction shall be considered a sale of a service. An example of this would be a tax return which has no resale value to the general public.

A third factor to be used in making determinations as to whether a transaction is a sale of goods or services is whether or not the seller retains title to the bi-product produced. If title to the bi-product is not retained, the entire transaction shall be considered a sale of a service. An example of this would be a case in which seamstress is sent a garment to mend. The seamstress does not retain title to the garment after the mending process. Thus, the mending would be considered a sale of a service, even though the garment is being shipped and the billing is mailed to a location outside of municipality.

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