



December 11, 2017

Dear Taxpayer,

This letter is providing notification regarding changes to the City of Kodiak sales tax beginning on January 1, 2018.

On November 9, 2017 the City Council passed the following ordinances:

- Ordinance Number 1367 increases the maximum taxable sale that is subject to City Sales Tax to \$3,000
- Ordinance Number 1368 establishes the maximum taxable sale at \$750 for real property residential and commercial rentals exceeding one month
- Ordinance Number 1369 eliminates the 2% discount.

The following outlines the most frequently asked questions:

Does this increase the sales tax rate?

No, the City of Kodiak sales tax rate is still 7%. However, the maximum taxable sale is now \$3,000 instead of \$750.

How would the maximum taxable sale affect my business?

Current sales, services, and rentals other than real property greater than one month rental term are taxed at 7% with a maximum taxable sale at \$750. Beginning January 1, 2018, this maximum taxable sale will increase to \$3,000. Beginning January 1, 2018, a sale of \$1,000 would be fully taxed at 7%. However, if the sale were \$3,500, the 7% sales tax rate would only be applied to the first \$3,000 of that specific transaction.

How are real property residential and commercial rentals greater than one month different from other rentals?

Real property residential and commercial rentals are for land and/or buildings that are rented by a tenant for greater than 30 days.

- Daily rentals would not fall under this category (i.e. hotel rooms, bed and breakfast rooms, etc.) as these do not exceed the one month requirement.
- Harbors, docks, equipment, vehicles, etc. are not considered real property and therefore are subject to the \$3,000 maximum taxable sale.

Will the sales tax forms change?

Yes. Enclosed are updated City of Kodiak sales tax forms. Note there are now two separate forms: One for sales, services, and other rentals and one for Real Property Residential and Commercial Rentals Exceeding One Month.

If my business ONLY provides real property residential and commercial rentals in excess of one month will I be required to complete both forms?

No. Only the Real Property Rentals Over 30 Days form will be required.

If my business provides services, sales, and other rentals as well as real property residential and commercial rentals in excess of one month will I be required to complete both forms?

Yes. Each form has different maximum taxable sale amounts and different reporting requirements. A draft version of these forms has been included for your convenience.

In updating the City's sales tax records, please complete the enclosed form regarding any real property residential and/or commercial rentals exceeding one month. A prepaid return envelope has been included for your convenience.

Please contact the finance director, city manager, or sales tax office if you have any further questions.

Thank you,

CITY OF KODIAK



Mike Tvenge
City Manager
City of Kodiak
907-486-8642



Kelly Mayes
Finance Director
City of Kodiak
907-486-8659



Susan Smith
Sales Tax
City of Kodiak
907-486-8655

Enclosure:

Real Property Residential and Commercial Rentals Exceeding One Month Information Form
Real Property Residential and Commercial Rentals Exceeding One Month Draft Sales Tax Form
Sales, Services, and Rentals Draft Sales Tax Form
Ordinance Number 1367
Ordinance Number 1368
Ordinance Number 1369



CITY OF KODIAK
POST OFFICE BOX 1397, KODIAK, ALASKA 99615
Finance Department
907-486-8655 Voice
907-486-8600 Fax

Date: December 11, 2017
Name: GREAT WHITE NORTH
DBA: IGLOO RENTALS
Address: 1101 ARCTIC CIRCLE
City, State, Zip: KODIAK, ALASKA 99615

Real Property Residential and/or Commercial Rentals Exceeding One Month

Do you have real property residential and/or commercial rentals exceeding one month? Yes No

If yes, then please note the physical address(es) of the rental property below:

Please return this form no later than January 31, 2018.

If you have any additional questions, please contact the City Sales Tax Office.

Thank you,

City of Kodiak
Finance Department - Sales Tax

**CITY OF KODIAK
ORDINANCE NUMBER 1367**

**AN ORDINANCE OF THE COUNCIL OF THE CITY OF KODIAK AMENDING
KODIAK CITY CODE 3.08.120, "MAXIMUM TAXABLE SALE," TO INCREASE THE
MAXIMUM AMOUNT OF A SALE SERVICE OR RENTAL THAT IS SUBJECT TO
CITY SALES TAX TO \$3,000**

WHEREAS, it is in the City of Kodiak's best interest to exempt sales that exceed \$3,000 from sales tax during the 2018 fiscal year due, in part, to the fiscal challenges facing the City's taxpayers,

NOW, THEREFORE, BE IT ORDAINED by the Council of the City of Kodiak, Alaska, as follows:

Section 1: Kodiak City Code 3.08.120, entitled "Maximum taxable sale," is hereby amended to read as follows:

- (a) **Except as otherwise provided in this section, if** ~~If~~ the sales price of an item or items or the charge for rental of any property or performance of any service exceeds **\$3,000** ~~\$750.00~~ for a single transaction, that portion of the price or charge in excess of **\$3,000** ~~\$750.00~~ shall be exempt from the tax levied by this chapter.
- (b) In determining the maximum tax payable with regard to a single transaction for the rendering of services on a substantially regular basis, which services are generally repetitive in nature and are to be performed over a period of time under a contract, each period for payment or partial payment under the contract shall be deemed a separate service transaction. The maximum tax payable shall be applicable to each deemed service transaction with tax payments to accrue and become payable at the time of filing the next quarterly return to be submitted following receipt of payment for the service.
- (c) For purposes of computing the maximum tax, a rental of property for a period in excess of one month shall be deemed as a series of rentals with each rental transaction terminating as a rental payment is made. The maximum sales tax payable shall be applicable to each deemed rental with tax payments to accrue and become payable at the time of filing the next quarterly return to be submitted following receipt of the rental.
- (d) For purposes of computing the maximum tax, a transaction which takes the form of a lease shall be deemed a rental or series of rentals unless a party to the transaction demonstrates that it constitutes a capital lease as defined in this chapter. A capital lease shall be treated as an installment purchase. The finance director shall have the final authority to determine whether or not a par-

[Bold and underlined added.] ~~Deleted language stricken through.]~~

tical transaction constitutes a capital lease and may require the parties to such a transaction to submit such information or documentation as the finance director feels is reasonably necessary to make this determination. In making such a determination the finance director may rely upon the 1991 Comprehensive Governmental GAAP Guide by Larry P. Bailey (Miller Accounting Publications, Inc., a subsidiary of Harcourt Brace Jovanovich Publishers).

Section 2: This ordinance shall be effective on January 1, 2018 and no earlier than one month after its final passage and publication in accordance with Kodiak Charter Section 2-13.



CITY OF KODIAK


MAYOR

ATTEST:


DEPUTY CLERK

First Reading: Postponed in First Reading September 28, 2017
Continued First Reading: Passed in the First Reading October 26, 2017
Second Reading and Public Hearing: November 9, 2017
Effective Date: January 1, 2018

[Bold and underlined added. Deleted language stricken through.]

**CITY OF KODIAK
ORDINANCE NUMBER 1368**

**AN ORDINANCE OF THE COUNCIL OF THE CITY OF KODIAK AMENDING
KODIAK CITY CODE 3.08.040, "GENERAL EXEMPTIONS" AND KODIAK CITY
CODE 3.08.120, "MAXIMUM TAXABLE SALE," TO EXEMPT REAL PROPERTY
RENTALS EXCEEDING ONE MONTH AND \$750.00 FROM CITY OF KODIAK
SALES TAX**

WHEREAS, it is in the City of Kodiak's best interest to exempt rentals of real property that are for longer than one month and more than \$750 from sales tax; and

WHEREAS, this exemption also serves as a "tax cap" and thus it is best codified in both the "general exemptions" and "maximum taxable sale" sections of the Kodiak City Code to provide Kodiak's taxpayers with clarity when applying the Kodiak City Code,

BE IT ORDAINED by the Council of the City of Kodiak, Alaska, that:

Section 1: Kodiak City Code 3.08.040 entitled "General Exemptions" is amended as follows:

The following classes of sales, rentals, and services are exempt from the tax imposed by this chapter:

- (a) Casual and isolated sales and rentals of personal property, and services not rendered in the regular course of business of the seller;
 - (b) Medical services performed by licensed medical doctors, dentists, osteopaths, optometrists, psychiatrists, psychologists, and chiropractors; sales of medicinal preparations and drugs prescribed by medical doctors; and hospital services;
 - (c) Sales, rentals, and services to religious and charitable organizations as defined in Sections 501(c)(1), (3), and (4) of the Internal Revenue Code, for the conduct of regular religious or charitable functions and activities, and not for the support or maintenance of the general membership or for communal living;
 - (d) Sales of food in school cafeterias and lunchrooms that are operated primarily for students;
 - (e) Sales and services by nonprofit schools and student organizations within schools for support of the school, organization, or extracurricular activities or events;
 - (f) Sales, rentals, and services to the United States, the state of Alaska, and any agencies or political subdivisions thereof;
 - (g) Dues or fees to clubs, labor unions, and fraternal organizations;
- [Bold and underlined added. Deleted language stricken through.]**

- (h) Subscriptions to newspapers and periodicals;
- (i) Sales of insurance and bonds of guaranty and fidelity;
- (j) Funeral charges;
- (k) Transportation charges of commercial airlines, air charters, and passenger ship companies; provided, however, that this exemption shall not extend to boat charter operations not affecting interstate commerce;
- (l) Services rendered by banking or savings and loan institutions or credit unions;
- (m) Services rendered by an employee to an employer in the normal course of employment;
- (n) Sales, rentals, and services which the city is prohibited from taxing by the Constitution or laws of the United States or the state of Alaska;
- (o) Retail sales in dining rooms or cafeterias of food furnished by nonprofit organizations under programs wholly or partially supported by government funds;
- (p) Nursery and babysitting services;
- (q) Long-distance transmission of telephone and telegraph messages;
- (r) Sales of heating fuel exclusively for residential uses (not to include fuel used in or on watercraft);
- (s) Sales of electrical service to exclusively residential units;
- (t) Sales of propane gas exclusively for residential uses (e.g., cooking, water heating, heating, clothes drying);
- (u) Sale of fuel used in stationary power plants that generate electrical energy exclusively for private residential consumption;
- (v) Sales, rentals, and services to nonprofit associations or organizations operated primarily for the purpose of planning, promoting, and conducting organized group activities for participants who are 18 years of age or less;
- (w) Charges for garbage/refuse collection for garbage/refuse generated exclusively by residential use;
- (x) Sales of water and sewer utility services for residential use; and

[Bold and underlined added. Deleted language ~~stricken through.~~]

(y) Sales by religious or charitable organizations, as defined in Sections 501(c)(1), (3), and (4) of the Internal Revenue Code, of pull tabs, raffle and lottery tickets, bingo cards, and other tokens of participation in games of chance and contests of skill.

(z) Charges for rental of any residential or commercial real property for a period in excess of one month that exceeds \$750.00 for a single transaction.

Section 1: Subsection (a) of Kodiak City Code 3.08.120, entitled "Maximum taxable sale," is hereby amended to read as follows:

(a) If the sales price of an item or items or the charge for rental of any property or performance of any service exceeds \$750.00 for a single transaction, that portion of the price or charge in excess of \$750.00 shall be exempt from the tax levied by this chapter. **If the the charge for rental of any residential or commercial real property for a period in excess of one month exceeds \$750.00 for a single transaction, that portion of the charge in excess of \$750.00 shall be exempt from the tax levied by this chapter.**

Section 2: This ordinance shall be effective on January 1, 2018 and no earlier than one month after its final passage and publication in accordance with Kodiak Charter Section 2-13.



ATTEST:

Michelle Khusovskiy-Nelson

DEPUTY CLERK

CITY OF KODIAK

Pat Kra

MAYOR

First Reading: Postponed in First Reading September 28, 2017
Continued First Reading: Passed in the First Reading October 26, 2017
Second Reading and Public Hearing: November 9, 2017
Effective Date: January 1, 2018

[Bold and underlined added. Deleted language stricken through.]

**CITY OF KODIAK
ORDINANCE NUMBER 1369**

AN ORDINANCE OF THE COUNCIL OF THE CITY OF KODIAK REPEALING KODIAK CITY CODE 3.08.160, "ADMINISTRATIVE COSTS AND REIMBURSEMENTS," TO ELIMINATE THE 2% DEDUCTION FOR TIMELY FILING OF SALES TAX RETURNS AND REMITTANCE OF COLLECTED SALES TAX

BE IT ORDAINED by the Council of the City of Kodiak, Alaska, that:

- Section 1: Kodiak City Code 3.08.160, entitled "Administrative costs and reimbursements," is hereby repealed.
- Section 2: This ordinance shall be effective on January 1, 2018, and no earlier than one month after its final passage and publication in accordance with Kodiak Charter Section 2-13.



CITY OF KODIAK


DEPUTY MAYOR

ATTEST:


DEPUTY CLERK

First Reading: September 28, 2017
Second Reading: October 12, 2017
Effective Date: ~~November 18, 2017~~
January 1, 2018 NB

[Bold and underlined added. Deleted language stricken through.]



City of Kodiak - Sales Tax Office
 710 Mill Bay Road, Room 211
 Box 1397
 Kodiak, AK 99615
 Phone: (907) 486-8655
 Fax: (907) 486-8600

REPORT OF CONSUMERS' TAX ON SALES, SERVICES AND RENTALS 7% Quarterly Sales Tax Return

Account No: 123456

For the period: 7/1/2017 to 9/30/2017

GREAT WHITE NORTH
1101 Arctiv Circle
North Pole AK 98123

FORM DUE ON OR BEFORE: 10/31/2017 even when no sales tax is due. Must be postmarked on or before due date.

If final return, check box Last Day of Business / /
 Reason: _____

If sold, to whom: _____

Business Type: 532420 - Off. Mach/Eq. Rental

REVENUE (Sales, Services, Rentals):

- 1.) Gross revenue from sales 1.)
- 2.) Gross revenue from services 2.)
- 3.) Gross revenue from rentals (Other than real property rentals over 30 days) 3.)
- 4.) Gross revenue from motor vehicle fuel 4.)
- 5.) Total gross revenues (add lines 1, 2, 3, and 4) 5.)

LIST DETAIL OF DEDUCTIONS:

- 6.) Sales, Services or Rentals to Senior Citizens with valid Exemption Certificate 6.)
- 7.) Sales, Services or Rentals to Government 7.)
- 8.) Sales or Services to Wholesale/Retail with valid Exemption Certificate 8.)
- 9.) Sales or Services to Contractors with valid Exemption Certificate 9.)
- 10.) Other Allowable Deductions, please explain 10.)
- 11.) Total Over Maximum Taxable Amount of \$3,000 (total of \$ amount from detail below) 11.)

Categories	# of Transactions	\$ Amount over \$3,000
Transactions \$3,000 - \$5,000	<input style="width: 100px; height: 20px;" type="text"/>	<input style="width: 100px; height: 20px;" type="text"/>
Transactions \$5,001 - \$7,500	<input style="width: 100px; height: 20px;" type="text"/>	<input style="width: 100px; height: 20px;" type="text"/>
Transactions > \$7,500	<input style="width: 100px; height: 20px;" type="text"/>	<input style="width: 100px; height: 20px;" type="text"/>

- 12.) Sales tax collected if included in gross (Gas Stations, Vending Machines, Bars & Taxi Cabs **only**, see instructions) 12.)
- 13.) Total Deductions (add lines 6, 7, 8, 9, 10, 11, and 12) 13.)

CALCULATED TAX AND PAYMENT:

- 14.) Calculated Taxable revenue (line 5 minus line 13) 14.)
- 15.) Computed tax (7% of line 14) 15.)
- 16.) Total Penalty - (5% of line 15 will be charged monthly after due date noted above up to 20%) 16.)
- 17.) Total Interest - (1.25% of line 15 will be charged monthly after due date noted above) 17.)
- 18.) Total Sales Tax Due (add line 15, line 16, and line 17) 18.)
- 19.) Amount Remitted (Payable to the City of Kodiak) 19.)

Cash _____ or Check # _____

Date: _____ **Printed Name:** _____ **Signature:** _____

RETURN SIGNED ORIGINAL TO THE CITY OF KODIAK WITH PAYMENT POSTMARKED ON OR BEFORE THE DUE DATE ABOVE



City of Kodiak - Sales Tax Office
 710 Mill Bay Road, Room 211
 Box 1397
 Kodiak, AK 99615
 Phone: (907) 486-8655
 Fax: (907) 486-8600

REPORT OF CONSUMERS' TAX ON REAL PROPERTY RENTALS OVER 30 DAYS 7% Quarterly Sales Tax Return

Account No: 00012534

For the period: 1/1/2017 to 3/31/2017

**IGLOO RENTALS
 1101 ARCTIC CIRCLE
 Kodiak AK 99615**

FORM DUE ON OR BEFORE: 4/30/2017 even when no sales tax is due. Must be postmarked on or before due date.

If final return, check box Last Day of Business ___ / ___ / ___
 Reason: _____

If sold, to whom: _____

Business Type: 99999 - Info Varies

REVENUE (Real Property Rentals Over 30 Days):

- 1.) Gross revenue from Residential Real Property Rentals 1.)
- 2.) Gross revenue from Commercial Real Property Rentals 2.)
- 3.) Total gross revenues (add lines 1 and 2) 3.)

LIST DETAIL OF DEDUCTIONS:

- 4.) Real Property Rentals to Senior Citizens with valid Exemption Certificate 4.)
- 5.) Real Property Rentals to Government 5.)
- 6.) Real property Rentals to Contractors with valid Exemption Certificate 6.)
- 7.) Other Allowable Deductions, please explain 7.)
- 8.) Total Over Maximum Taxable Amount of \$750 (total of \$ amount from detail below) 8.)

Categories	# of Transactions	\$ Amount over \$750
Transactions \$750 - \$1,500	<input type="text"/>	<input type="text"/>
Transactions \$1,501 - \$3,000	<input type="text"/>	<input type="text"/>
Transactions > \$3,000	<input type="text"/>	<input type="text"/>

9.) Total Deductions (add lines 4, 5, 6, 7, 8) 9.)

CALCULATED TAX AND PAYMENT:

- 10.) Calculated Taxable revenue (line 3 minus line 9) 10.)
- 11.) Computed tax (7% of line 10) 11.)
- 12.) Total Penalty - (5% of line 11 will be charged monthly after due date noted above up to 20%) 12.)
- 13.) Total Interest - (1.25% of line 11 will be charged monthly after due date noted above) 13.)
- 14.) Total Sales Tax Due (add lines 11, 12, and line 13.) 14.)
- 15.) Amount Remitted (Payable to the City of Kodiak) 15.)

Cash _____ or Check # _____

Date: _____ **Printed Name:** _____ **Signature:** _____

RETURN SIGNED ORIGINAL TO THE CITY OF KODIAK WITH PAYMENT POSTMARKED ON OR BEFORE THE DUE DATE ABOVE