

**ADMINISTRATIVE GUIDELINES  
SINGLE SERVICE EXEMPTION “CAP”  
Procedure 422**

The CBJ Assembly adopted a “cap” exemption levying the sales tax on the first \$12,800 of the sale of a single service. A single service is defined as an interrelated and interdependent function necessary to perform a specified action, such as a case, project, audit, etc. The single service definition would also include repetitive services like janitorial services.

| <b>History of Single Item Cap Levels</b> |                     |
|--|---------------------|
| Prior to 1991                            | Cap Level: \$5,000  |
| 1991- June 30, 2015                      | Cap Level: \$7,500  |
| July 1, 2015 – December 31, 2017         | Cap Level: \$12,000 |
| January 1, 2018 – December 31, 2019      | Cap Level: \$12,100 |
| January 1, 2020 – December 31, 2021      | Cap Level: \$12,400 |
| January 1, 2022 – December 31, 2023      | Cap Level: \$12,800 |

Effective July 1, 2015, a clause was added that provides for a future adjustment to the level of the cap on the sale of a single service. Any adjustment will be based on the Consumer Price Index for the Anchorage metro area. Merchants will be notified accordingly of any future adjustment to the level of the cap on the sale of a single service.

*69.05.040(22): That portion of the selling price of a single service that exceeds \$12,800. This amount will be adjusted in 2024 and every two calendar years thereafter consistent with the Consumer Price Index for all urban consumers for Anchorage metropolitan area compiled by the United States Department of Labor, Bureau of Labor Statistics. Adjustments to the amount listed will be rounded to the nearest \$100. For the purposes of this subsection, a single service is an interrelated and interdependent function necessary to perform a specified action. If a single service is performed over a period exceeding one month, the selling price must be apportioned to a monthly or invoice basis, whichever is more frequent, proportionate to the service performed, except for*

- (a) a commission paid to an agent for negotiating the sale of real property, or*
- (b) a written contingent fee agreement award or settlement.*

The basis for determining qualification for the single service cap exemption requires three separate criteria to be met:

1) The service provided must be a single service. The service may be made of different components or actions that are taken, however, each component or action must be interrelated and interdependent upon each other to accomplish the performance of the specified single service.

2) The periodic selling price of the single service is the amount that is owed on a calendar month, or if invoiced more than once a month, the amount owed per invoice. If the performance of the single service exceeds a calendar month, the exemption only applies to the amount owed for each calendar month. The performance of a service may take many months to complete. If the billing for the service occurs only at the end of the project, Merchants are required to allocate the billing over the calendar months taken to complete the project to determine if the “cap” would apply to any one month.

3) The periodic selling price per calendar month or invoice basis must exceed \$12,800. It is the amount that exceeds \$12,800 that is exempt from the sales tax.

Each of the three criteria listed above must be met to qualify for the single service cap exemption.

Exceptions:

Commissions charged by Real Estate agents for negotiating the sale of real property are not limited to the services performed within a one month period. The commission is taxed at the first \$12,800 of the sale regardless of the length of time the agent has in selling the property.

Attorneys that contract with a their client with a written contingency fee are required to collect the sales tax on the first \$12,800 of the fee award regardless of the length of time taken to resolve the case.

If you are uncertain whether the transaction you have entered into would qualify for the “cap” on the sale of a single service, please contact the Sales Tax Office for assistance at (907) 586-5215 ext. 4901.