CBJ SALES TAX OFFICE
GENERAL GUIDELINES FOR CBJ SALES TAX EXEMPTIONS
Procedure 400

The following guideline provides a brief, general description of the CBJ sales tax exemptions. It does not provide specific rules, and it is not a substitute for tax laws.

When discussing sales tax exemptions, it is important to consider the following general principles:

- All sales of tangible personal property, services and rentals are presumed to be subject to the sales tax.
- Tax must be remitted to CBJ unless a specific exemption applies to the transaction and proper documentation of the exempt status of the transaction is established by the purchaser and retained by the seller.
- Most individuals, businesses, and organizations must pay tax on their purchases.
- The burden of proving that a transaction is exempt is on the person claiming the exemption.
- Merchants who fail to collect and remit sales tax on taxable transactions or who fail to maintain proper records and documents with respect to their transactions will be held personally liable for payment of the tax owed CBJ.
- Intentional disregard of the sales tax law is a serious matter and will result in monetary fines, penalties, or criminal charges.

There are several distinct types of exemptions and prescribed methods by which the exemption must be claimed. Failure to follow the proper method in claiming an exemption may result in a transaction being taxable even though an exemption would exist if the proper procedure and documentation had been used.

Exemption Certificate Exemptions

The following exemptions **must** be claimed by use of a current tax exemption certificate. If the purchaser refuses to provide an exemption certificate, the merchant must collect the tax, and the purchaser must pay the tax. If the merchant fails to obtain an exemption certificate, the merchant will be held personally liable for the tax. Following is a list of tax exemptions that must be claimed by presenting a properly executed exemption certificate to the seller of the tangible personal property, services, or rentals:

> **Construction materials –** A Builders Sales Tax Exemption card is issued with a valid CBJ building permit. The exemption card will exempt from the sales tax those items that will be incorporated into the structure or site. The card will <u>not</u> exempt items that will be used or consumed in the construction process, or tools or equipment rentals without an operator. See CBJ Administrative Guidelines 405 for more information.

Non-Profit 501(c)(3), 501(c)(4), and 501(c)(19) organizations – An exemption certificate is issued by the CBJ Sales Tax Office to organizations that have obtained a letter ruling from the Internal Revenue Service classifying the organization as a 501(c)(3), 501(c)(4) or 501(c)(19). Purchases and sales made by the qualifying organization are exempt from the CBJ sales tax when the exemption certificate is presented to the seller. The sale of pull-tabs or unrelated business income does not qualify under this exemption. See CBJ Administrative Guideline 412 for more information.

Senior citizens – State of Alaska and City & Borough of Juneau residents who are 65 years or older may apply for and obtain a Senior Citizen Sales Tax Exemption Card. The card allows a sales tax exemption on certain "essential" purchases for the use & consumption of the senior citizen and their spouse. Essential items include electricity, heating fuel, water and wastewater, and curbside refuse and recycling collection, provided at the senior's primary residence. It also exempts grocery food purchases and landfill charges. The Senior Citizen Exemption does not apply to any other purchases, and the card must be presented at the time of sale. See CBJ Administrative Guideline 418 for more information.

Resale of Goods – Merchants may apply for and obtain a Resale of Goods certificate. The certificate will allow a sales tax exemption on items to be resold or incorporated into a new item for resale. The certificate will not cover items that are consumed in the process. See CBJ Administrative Guideline 432 for more information.

Tax Exempt Organizations

Government – Federal and State law prohibit CBJ from levying the sales tax on purchases by the Federal Government and the State of Alaska. CBJ has granted exemption status to CBJ and other municipalities. Purchases by employees of these government agencies while on government business are not exempt from sales tax unless such purchases are directly billed to and paid for by the government agency. However, this exemption does not apply to certain sales made by CBJ. See CBJ Administrative Guideline 413 for more information.

Schools – The public school system is owned and operated by the city and borough of Juneau. Sales and purchases by Juneau public schools are exempt.

School–approved groups – Retail sales, rentals or services at a school-approved activity for fundraising are exempt. Purchases would be taxable.

School cafeterias – Retail sales in school cafeterias of food or beverages not sold to the general public are exempt.

Hospital – Bartlett Memorial Hospital is owned and operated by the City and Borough of Juneau. Sales and purchases by Bartlett Memorial Hospital are exempt. Exception: retail sales of food and beverages to the general public in the Bartlett Memorial Hospital cafeteria are taxable.

Certain non profit organizations:

Membership dues for nonprofit 501 (c) – Labor unions, fraternal organizations, and nonprofit organizations that have obtained an IRS ruling as a 501(c) are exempt from collecting the sales tax on their membership dues. However, retail sales or a set fee charged for admission to a specific function is taxable.

Nonprofit youth camps – Nonprofit youth day, recreation, and summer camps that primarily serve persons under the age of 18 are not required to collect the sales tax on their fees.

Sales of Certain Specific Services

Construction Services – Certain construction services under a construction contract of work requiring a CBJ building permit are exempt from the sales tax. This exemption would not cover repair or maintenance. See Administrative Guideline 405 for more information.

Medical Services – Sales of medical services and supplies by a state-licensed or certified professional named in CBJ 69.05.040(7) are exempt from the sales tax. The medical profession must be specifically named in the exemption language to qualify. See Administrative Guideline 407 for more information.

Counseling Services – Sales of counseling services by a state licensed or certified professional named in CBJ 69.05.040(8) are exempt from the sales tax. The counseling profession must be specifically named in the exemption language to qualify. See Administrative Guideline 408 for more information.

Child Care – Child day care, pre-elementary school and babysitting services are exempt from the sales tax. Persons providing these services are not required to register with the CBJ sales tax office. Purchases of goods or services are taxable.

Commissioned Services (travel agent, sales agent) – Travel agents are not required to collect the sales tax on their commissions for the sale of travel, lodging, and adventure services. Specific fees charged by travel agents are taxable. Sales agents selling tangible personal property on a commission basis are not required to collect the sales tax on their services. See Administrative Guideline 440 for more information.

Sales Made by a Financial Institution – Banks, savings and loan associations, credit unions and investment banks are not required to collect the sales tax on certain of their sales or services. Purchases by these institutions are taxable.

Lobbying Services – Lobbyists who are registered and regulated by the State are not required to collect the sales tax on their services.

Transactions that meet certain criteria

Casual & Isolated – With the broad levy of the sales tax on all retail sales, services and rentals, the exemption for a casual and isolated sale is provided most specifically for individuals who are not in business. Few transactions for merchants who are regularly conducting business would qualify under this exemption. See Administrative Guideline 401 for more information.

Out-of-Borough - This applies to goods and/or services ordered from outside CBJ and delivered outside CBJ. Documentation must be kept showing the order being received from outside CBJ, and shipping documents must be kept showing delivery. If the shipment and/or delivery is by electronic means, the buyer's "billed to" address must verify the shipment and/or delivery. See Administrative Guideline 403 for more information.

Services performed outside of CBJ would not qualify under this exemption, nor are they included in gross sales when reporting to CBJ sales tax. Services may be subject to sales tax in the taxing jurisdiction where they are received. Merchants need to contact the local taxing authority for more information on the taxability of those services.

Services performed outside of CBJ, received by customers in CBJ, are taxable here.

Personal property specifically manufactured for a patient – Items such as hearing aids, crutches, wheelchairs, eyeglasses, contacts, etc., specifically manufactured for an individual patient are exempt from the sales tax.

Residential Rentals – Residential rentals for longer than 30 consecutive days are exempt from the sales tax. Property owners whose sole business activity is the rental of residential units are exempt from the registration and reporting requirements. Please note coin-op laundry facilities, vending machine sales, and commercial rentals are taxable.

Single Item Cap – A single good is defined using a single unit of measurement. For example, the price per gallon, per yard, per ton, etc. would have to exceed $15,000. In addition, any optional accessories or component parts must be affixed or fitted to one another to make a functional whole. Services to install a single item also qualify. For example, the purchase of a new furnace and the labor to install. Jewelry items are excluded from the Single Item Cap. See Administrative Guideline 421 for more information.

Single Service Cap – 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. For purposes of the cap, a single service is the amount owed on a calendar month or invoice basis, whichever is more frequent. If the performance of a service or a service contract exceeds a calendar month, the amount owed in any one month must exceed the $15,000 cap amount to qualify. *(continues)*

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 *(continues)*

the billing over the calendar months taken to complete the project to determine if the "cap" would apply to any one month. See Administrative Guideline 422 for more information.

Lease/purchase buyout – See Administrative Guideline 423 for information.

Aviation fuel – Sales of aviation fuel and fuel delivery services at the Juneau International Airport are exempt from the CBJ sales tax. However, the sale may be subject to a fuel flowage fee. Please contact the Juneau International Airport for more information on the fuel flowage fee.

Transportation for Goods – Sellers whose primary business is the transportation of goods are not required to collect the sales tax on their transportation services when the goods are either transported from or delivered to a point outside of CBJ. Transportation services performed within the taxing jurisdiction of CBJ are subject to the sales tax.

Warranty Services – Sales of goods and services performed under a warranty or service contract are exempt from the sales tax. The sale of the warranty is subject to the sales tax.

Related Party Rentals – Commercial real property rentals from a lessee to a lessor having identical legal composition are exempt under certain conditions. Please see Administrative Guideline 439 for more information.

Advertising Services - Orders for radio, television, and newspaper advertising services received from outside CBJ that will also be placed in at least five other states are exempt. Documentation must be maintained to show that the order was received from outside CBJ and that the advertising will be placed in five other states.

Printing Services – Printers are not required to collect the sales tax when the order for the printing service is received from outside CBJ and the printed material is delivered outside CBJ. Documentation must be maintained to show that the order was received from outside CBJ and shipping documentation must be maintained to show delivery outside CBJ.

Resale of Services – The sales tax code provides strict guidelines to determine whether or not a service is resold. Five specific criteria must be met in order for the transaction to qualify. Please see Administrative Guideline 431 for more information.

Essential Food – SNAP-eligible grocery foods are exempt from sales tax. This includes any food or food product for home consumption except alcoholic beverages, tobacco, hot foods, or hot food products ready for immediate consumption.

Essential Utilities - City & Borough of Juneau residents may apply for and obtain an Essential Utilities Sales Tax Exemption Card. The card allows a sales tax exemption on certain "essential" purchases for the use & consumption of the resident at their primary place of abode. Essential items include electricity, heating fuel, water and wastewater, and curbside refuse and recycling collection, provided at the senior's primary residence.