INTERPRETATIONS OF SELECTED SALES TAX EXEMPTIONS

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This has been prepared by the Sales Tax Office to assist you in the interpretation, qualification, and documentation of the most commonly granted sales tax exemptions. As a merchant, you are required to be familiar with each exemption and to determine if your customer meets the qualification for exemption. As a merchant, you should also be aware that granting sales tax exemptions improperly may cause you to incur the sales tax liability for the sale, including penalties and interest.

Exemption 2 – Prohibited by State or Federal Law: This sales tax exemption includes sales prohibited from taxation because of federal or state restrictions, such as WIC and sales paid for by food stamps. These sales are separately exempt from sales made to a government unit or a federally recognized Indian tribe. (For sales made to a government unit, please see Exemption 13 below).

Exemption 3 - Goods and Services Sold Out-of-Borough: To qualify for this exemption, the order and payment must be received from outside the City and Borough of Juneau, and the goods must be shipped or delivered to a location outside the borough. Services may also qualify when the service is performed or first used outside the borough. Merchants must maintain documentation supporting both the location where the order was received and the out-of-borough delivery or performance of the goods or services.

Exemption 12 - Nonprofit organizations: This is only for organizations that qualify for a Section 501(c)(3), 501(c)(4), or 501(c)(19) nonprofit status with the IRS and are registered as such with the Sales Tax Office. Nonprofit organizations can purchase a Nonprofit Exemption Certificate from the Sales Tax Office. The application fee is $20.00. The exemption certificate bears a 3-digit exemption number, and this number is the required documentation. The Sales Tax Office suggests for repeat nonprofit customers that the merchant maintain a copy of the nonprofit exemption certificate on file. A listing of qualifying nonprofit organizations is now available from the Sales Tax Office.

Exemption 13 – Governments: This is for the Federal government, State of Alaska, and municipal governments. Individuals who purchase with their own funds for later government reimbursement may not take this exemption. Only direct sales paid by government check, government Purchase Order, or specified government credit cards qualify. Document the Purchase Order requisition number as the required documentation. For additional information on the qualifying governmental credit cards, please call the Sales Tax Office.

Exemption 18 - Senior citizen cards: Senior citizens who display a valid CBJ Senior Citizen Exemption card at purchase qualify. Senior cards issued by other municipalities will not be valid for CBJ purchases. The Senior Citizen Exemption card must be purchased from the CBJ Sales Tax Office. The card cost is $20.00 per card. The replacement fee for lost cards is $5.00 per card. Only the person who is actually issued the card may use it for exempt purposes. For example, a husband may not use a wife's card. Purchases must be for the senior's own personal consumption. Seniors do not qualify for exemption on purchases of alcoholic beverages, hotel/motel stays, or any purchases for business purposes. The card number (format YY-XXXXX) and the cardholder's signature are the required documentation. **You are required to ask to see the senior card, not just ask them to provide their number.**

Exemption 32 - Sales of Goods for Resale: Individuals or companies with a valid CBJ resale of goods certificate may purchase goods for resale if the material is the type of goods they are in the business of selling. Merchants must apply for a resale certificate and pay the applicable fees each year through the sales tax office. The face of the card states the business name, type of business activity, and the types of purchases which the business is authorized to make for resale. The card number (R-15-XXXXX for calendar year 2015) is the required documentation. For customers you bill on account, you may keep a copy of the resale of goods certificate on file instead of viewing the card for each purchase. However, you are responsible for verifying that the types of goods purchased correspond to the categories listed on the face of the card. Note: This card may not be used for purchases of services for resale.

APPLICABLE LAW:

CBJ 69.05.040(2) "Sales, services, rentals and transactions which the municipality is prohibited from taxing under the Constitution and laws of the United States or the state of Alaska, including but not limited to the following:

(a) Sales of insurance and bonds of guaranty and fidelity, and the commissions thereon;

(b) Sales to or by federally chartered credit unions;

(c) Sales of goods made with food coupons, food stamps, or other type of certificate issued under 7 U.S.C. 2011-2025 (Food Stamp Act), or made with food coupons, food vouchers or other type of certificate issued under 42 U.S.C. 1786 (Special Supplemental Food Program for Women, Infants, and Children)."

CBJ 69.05.040(3) "Sales of goods and/or the performance of services and associated shipping and handling charges resulting from orders received from outside the City and Borough where goods and/or services are received by the buyer outside the City and Borough after seller ships the goods and/or delivers the service by mail, electronic transfer, or common carrier. Shipment and/or delivery outside the City and Borough must be verified by postal or shipping documents. If the shipment and/or delivery is by electronic means, shipment and/or delivery must be verified by the buyer's "billed to" address. Common carrier means a commercial enterprise that holds itself out to the public as offering to transport freight for a fee without refusal."

CBJ 69.05.040(12) "Sales, services and rentals to a buyer, or made by a seller, organized and administered solely by an organization that has a current 501(c)(3), 501(c)(4), or 501(c)(19) exemption ruling from the Internal Revenue Service and an exemption certificate from the finance director, provided, this exemption applies to sellers only if the income from the sale is exempt from federal income taxation. This exemption does not apply to the sale of pull-tab games."

CBJ 69.05.040(13) "Retail sales, services, and rentals of real or tangible personal property to or by the state or a municipality. This exemption does not apply to

(a) sales of pull-tab games by political subdivisions and municipalities, or

(b) retail sales, services, and rentals of real and tangible personal property by the City and Borough of Juneau listed in this subsection (13)(b):

(1) Bartlett Regional Hospital sales, services, and rentals;
(2) Capital Transit passenger fares and passes;
(3) Sales of municipal real property, gravel, and minerals;
(4) Parks and Recreation Department sales, services, and rentals;
(5) Eaglecrest Ski Area sales, services, and rentals;
(6) Hagevig Fire Training Center sales, services, and rentals;
(7) Juneau International Airport sales, services, and rentals;
(8) Sewer Utility and Water Utility sales, services, and rentals;
(9) Port and Harbor sales, services, and rentals authorized by Title 85 of this code."

CBJ 69.05.040(18) "Sales of goods, services, and rentals as set forth in Section 69.05.045 to persons issued, or authorized to use, a valid city and borough senior citizen sales tax exemption card who display the card at the time of sale. A senior citizen sales tax exemption card does not exempt the sale of alcoholic beverages from sales tax."

CBJ 69.05.040(32) "Sales for resale of tangible personal property, as defined in CBJ 69.05.010(4)."

CBJ 69.05.010(4) " 'Sale for Resale' means the sale of tangible personal property to a buyer whose principal business is the resale of the property whether in the same or an altered form and who holds a valid resale certificate issued by the city and borough of Juneau."