

Council Information:

Introduced by: City Manager Healy
 Introduced: December 12, 2006
 Public Hearing: December 28, 2006
 Action: Postponed to January 9, 2007
 Date: January 9, 2007
 Action: Adopted
 Vote: Unanimous

| Yes: | No: |
|---------|-----|
| Pippel | |
| Erbey | |
| Vanover | |
| Wood | |
| Hanson | |
| Combs | |

CITY OF PALMER, ALASKA

ORDINANCE NO. 06-027

AN ORDINANCE REGARDING THE CITY SALES TAX: ADDING THE DEFINITION OF "CALENDAR YEAR," AMENDING EXAMPLES OF TAXED TRANSACTIONS (3.16.040) AND EXCEPTIONS (3.16.050), ADDING 3.16.055 (CERTIFICATE OF EXEMPTION), AND REPEALING SECTION 3.16.060 (SPECIAL COLLECTION FOR BUILDING CONSTRUCTION)

THE CITY OF PALMER, ALASKA ORDAINS:

Section 1. Classification. This ordinance shall be permanent in nature and shall be incorporated into the Palmer Municipal Code.

Section 2. Severability. If any provision of this ordinance or any application thereof to any person or circumstance is held invalid, the remainder of this ordinance and the application to other persons or circumstances shall not be affected thereby.

Section 3. Subsection 3.16.020 C is hereby amended to read as follows (new language is underlined and deleted language is stricken):

3.16.020 Definitions.

C. "Calendar year" means the period from January 1 through December 31 or any portion thereof ending December 31. ~~"Distraint" means to seize and hold property as security for a debt.~~

Section 4. Subsection 3.16.040 K is hereby amended to read as follows (new language is underlined and deleted language is stricken):

3.16.040 Examples of taxed transactions. Illustrative examples of transfers of ownership or possession, and rendering of services, which are taxed under this chapter include, but are not

limited to, the following:

- K. Subject to subsection 3.16.050S, sales of tangible personal property and services made for the purpose of developing and improving real estate, even though such real estate is intended for resale as real property. ~~Sales of tangible personal property, including materials, supplies and equipment and rendering services to licensed contractors who use the same in the performance of a contract within the city are not taxable sales, but such contractor's total price to the buyer shall be taxed. Sales of tangible personal property to persons who are primarily engaged in selling their services shall be deemed sales to consumers or users, and therefore taxable;~~

Section 5. Section 3.16.050 is amended to read as follows (new language is underlined and deleted language is stricken):

3.16.050 Exceptions.

The tax levied shall not apply to the following:

- Q. Subject to subsection 3.16.055A, sales of food supplies to cafes, restaurants and other establishments where food is sold to the public for use in the normal course of business of cafes, restaurants and other such establishments;
- R. Subject to subsection 3.16.055A, sale of food supplies to hospitals, children's homes having six or more charges, recreational camps and schools ~~provided a certificate authorizing such exemption is first obtained from the city;~~
- S. Construction materials.
1. Subject to subsection 3.16.055A, sales of tangible personal property which property is to be used in the construction of/or renovations to improvements to real property and is to be physically incorporated into and to become a part of the real property. Among other things, this section does not include tangible personal property used for repairs or maintenance (and thus materials for repairs or maintenance shall be subject to tax, unless otherwise exempted).
 2. Subject to subsection 3.16.055A, sales of tangible personal property to a person currently and duly licensed as a contractor under Chapter 8.18 of the Alaska Statutes, which property is to be used in the construction of/or renovations to improvements to real property and is to be physically incorporated into and to become a part of the real property.
~~The maximum tax on contracts for the original construction of private buildings or private residences shall be based only on the first \$500 of the contract price.~~
- W. Subject to subsection 3.16.055A, purchases of utility services (other than cable television), including the installation and connection charges and fees, by an organization holding a current, valid 501(c)(3) or 501(c)(4) exemption letter from the Internal Revenue Service; ~~provided such organization proves to the city that it holds the 501(c)(3) exemption. Upon presentation of such proof to the city, the city shall notify utilities of the sales tax exemption.~~
- X. Subject to subsection 3.16.055A, sales, services and rentals to a buyer that has a current, valid 501(c)(3) or 501(c)(4) exemption ruling from the Internal Revenue Service and an exemption certificate from the city finance director;
- Y. Subject to subsection 3.16.055A, sales, services and rentals made by a seller that has a current, valid 501(c)(3) or 501(c)(4) exemption ruling from the Internal Revenue

Service ~~and an exemption certificate from the city finance director~~; provided that this exemption does not apply to the following:

1. Sales, services and rentals occurring at a fair with annual attendance over 50,000 people,
2. Sales of pull tabs, and
3. Sales, services or rentals made on a regular basis from a fixed location that is open more than 20 hours per week;

Section 6. Section 3.16.055 is enacted to read as follows:

3.16.055 Certificate of exemption.

- A. No sales in the city are excepted from sales tax under subsections 3.16.050 Q, R, S, W, X, and Y unless and until the person obtains from the finance director a certificate of exemption.
- B. A person may apply to the finance director for a certificate of exemption on a form approved by the finance director. The finance director may require additional information of the applicant as necessary to determine whether the application should be granted.
- C. The finance director may revoke a certificate of exemption after notice to the holder of the certificate and a hearing, if the finance director finds that the holder of the certificate:
 1. Gave materially false information when applying for the certificate of exemption;
 2. Used the certificate of exemption in a transaction that was not exempt from sales tax under section 3.16.050;
 3. Permitted the use of the certificate of exemption by a person other than an authorized agent or employee of the holder of the certificate; or
 4. Ceased to be entitled to exemption from sales tax.
- D. If the finance director revokes a person's license, that person is not exempt from paying sales tax under section 3.16.050 until the person obtains a new certificate of exemption, which may not occur sooner than one year after the revocation.
- E. If the finance director revokes a person's license, that person must pay sales tax, interest, penalties, etc., on all sales made to or by the person which were not duly exempt.
- F. A contractor currently and duly licensed under AS 8.18 may obtain a certificate of exemption for one calendar year for \$150.
- G. A buyer who proposes to undertake the construction of/or renovations to improvements to real property within the city may, at the time of applying and receiving the building permit, apply for a certificate of exemption and pay the sales tax in the amount of \$30 for the calendar year in which the building permit is issued. The buyer may renew the certificate for only one additional calendar year for an additional \$30, and after that year purchases for the original construction shall not be exempt.

Section 7. Section 3.16.060 is hereby repealed.

3.16.060 Special collection for building construction.

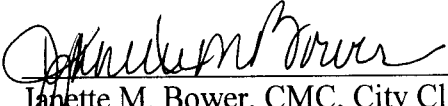
For the purpose of facilitating the collection of the tax and for the convenience of the buyer, the following special application shall prevail:

- A. ~~The buyer who proposes to undertake the original construction of private building or buildings within the city may, at the time of making application for and receiving the building permit, pay the maximum tax required. The subsequent showing of the tax receipt then issued shall exempt the buyer for a period not to exceed one year from paying any further tax in purchasing for the project for which the permit has been issued. Showing of such receipt, which shall not be transferable, at the time of the purchase of goods, materials or articles will be sufficient to permit the purchase of the goods, materials or articles without further payment of tax and will relieve the seller of the obligation to collect the tax.~~
- B. ~~In the event that the building or buildings for the project are to be erected outside of the city, then the buyer may pay the tax directly to the city and receive a receipt which shall be considered by the seller as prima facie evidence of the previous payment of such tax for any purpose for the particular project described on the tax receipt. Showing of such receipt at the time of purchase of goods, materials or articles without further payment of tax will relieve the seller from the obligation to collect the tax.~~
- C. ~~In the event that any other single building project, other than those buildings or construction for which a building permit would be required, is contemplated, requiring miscellaneous purchasing from more than one seller, the buyer may, in order to avoid the payment of multiple taxes, obtain from the city a receipt showing the maximum payment of the tax and the description of the project. The showing of such receipt at the time of purchase of goods, materials or articles without further payment of tax will relieve the seller from the obligation to collect the tax.~~

Section 8. Effective Date. Ordinance No. 06-027 shall take effect upon adoption by the City of Palmer City Council.

Passed and approved this ninth day of January, 2007.


John C. Combs, Mayor


Janette M. Bower, CMC, City Clerk