

Mayor
Alice Ruby

Manager
Jack Savo Jr.



Dillingham City Council
Triston Chaney
Jean Barrett
Steven Carriere
Curt Armstrong
Kaleb Westfall
Kevin McCambly

MEMORANDUM TO COUNCIL

To: Mayor and City Council Members
From: Anita Foran, Finance Director
Through: Jack Savo Jr, City Manager
Date: February 18, 2026
Re: Resolution 2026-07

SUMMARY: The City of Dillingham has an allowance in DMC 4.20.050 Exemptions T. Tax Cap. The selling price amount of any sale (other than the rental or lease of real or personal property or any provision of services) in excess of three thousand five hundred dollars. For purposes of this exemption the following rules apply:

1. The sales price of multiple items purchased by the same buyer from the same seller at the same time, and which are delivered on one date, shall be combined and treated as a single sale or transaction. If the buyer is purchasing a number of items for a construction, improvement, or renovation package, the sales price of the multiple items purchased at the same time as a package shall be combined even though delivery or payment for some of the items may be made at different times. A "package" is defined as an arrangement where the buyer or seller has obtained all required permits (i.e., city land use permit or other building permit), and there is a written agreement with seller identifying the total price being paid.
2. Each payment for a single item paid for on an installment basis shall be considered a separate sale with the exception that installment payments for snow machines, ATVs, boats, boat motors, and vehicles that are seller financed by a business operating within the city or by a financial institution are subject to the sales tax cap on the total amount of the sale.
3. For purposes of computing the amount of any sale or transaction, items purchased on account or on credit on different days shall not be combined and treated as a single sale or transaction.

PREVIOUS ACTION: City of Dillingham adopted this action with Ord. 18-03 § 2, 2018; Ord. 17-08 § 2, 2017.

BACKGROUND: City of Dillingham implemented this exemption to assist local businesses who are competing with Anchorage and other locations that do not have a sales tax and keep large purchases at a lower cost. The 2018 U.S. Supreme Court ruling in South Dakota v. Wayfair, Inc fundamentally changed online sales tax by allowing states to require remote sellers to collect sales tax without a physical presence. This ruling eliminates the initial argued benefit that initially supported the decision made in 2017.

The City of Dillingham has also entered into an agreement with AML to assist with the acquisition of sales tax from remote sellers for all Alaska communities. It has been asked of the City of Dillingham to remove the unique tax cap that is not found within other

communities of other states. In addition, this exemption creates software reporting issues for numerous vendors when reporting their monthly sales tax.

DISCUSSION: This will simplify the tax process and will make our tax process more efficient. This will also increase sales tax revenue.

ALTERNATIVES: no suggested alternative.

FINANCIAL IMPLICATIONS: This action will increase sales tax revenue.