

Mayor
Alice Ruby

Manager
Jack Savo Jr.



Dillingham City Council
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Curt Armstrong
Kaleb Westfall
Kevin McCambly

MEMORANDUM TO COUNCIL

To: Code Committee
From: Anita Foran, Finance Director
Through: Jack Savo Jr, City Manager
Date: March 20, 2026
Re: Ordinance 2026-07 Clarifying definition of Physical Presence for Business License requirements

SUMMARY: DMC 4.16.010 requires that in order to operate a business within the city, it is necessary to obtain a Dillingham business license. Furthermore, business means a person (as defined in Section 4.20.020), partnership, corporation or company of any sort providing goods or services within the city for a profit, unless the goods or services consist entirely of casual or isolated sales (as defined in Section 4.20.050); and all taxicab or vehicle-for-hire regardless of amount of sales.

The City of Dillingham entered an agreement with AML's Alaska Remote Sellers program. The Alaska Remote Sellers Sales Tax Code defines a physical presence within a local jurisdiction for a business. If a business has a physical presence within the City of Dillingham city limits, the sales tax reporting must be submitted to the City of Dillingham. If no physical presence is made but sales are delivered to the City of Dillingham, then all sales tax reporting is sent to the Alaska Remote Sellers Program.

It has become unclear if a business license is required for those businesses without a physical presence within the city limits.

To provide clarity DMC 4.23.030 "Physical presence" means a seller who establishes any one or more of the following within a local taxing jurisdiction:

1. Has any office, distribution or sales house, warehouse, storefront, or any other place of business within the boundaries of the local taxing jurisdiction;
2. Solicits business or receives orders through any employee, agent, salesman, or other representative within the boundaries of the local taxing jurisdiction or engages in activities in this state that are significantly associated with the seller's ability to establish or maintain a market for its products in this state;
3. Provides services or holds inventory within the boundaries of the local taxing jurisdiction;
4. Rents or leases property located within the boundaries of the local taxing jurisdiction.

A seller that establishes a physical presence within the local taxing jurisdiction in any calendar year will be deemed to have a physical presence within the local taxing jurisdiction for the following calendar year.

PREVIOUS ACTION: City of Dillingham adopted action with Ord. 20-03 § 8, 2020.

BACKGROUND: City of Dillingham has required all businesses who supply goods or services to apply for a business license

The Alaska Remote Sellers does not require a business to have a license to submit sales tax. There are over 280 businesses that supply sales tax reports to Alaska Remote Sellers that are reported to the City of Dillingham of which an estimated 20 submit a business license application.

LEGAL: None at this time.

STAFF RECOMMENDATION: Passing this ordinance will clarify if a business should get a business license or no and promote a fair treatment to all businesses.

PROPOSED MOTION: I move to introduce ORDINANCE 2026-07, an ordinance of the Dillingham City Council Amending Dillingham Code Section 4.16.010 to clarify definition of physical presence for Business License.

ALTERNATIVES: no suggested alternative.

FINANCIAL IMPLICATIONS: This action will decrease business license revenue by \$50.00 per license not received. This is estimated to be \$1,000.00 but benefits the city by reducing staff time required to seek compliance by those companies already submitting sales tax to Alaska Remote Sellers. Suggestion is to make this ordinance effective 01/01/2027 for introduction to business and ease of implementation to start a new calendar year.