

# MEMORANDUM



**DATE:** June 2, 2023  
**TO:** Assembly Finance Committee  
**FROM:** Angie Flick, Finance Director  
**SUBJECT:** Sales Tax Delinquency Update

105 Municipal Way  
Juneau, AK 99801  
Phone: (907) 586-5215

The purpose of this memo is to bring attention to the most recently published list of delinquent sales tax merchants (March 30, 2023) and to affirm that both CBJ Finance and CBJ Law are working these cases to fullest extent possible.

CBJ 69.05.070 requires that all individuals and businesses engaged in sales, rentals or services file with the Sales Tax Office as well as charge, collect and remit sales tax to CBJ. The timing of filing and remitting sales tax varies per merchant and are monthly, quarterly, or annually. Exempt organizations, individuals and businesses are also required to file sales tax reports even if the end result is zero sales tax remittance required.

Many of CBJ's merchants comply with CBJ code and follow through with timely filing of sales tax reporting and remittance of sales tax collections. Merchants who do not comply are notified via mail by the sales tax office when a filing or remittance due date passes without action by the merchant. If there is insufficient action from this notification, sales tax staff work closely with collections and CBJ Law to determine the best course forward to resolve the delinquency.

The next steps in addressing delinquency may be different based on factors in each case and can include the estimation of sales tax remittance due; legal and court actions, confessions of judgement (COJ), and the use of third-party collection agencies. Delinquent remittance and non-filing result in late fees and penalties and are published quarterly. CBJ Finance and Law agree that prioritizing resources to bring ongoing and viable businesses into compliance is in the best interest of the merchant and CBJ. Internal resources are focused on these situations first and the remaining merchants are triaged and managed through various methods as mentioned above.

Note that CBJ's ability to address non-filers and delinquent accounts is dependent on staff capacity and the workload of manual data entry. In 2020, the Sales Tax Office lost a full-time accounting technician due to budget cuts. In an effort to partially offset this staffing loss, recent code changes incentivized more filers to use the online filing portal rather than submitting paper returns. Additionally, staff capacity at the Department of Law has been variable due to turnover and other staffing changes. Ultimately, more staff capacity in Treasury and Law would yield greater ability to address delinquencies and help more businesses stay current.

The attached information is from the quarterly publication in the *Juneau Empire* of Delinquent Sales Taxes dated March 30, 2023. The categories and the amount of sales tax remittance due (excluding fees and penalties) are summarized below:

Category	Number of Merchants	Sales Tax Amount
Active Businesses	68	\$ 281,106.49
Inactive Business/Closed Account	5	25,096.48
Merchants forwarded to CBJ Law	10	312,004.89
Merchants out of compliance with COJ	29	1,057,398.54
Non-Filing Merchants	406	
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		\$ 1,675,606.40