

Alaska Remote Sales Tax Collection

Quarterly Update and
Overview

August 18, 2020



Alaska Map

Jurisdictions

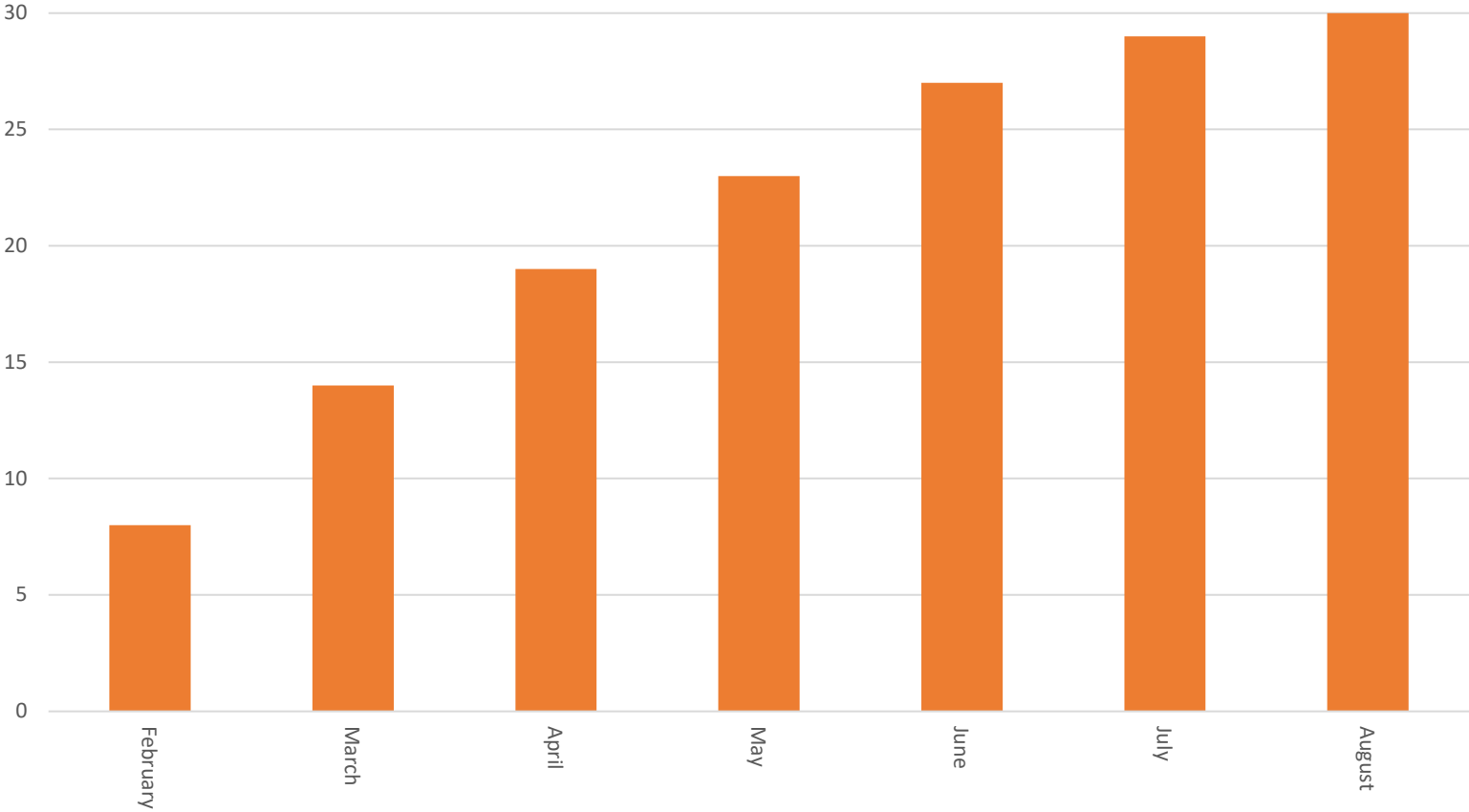


- ✓ 108 taxing communities in Alaska
 - 32% of Alaska's population*
- ✓ 30 communities across Alaska have adopted the Uniform Code
 - 79% of taxed population*
- ✓ 9 other communities have joined the Commission and are working towards adopting the Uniform Code
 - 7% of taxed population*
- ✓ 6 communities ARSSTC is hoping to have join the Commission by end of year
 - 2% of taxed population*
- ✓ 63 communities ARSSTC is hoping to have join the Commission by end of 2021
 - 11% of taxed population*

Jurisdictions (30)



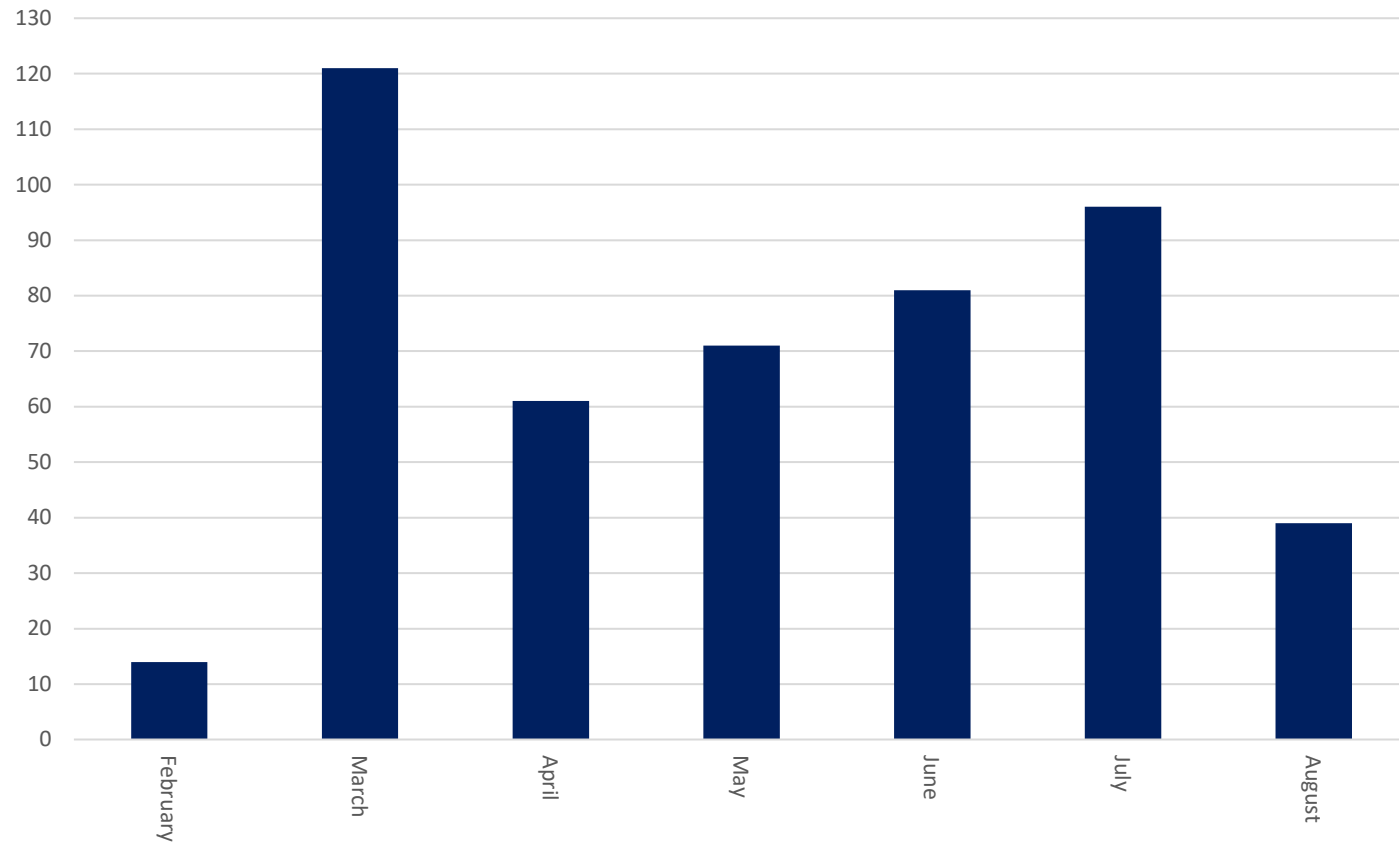
Jursidiction Adoption of Uniform Code



Sellers (483)



Seller Registration





Top Registered Sellers

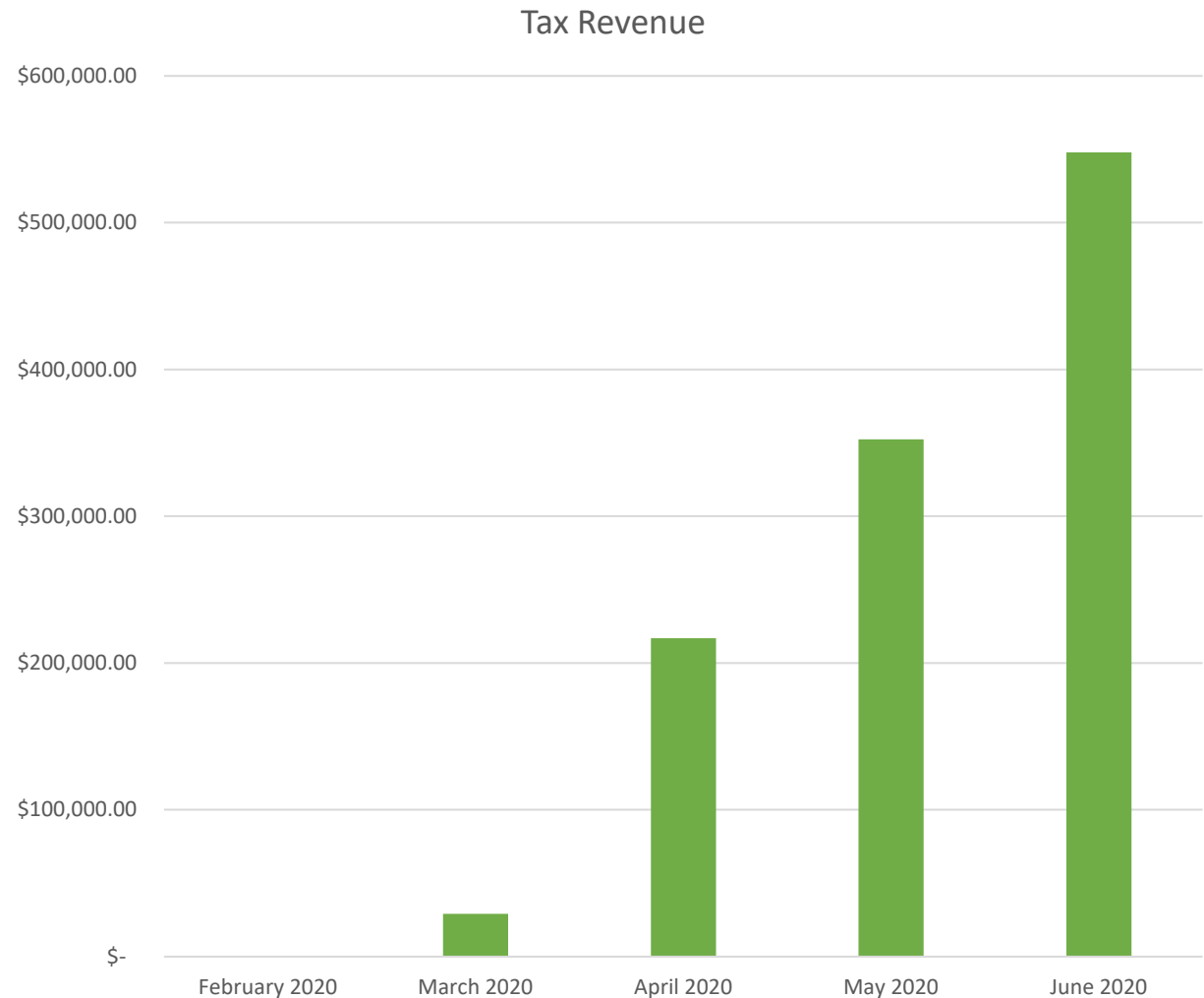
- Amazon.com Services LLC
- Nordstrom Inc
- Henry Schein Inc.
- Contextlogic Inc.
- Zappos.com LLC
- Xyngular Corporation
- Zulily, LLC
- Ulta Salon
- BestBuy.com LLC
- T Bailey Inc
- DoTerra International LLC
- Microsoft Corporation
- Plexus Worldwide LLC
- Beachbody, LLC
- Recreational Equipment Inc
- All the Rest

Sales Tax Collected (\$1,179,132)

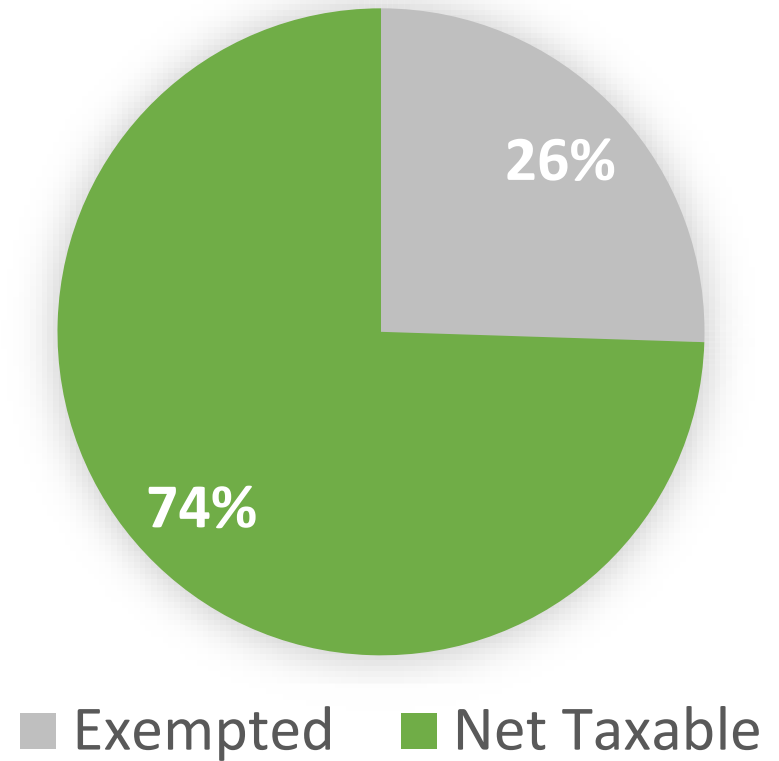
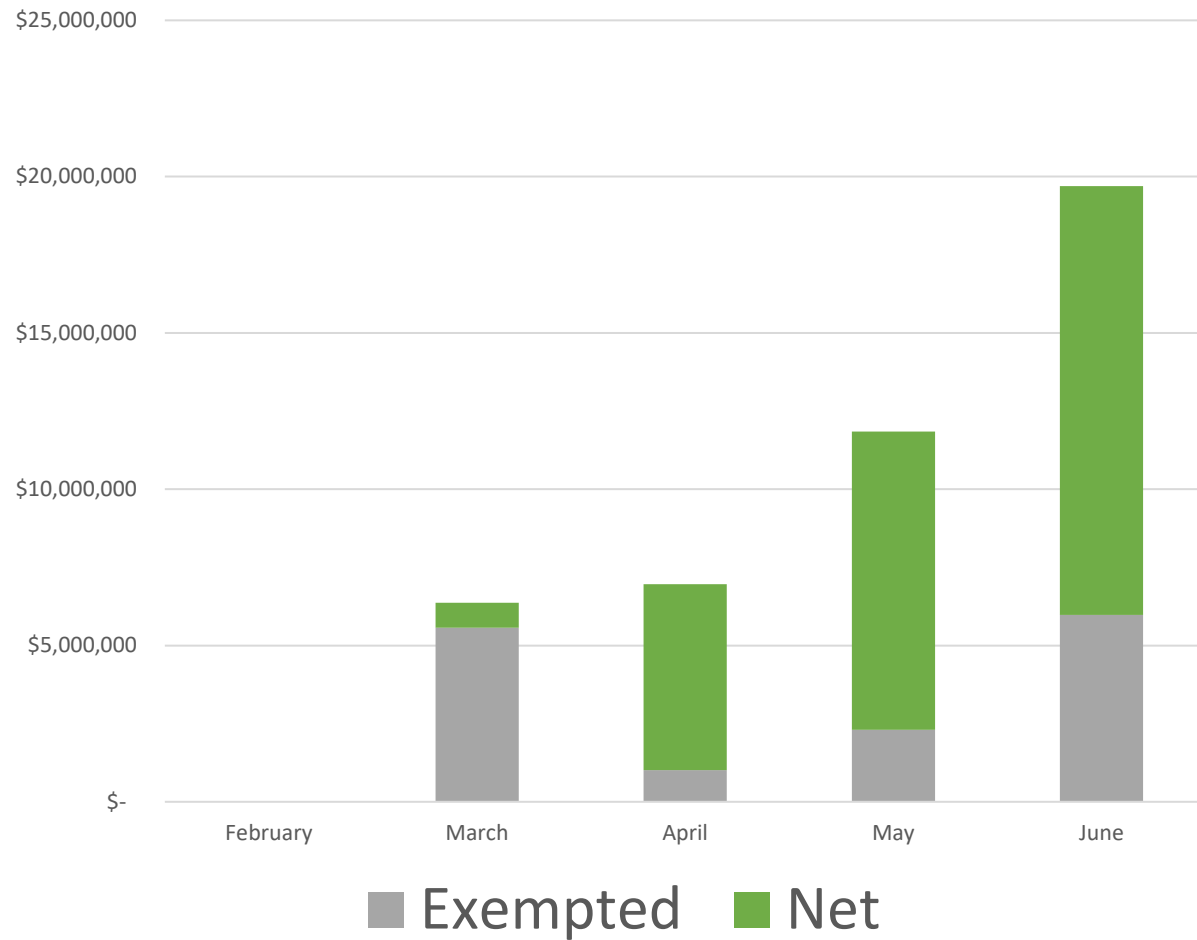


- June: \$548,195 (5%)
- May: \$353,060 (3%)
- April: \$217,046 (4%)
- March: \$29,190 (60%)
- February: \$220 (100%)

(Voluntary Collection)



Exempted and Net Remote Sales

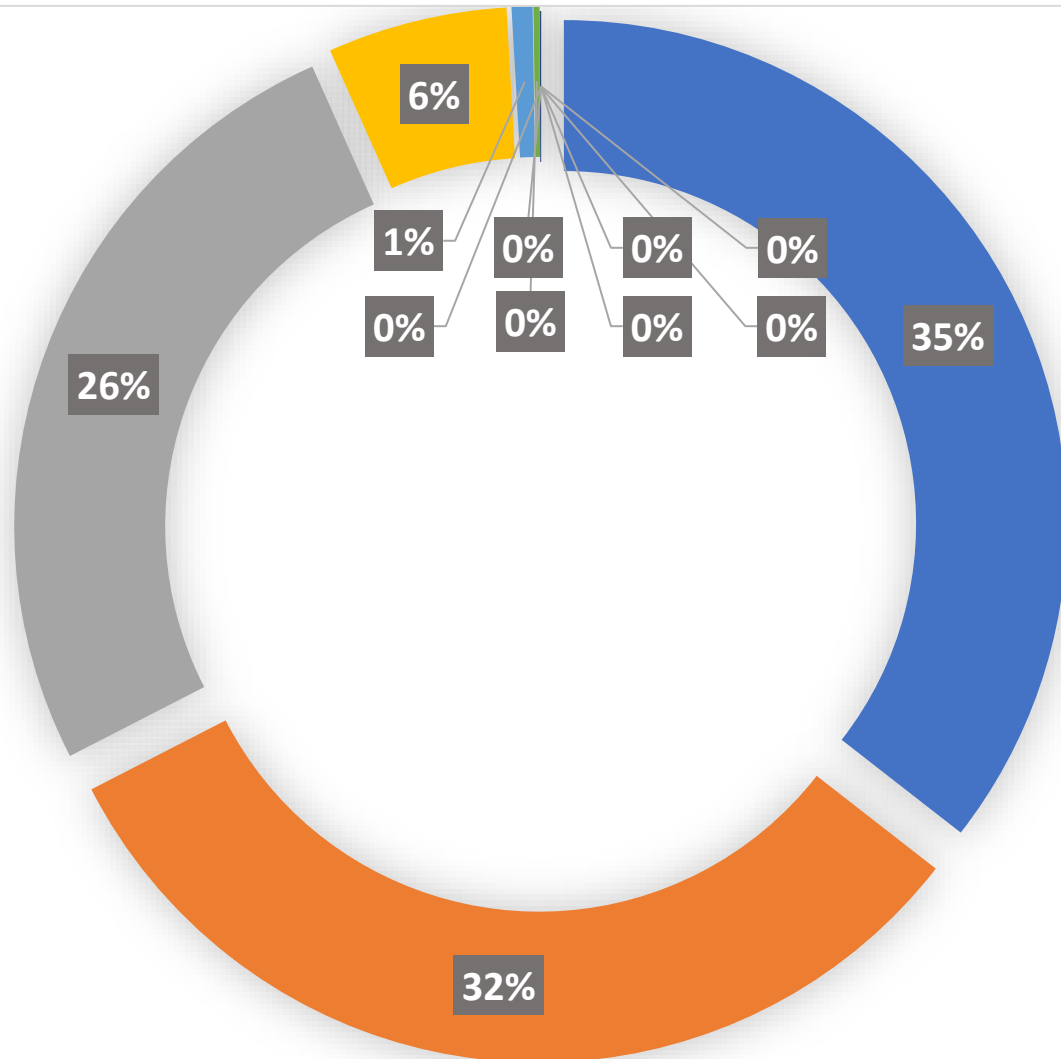


What is the right level of exemption?



- 15 jurisdictions with less than 10% of gross sales exempt
- 6 between 10 and 30 percent
- Three at 31, 34, and 37%
- One at 48%
- Two at 56 and 66%
- One as much as 73%

Exemption Breakdown

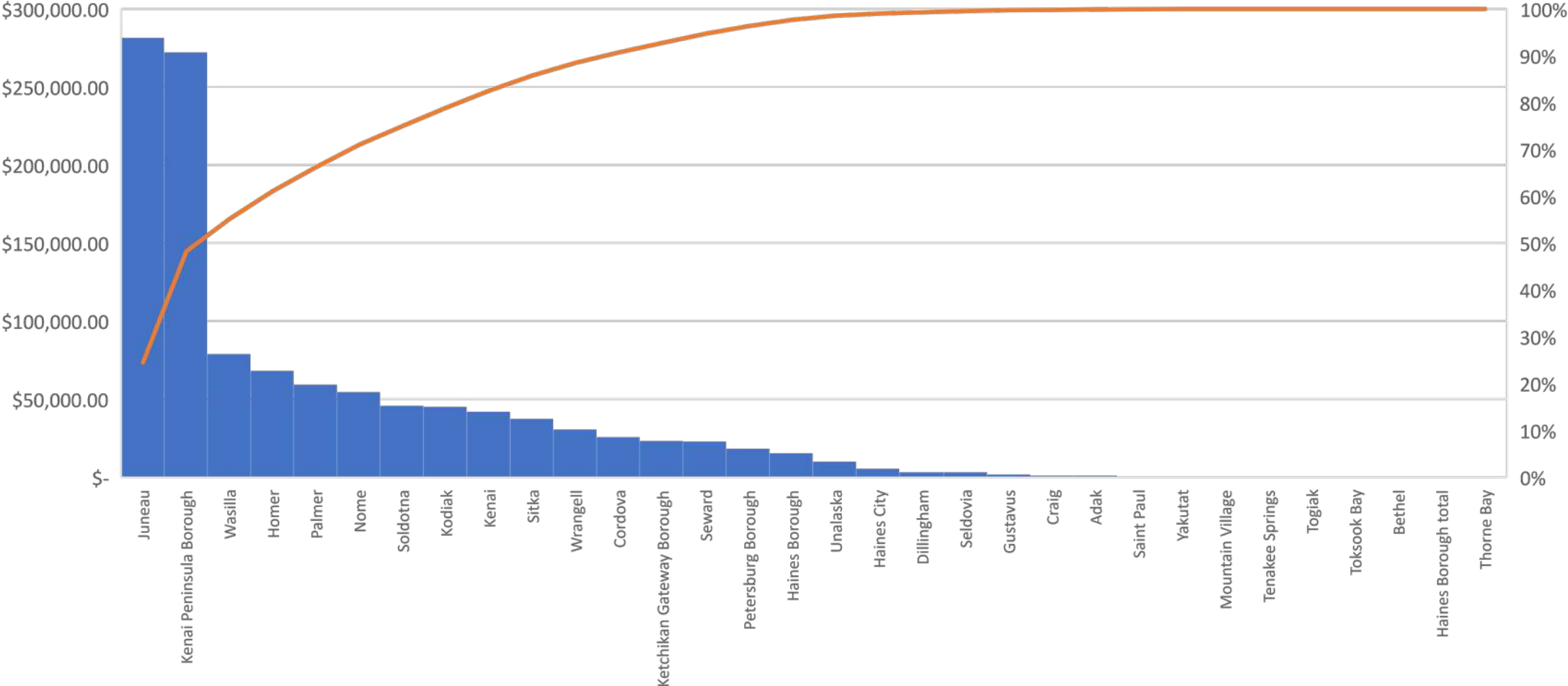


- Government
- Resale
- Outside Jurisdiction
- Other
- Purchase Threshold
- Non Profit
- Construction
- Non Prepared Food
- Tax Free Day
- Long Term Rental
- Senior Citizen
- Tax in Gross

Collection by Jurisdiction



Jursidiction Distribution of Funds



FY20 Program Successes



- Continually adding sellers
- Have almost 80% of taxed population covered
- Clarification on questions from sellers
- Establish remote seller resale certificate
- Successful deployment of API code for multiple sellers
- TTR tax map continually upgraded with information
 - <https://alaska.ttr.services/>
- MUNIRevs system continually upgraded with functionality

What are we still working through?



- Reporting
- Amended returns and overpayments
 - Buyer to be refunded by jurisdiction or seller?
- Shipping/Sourcing of product to determine tax
- Separation of revenue streams for physical versus remote
- Exemption certificate management
- Rock Auto
- Outreach to remote sellers
- Resistance by remote sellers to register and collect
- Sales to buyers outside jurisdiction but inside the zip code
- Sales tax on shipping varies by communities
- \$0 filings

Policy Committee



- Staff compile questions regarding compliance with the Uniform Code
- Staff direct questions to Policy Committee to develop interpretation
- Interpretation is presented to the ARSSTC Board for review
- ARSSTC Board reviews for approval or additional work
- Interpretations will be posted on ARSSTC website
- Issues we're working on:
 - Delivery/Sourcing/FOB and remote seller status
 - Sporadic physical presence
 - Determining transactions as in-town service or delivered goods
 - Audit request criteria and process

Policy Committee Interpretations

Number	Title	Status	Board Approval
2020.01	Sales Tax for Installment Payments of a Product	Approved	3.18.2020
2020.02	Sales Tax Cap for Service Payments over Multiple Invoices	Approved	3.18.2020
2020.03	Establishing Economic Nexus for Out of State Sellers	Approved	3.18.2020
2020.04	Establishing Registration Requirements for In-State Sellers	Approved	3.18.2020
2020.05	Freight Forward From Out of State	Approved	3.18.2020
	Policy Committee requested re-review of 2020.05		
2020.06	Multi-Level Marketing Independent Sales Representative as Physical Presence	Approved	6.18.2020
2020.07	Clarifying Physical Presence with Regards to .com/E-Commerce and Associated Brick and Mortar Businesses	Approved	6.18.2020
2020.08	Clarifying Physical Presence with Regards to Rental Equipment and Services	Returned to Policy Committee	
2020.09	Who is Responsible for Issuing Remote Seller Resale Certificates?	Returned to Policy Committee	
2020.10	Who is Responsible for Issuing Entity-Based Exemption Certificates?	Approved	6.18.2020
2020.11	Threshold Determination for Alaska-Based Businesses	Approved	6.18.2020
2020.12	In-Transit Funds	Approved	6.18.2020

Policy Committee



Thank you to:

- Maureen Graham – City of Wasilla, Sales Tax Auditor
- Melissa Haley – City of Sitka
- Julie Liew – City of Kodiak, Finance Director
- Lauri Lingafelt – Kenai Peninsula Borough, Sales Tax & Accounting Supervisor
- Clinton Singletary – City and Borough of Juneau, Sales Tax Administrator
- Karl Kaufman – Landye Bennett Blumstein Attorney

FY21 Projections



- Original 12% – national average of online sales
- MUNIRevs conservative more like 5% = \$10 million
- Current projections based on actuals = \$6.7 million
 - Incomplete jurisdiction compliance, many still voluntary
- Out of 32 jurisdictions, approaching or exceeded 12 projections
- Budget based on \$8 million – expected for FY21
 - Current total rate of 19.1%, with Commission at 5.85%
 - Assumed need for increased staff, debt repayment, and fund balance policy
 - Drops 4% when we get beyond \$10 million

What to expect, or what's missing?



- Some of the largest retailers in the nation are not registered
 - Target, for instance
 - Fred Meyer and Safeway, in state
- Some of largest taxing jurisdictions haven't hit effective date
 - Close out 19 of top 20 by October 1
- Bulk filers, or CSPs – Vertex, Sovos, Avalara, Deloitte
 - Thousands of sellers to register – need time to update software
- Exploring Tax Cloud – additional fee but assessing sales of 5000 sellers

Program Goals for 2021



- Physical presence filing through MUNIRevs
- Target Alaskan remote seller businesses
 - Economic threshold based only on remote sales
- Exemption certificate application library
- Alcohol and tobacco taxes
- Small business CSPs contracts
- Registration and compliance of major retailers