



**Alaska Remote Seller Sales Tax Commission
Board Meeting
January 13, 2021 9 a.m. – 11 a.m.**

Attendees:

- Jeff Rogers
- Mike Tvenge
- Stephanie Queen
- Scott Bloom
- Melissa Haley
- Troy Tankersley
- Brandi Harbaugh

1. Call to order
2. Approval of the Agenda
3. Approval of the Minutes
 - a. 10.20.2020 Board Meeting minutes
 - b. 11.10.2020 Annual Meeting minutes
4. New Business
 - a. Financials Update
 - b. Progress to date
 - c. Uniform Code Updates – from Code Update Working Group
 - d. Refunds / Credits Policy Proposal
5. Comments
6. Adjournment

ARSSTC BOARD MEETING

Teleconference
October 20th, 2020

Board Present:

- Jeff Rogers, City and Borough of Juneau
- Troy Tankersley, City of Wasilla
- Scott Bloom, City of Kenai
- Brandi Harbaugh, Kenai Peninsula Borough
- Cynna Gubatayao, Ketchikan Gateway Borough
- Stephanie Queen, City of Soldotna
- Mike Tvenge, City of Kodiak

Others in attendance:

- Kara Johnson, Sales Tax Administrator
- Dawn Wesley, Program Manager
- Nils Andreassen, Executive Director
- Clinton Singletary, Sales Tax Director

President Rogers called the October 20th, 2020, Alaska Remote Sales Tax Committee Board meeting to order at 9:02 a.m.

I. Approval of Agenda

Motion to approve made by Scott, seconded by Troy. Passed with no objection.

II. Approval of June 18th, 2020 Minutes

Motion to approve made by Scott, seconded by Stephanie. Passed with no objection.

III. Policy update and review

1. **2020-05 Interpretation- Sourcing**, Board recommends identifying title specific to goods. Take up at business meeting in November
2. **2020-09 Interpretation - Remote Seller Resale Certificate**, move to business meeting in November. Recommend a board member on the policy committee
3. **Quarterly Filing** - move to business meeting in November

IV. November Annual Meeting

1. **General Session - SSUTA and Multistate Tax Commission presenting**
2. **Business Meeting**
 - a. **Audit and Financials** - no action needed, just informational
 - b. **Elections** - Nominations

V. Code Revision - Board would like a work group approach.

1. **Technical edits** - rounding
2. **Remote Vs Physical**
3. **Address services**

Jeff proposed to adjourn the meeting at 10:36 am

Motion to approve made by Troy, seconded by Cynna. Passed with no objection.

Respectfully submitted, Dawn Wesley, Sales Tax Program Manager Approved

Cynna Gubatayao

Date _____



2020 ARSSTC ANNUAL MEETING
November 10, 2020, 2:00pm – 4:30 pm, Virtual

Board Present:

- Jeff Rogers, City and Borough of Juneau
- Troy Tankersley, City of Wasilla
- Scott Bloom, City of Kenai
- Brandi Harbaugh, Kenai Peninsula Borough
- Cynna Gubatayao, Ketchikan Gateway Borough
- Stephanie Queen, City of Soldotna
- (Absent) Mike Tvenge, City of Kodiak

Commission Members Present:

- Bryant Hammond, City of Nome
- Gina Davis, City of Palmer
- Gary Hennigh, City of King Cove
- Justin Harris, City and Borough of Sitka
- Ken Fay, City of Cordova
- Julie Liew, City of Kodiak
- Layton Lockett, City of Adak
- Maureen Graham, City of Wasilla
- Teresa Bowen, City and Borough of Juneau
- Terry Eubank, City of Kenai
- Lauri Lingafelt, Kenai Peninsula Borough
- Sean Kelley, Kenai Peninsula Borough
- Susan Smith, City of Kodiak
- Jessie Badger, Haines Borough
- Melissa Haley, City and Borough of Sitka
- Brenda Nimitz, City of Cordova
- Teri Feibel – Thorne Bay
- Elizabeth Walton - Homer

Other in attendance:

- Nils Andreassen, AML Executive Director
- Kara Johnson, AMSTP Sales Tax Administrator
- Clinton Singletary, AMSTP Sales Tax Director
- Dawn Wesley, AML Shared Services Manager
- Craig Johnson, SSTGB President
- Stephanie Nauers



1. Call to order 2:04 Pm

2. Approval of the Agenda

- a. Troy Tankersly moves, 2nd Scott Bloom, no opposition

3. Updates

- a. Review of MUNIrevs and TTR activities
 - 1. Kara presented the latest updates & changes to MuniRevs and TTR software.
- b. Program Updates
 - i. Acknowledgement of Committee Members
 - 1. Jeff acknowledged and thanked each member of the ARSSTC Finance Committee and the ARSSTC Policy Committee for their contributions.
 - ii. Registration Compliance Discussion
 - 1. Clinton presented an outline of the steps AMSTP staff have taken and plan on taking to increase seller registration compliance.
 - 2. Some doubts / concerns overall about what the final escalation steps should be.
- c. Policy Updates
 - i. Resale Certificate Approval
 - 1. Clinton presented the administrative steps that AMSTP staff would take in reviewing, approving and issuing the Remote Reseller Resale Certificate of Exemption.
 - 2. Moves Scott, 2nd Cynna , no opposition
 - ii. 2020-05 Sourcing Interpretation Approval
 - 1. Clinton presented an updated version of 2020-05 which clarified that the sourcing of services was not being address-only the sourcing of goods was being addressed.
 - 2. Moves Scott, 2nd Layton, no opposition
- d. Code Updates
 - i. Discussion was had around list of needed updates to the Uniform Code, specifically timing and approach to addressing the updates.
 - ii. Consensus was to form a Code Working group of Commission members to finalize the changes.
 - iii. Discussion around frequency of updates to the code, with consensus being no more frequently than Recommend an annual approach seems to be the consensus
- e. Financial Business
 - i. FY 20 Audit and Financials
 - 1. Discussion of not using the tool.
 - 2. Follow up to board about insurance
 - ii. Budget



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1. Spread sheet to members, budget to actuals, and projections

4. Official Business

- a. Conduct Election of Board Members, Cynna Moves, Scott 2nds, no opposition
 - i. Troy Tankersley
 - ii. Brandi Harbaugh
 - iii. Melissa Haley
 - iv. Open Nominations-No open nominations were received.
- b. Conduct Election of Officers Seats
 - i. President
 1. Jeff, Brandi nominates, no opposition
 - ii. Vice President
 1. Stephanie, Jeff nominates, no opposition
 - iii. Secretary
 1. Melissa, Jeff nominates, no opposition
 - iv. Treasurer
 1. Brandi, Troy nominates, no opposition

5. Member Comments

- a. Troy – Thank you to committee and board members. Looking forward to working on updates to the Uniform Code.

6. Adjournment 3:43 pm

Moves Layton, no opposition

Respectfully submitted, Clinton Singletary, AMSTP Sales Tax Director

Approved:	
Melissa Haley, ARSSTC Board Secretary	Date



To: ARSSTC Board

From: Clinton Singletary, Statewide Municipal Sales Tax Director

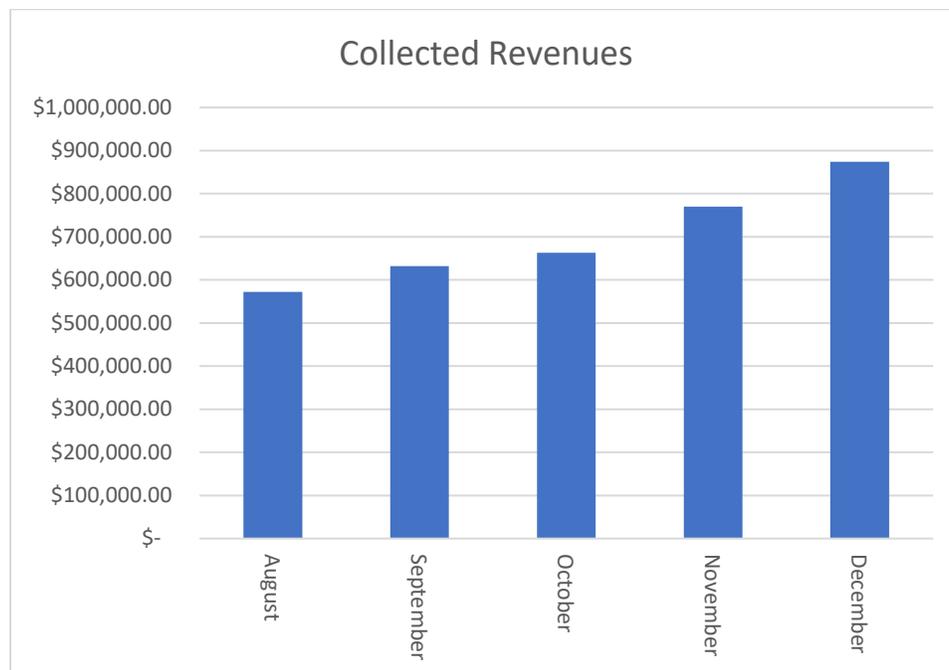
Re: January '21 ARSSTC Monthly Update

This is the first in what I plan to be monthly updates to the Board on the ARSSTC program. These updates will provide recent revenue figures, member jurisdiction growth / progress and seller registration & compliance updates.

Revenues Update

Both the October & November filings (*remitted in November & December*) were substantial increases over the previous months. While there has been steady growth in the volume seller registrations, these revenue increases are primarily due to an increase in holiday related purchasing. It is expected that the December filing will be similar to the November filings.

The following graph shows the growth in revenues over FY21; please see the included spreadsheet for jurisdictional detail.





Seller Registration Update

In November, another round of registration compliance letters were sent to prospective sellers. That drove the increase in registered sellers that we saw in December. To date, there are 803 registered sellers. Following is the registration trend we have seen through 2020.



Notable newly registered sellers over the last 2 months include: Sierra Trading Post, TJX Digital, WW Grainger, Home Shopping Network, Newegg Inc, Victoria's Secret and Bath & Body Works.

Member Jurisdiction Update

To date there are 34 jurisdictions that have adopted the Uniform Code. Municipality of Anchorage is included in that group, but it will only be collecting its alcoholic beverage sales tax effective February 1. Two other members (Juneau & Craig) will begin collecting their alcoholic beverage sales tax effective February 1 as well.

The following eight cities have joined the Commission, but not yet adopted the Uniform Code. We are continuing our outreach to these cities in an attempt to help them complete this final hurdle.

- *Aleknagik, Aniak, Chevak, Elim, Kake, King Cove, Kotzebue, North Pole.*

Preliminary information about the Commission has recently been sent to five other cities and I am awaiting further discussion with them.

Clinton Singletary
 Statewide Municipal Sales Tax Director
 Alaska Remote Seller Sales Tax Commission



To: ARSSTC Board

From: Clinton Singletary, Statewide Municipal Sales Tax Director

Re: Draft Uniform Code Updates – January 2021

Over the months of December & January, Commission staff met weekly with representatives from member jurisdictions to discuss and work through numerous code updates that Commission staff have been accumulating over the last year. Many of these needed updates are more clerical in nature, but several are more substantive and will have a clear impact on the Commission and/or member jurisdictions.

Following is a breakdown of the more substantive updates that were agreed upon by the Code Update Working Group, including a brief justification / background of why the update is being recommended.

Code Section	Description	Justification / Background
Section 040(A)	Threshold calculation updated to include current year, not just previous calendar year.	Not as limiting a timeframe since there are now two time windows to be examined in determining threshold.
Section 050	Was the old Section 230; renamed section to more accurate description; included language for local sale.	No change to the original intent of this section. Section title better describes goal of section and inclusion of “local sale” better describes the type of transaction. “Local Sale” was also added as a new definition.
Section 080 A & B	Remove registration requirement for marketplace sellers who only sell on marketplaces.	Tax would already be collected by the marketplace, the seller would have nothing to report. Versions of this can be found in other states. Added affidavit requirement.
Section 080 (H)	Member jurisdiction business license clarification	Add language explaining that registration as remote seller satisfies jurisdiction business license requirements, but only if seller does not have physical presence in jurisdiction. Common question from sellers.
Section 090 (B)	Allow for annual filing frequency, dependent on member jurisdiction code allowances.	Will be modifying filing frequency change policy to only grant annual if no taxable sales.
Section 110 (A)	Clarifies rounding language	Specifies that only gross sales and exempt sales should be rounded.
Section 120 (C)	Interest on refund requests	Specifies that the Commission will not pay interest on refund requests.
Section 170 (A)	Late Filing fee language	Update late filing fee to max out at 4 months, same as penalty in C.



Section 170 (F)	Penalty Waivers	The code specifies the timeframe in which a waiver can be requested and limits the waiver to one a year. Waiver policy will be developed to fine-tune the number of waivers allowed and the circumstances that will qualify for a waiver.
Section 180	Remote Reseller Certificate	Codifies the existence of the remote reseller certificate
Section 240	Penalty cleanup / clarification	Paragraph A was added to defer to member jurisdiction penalties if the member penalty is different. Removed old paragraph E on late filing fees since that is a duplicate of Section 170.
Section 260	Savings Clause	Provides discrimination protection.
Section 270 – Definitions		
	Local sale	Used in Section 050
	Marketplace	Used in conjunction with definition of marketplace seller, for purposes of Section 080
	Marketplace Seller	For purposes of Section 080
	Point of Delivery	Added paragraph C specific to POD for services
	Remote Seller	Cleaned up definition to focus on a seller making sales into jurisdiction where the seller does not have physical presence. Applies to both in-state & out of state sellers.
	Services	Updated definition to specify any service provided which is delivered into a member jurisdiction.

Other Changes throughout the Uniform Code

- Throughout the code the use of the term jurisdiction was updated to focus on either taxing jurisdiction or member jurisdiction. These definitions were updated such that taxing jurisdiction is just a jurisdiction in Alaska with a sales tax. Member jurisdiction is a taxing jurisdiction that has adopted the Uniform Code.
- Sections 100(C), 130(C), 150(E), and 200 were all standardized for a 3-year timeframe, instead of the varying years.



Memo: Uniform Code Definition of Services Revision

The current definition of “Services” in the Uniform Remote Seller Sales Tax Code may need revision in order to 1) maximize physical and remote compliance, 2) avoid discrimination against out-of-state sellers, and 3) increase potential sales tax collection.

Background

Services are currently defined as follows in the Uniform Remote Seller Sales Tax Code:

“Services” means all services of every manner and description, which are performed or furnished for compensation, and delivered electronically or otherwise outside the taxing jurisdiction (but excluding any that are rendered physically within the taxing jurisdiction, including but not limited to:

- A. Professional services;*
- B. Services in which a sale of property or product may be involved, including property or products made to order;*
- C. Utilities and utility services not constituting a sale of property or products, including but not limited to sewer, water, solid waste collection or disposal, electrical, telephone services and repair, natural gas, cable or satellite television, and Internet services;*
- D. The sale of transportation services;*
- E. Services rendered for compensation by any person who furnishes any such services in the course of his trade, business, or occupation, including all services rendered for commission;*
- F. Advertising, maintenance, recreation, amusement, and craftsman services.*

The intent of this definition was to allow services physically performed in a jurisdiction to remain reportable to that jurisdiction in which those services are physically performed. Where the customer received the service – the destination – did not matter, provided the service was physically performed in Alaska. However, remote sales of services by out-of-state service providers would be taxed when delivered into an ARSSTC member jurisdiction and reported directly to the ARSSTC.

In order to better clarify the intent in the Code, the services definition will need to be revised, along with the definition of taxing jurisdiction. We have provided suggested changes in a track changes version of the Uniform Code, and included the modifications needed to match the original intent of the definition.

Discussion

The approach described above, in current Code, is termed “origin-based” sourcing of services, and at this point only applies to service providers located in the state of Alaska.

The expectation for service providers not located in Alaska is that any services they perform outside Alaska and delivered into an ARSSTC member jurisdiction should be taxed based on the destination-based sourcing principle.



During a preliminary review by the ARSSTC Policy Committee of the draft definition changes, concerns were raised about this difference in sourcing requirements being discriminatory against out of state service providers.

Essentially, out-of-state service providers selling remote services would be required to collect sales tax from customers located in Alaska, whereas local service providers would not be required to collect sales tax on their remote services delivered to customers in other Alaska jurisdictions.

As a result of these discrimination concerns, the ARSSTC Policy Committee has recommended that the ARSSTC and its member jurisdictions consider changing from origin-based sourcing to destination-based sourcing for service providers. This does not change the taxation of goods or products that are already taxed throughout Alaska using our current destination-based sourcing.

Impacts- Origin vs Destination based sourcing

Impacts of maintaining origin-based sourcing for local service providers

- Significant risk of discriminatory claims by out-of-state service providers
- Services that are physically performed in Alaska would be taxed based on where the service is physically performed.
- Revenues that jurisdictions are currently receiving from local service providers would be unaffected.
- Service providers would continue reporting to each individual jurisdiction where the services are physically performed.
- Bottom-line = status quo and increased risk of litigation

Impacts of changing to destination-based sourcing for local service providers

- Local jurisdictions would need to update their local tax codes to reflect the change in service taxation policy.
- Local service providers would need to tax their remote services if their total statewide remote sales met the threshold criteria.
 - These remote services would be reported through the Commission rather than the jurisdiction where the services are physically performed.
 - If the local service provider does not meet the threshold criteria for their total statewide remote sales, their remote services would not be taxed.
- The local service providers most impacted by this change are professional services such as attorneys, accounting/bookkeeping firms, engineers/architects, and consulting services.
- There is potential net revenue loss for some jurisdictions, depending on the volume of services that would be affected.
- It is expected that most member jurisdictions will see new revenue from both in-state and out-of-state remote service providers.
- Bottom-line = reduce discrimination, net revenues may change but could be offset by out of state sales



Memo: Refund Requests

Refund requests are anticipated to come from two different sources: 1) Sellers who have submitted amended returns, and 2) customers who believe they were incorrectly charged the sales tax.

The Commission will be best suited to issue refunds as it is able to process adjustments to submitted sales tax filings, thus creating the credit to be refunded. In addition, the Commission will best be able to track remittances to jurisdictions and adjust future remittances to reflect refunded taxes. The Commission will work closely with member jurisdictions to ensure proper application of the jurisdiction's code.

Submitting a Refund Request

Requests from Sellers

Refund requests from sellers will accompany the filing of an amended return. The amended return(s) submitted will be reviewed and appropriate supporting documentation will be requested prior to processing and issuance of the refund.

If the Commission previously remitted the tax in question to the jurisdiction (less applicable fees), the jurisdiction's next remittance from the Commission will be reduced for the amount of tax refunded, less applicable fees.

Requests from Customers

Refund requests from customers can either be fielded by the Commission or the local jurisdiction. However, the actual refund will be issued by the Commission, but only if the customer is not able to obtain a refund from the seller. There may be circumstances where the local jurisdiction needs to issue the customer a refund, but that will be dealt with on an as needed basis.

-If the customer contacts their local jurisdiction and is not able to obtain a refund directly from the seller:

- The local jurisdiction should collect all pertinent information from the customer.
- The local jurisdiction should determine the validity of the refund request, i.e. was the tax charged incorrectly in accordance with local code or is the customer entitled to exemption.
- Once the local jurisdiction has determined the refund request is valid, the jurisdiction will forward the information to the Commission for processing of the refund request.
- Prior to adjusting the seller's account, the Commission will contact the seller for internal resolution with the customer.
- If internal resolution is not successful, the Commission will then adjust the seller's account while also informing the seller of the change and educating the seller on the issue/error. End goal will be ensuring a similar error is not made again for future transactions.
- Once the adjustment is processed, the Commission will issue the refund to the customer.



- The local jurisdiction's next remittance from the Commission will be reduced for the amount of tax refunded, less fees to match the remittance previously sent to the jurisdiction on the original transaction.

-If the customer contacts the Commission and is not able to obtain a refund directly from the seller:

- The Commission will collect all pertinent information from the customer.
- The Commission will verify with the jurisdiction the appropriate taxation of the transaction in question.
- The Commission will contact the seller for internal resolution with the customer.
- If internal resolution is not successful, the Commission will then adjust the seller's account while also informing the seller of the change and educating the seller on the issue/error. End goal will be ensuring a similar error is not made again for future transactions.
- Once the adjustment is processed, the Commission will issue the refund to the customer.
- The local jurisdiction's next remittance from the Commission will be reduced for the amount of tax refunded, less fees to match the remittance previously sent to the jurisdiction on the original transaction.