

ARSSTC Policy Committee Agenda
March 15, 2022 * 2:00pm – 3:00pm

1. Updated closure form review
2. Accepting past filings from remote sellers who voluntarily collected / Voluntary disclosure agreement
3. Interpretation 2022.01 – Drop shipping
4. Open Discussion



Remote Seller Account Closure Form

Part A - Closure Information

Account #:		Company Name:	
Account Closure Effective Date:			
Reason for Account Closure <i>(select all that apply):</i>			
<input type="checkbox"/>	No longer making remote sales into Alaska		
<input type="checkbox"/>	Threshold Criteria not met in current or prior calendar year		
<input type="checkbox"/>	Only making sales into Alaska jurisdictions where Company has physical presence- also complete Part B below		
<input type="checkbox"/>	Company is a marketplace seller only; all sales reported by marketplace facilitator(s)		
<input type="checkbox"/>	Business was sold – Complete Parts D & E on page 2.		
<input type="checkbox"/>	Other – Please explain: _____		

Part B – Physical Presence Declaration *(if applicable)*

List all jurisdictions where this Company has established physical presence (use additional sheets as necessary): _____

Describe the type of physical presence this Company has in the above jurisdictions: _____

Part C – Contact information & signature

Mailing Address:			
Phone:		Email Address:	
Company Representative:			Title:
<i>Under penalties of perjury, I affirm that the information provided above is true and correct.</i>			
Signature:			Date:

**This form may be returned to the Alaska Remote Seller Sales Tax Commission via email at amstp@akml.org*

Part D – Business Sale Information

Provide information regarding the type of sale transaction: _____

Part E – Buyer Information

Buyer Legal Name:			
Mailing Address:			
Phone:		Email Address:	
Company Representative:		Title:	

Discussion on VDA

Background

Typical elements in a VDA

- Limited look-back period for tax remittance
 - Usually 3-4 years
- Involves waiver of late payment penalties either in full or in part
- Interest is commonly still required

Some states require filing of returns for the periods in question. Others accept a spreadsheet summary in place of a return.

How a Commission VDA could work

- Look back period would be variable based on each member jurisdiction
- Keeping the VDA limited to periods since the member jurisdiction(s) adopted the Uniform Code would allow the Commission to establish uniform treatment of penalties and/or interest under the VDA program.

Optional VDA Approach #1

Commission VDA with look back period going back to tax collection effective date of 1st member jurisdiction.

- Legal questions about this since Commission doesn't have authority delegated by each member jurisdiction back to the beginning of the Commission.

Optional VDA Approach #2

Commission VDA would accept past filings for businesses which collected member jurisdiction(s) sales tax in periods prior to existence of Commission.

Possibly limit this to situations where the business was truly a remote seller in the member jurisdiction(s) and did not have a legal responsibility to collect sales tax but did voluntarily.

- Similar legal questions as Optional Approach #1.
- Also complications surrounding a uniform application of penalty waiver or interest assessment.



Interpretation 2022.01

Transactions involving Drop-Shipments into ARSSTC Member Jurisdictions

Issue:

What is a drop-shipment and how are each of the parties involved in the drop-shipment affected by sales tax collection requirements on remote sales?

Background:

The typical drop-shipment involves three parties:

1. The customer
2. Seller A
3. Seller #2 aka "the shipper/supplier"

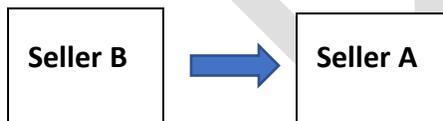
Very simply, the customer makes a purchase from the seller. The seller then purchases from the shipper/supplier and directs the shipper/supplier to ship the good(s) directly to the customer. This in essence creates two separate transactions as outlined below:

Transaction #1



In Transaction #1, Seller A makes a sale to the buyer. Seller A collects the buyer's delivery / shipping address information.

Transaction #2



In Transaction #2, Seller A purchases good(s) from Seller B to fulfill the order placed in Transaction #1. Seller A provides the buyer's delivery / shipping address from Transaction #1. Seller B is considered the drop shipper.

Guidance for Transaction #1

Transaction #1 is relatively simple as there are only two factors that must be considered:



Interpretation 2022.01

1. Does Seller A meet the economic nexus threshold for collecting sales tax as a remote seller, and
2. Is the buyer's delivery/shipping address in an ARSSTC member jurisdiction?

Section 040(A) of the Uniform Remote Seller Sales Tax code sets the economic nexus threshold at \$100,000 in gross sales or 200 individual transactions delivered statewide into Alaska, in either the current or previous calendar year. A remote seller would only be required to register with the Commission and collect sales tax once it reaches either of those economic nexus measures.

Furthermore, any sales tax to be collected by the remote seller is based on the point of delivery. Please see [Interpretation 2020.05 – Sourcing of Goods](#) or Interpretation 2021.05 – Remote Services & Sourcing for more information on point of delivery and sourcing of a transaction.

Transaction #1 Summary

In the transaction #1 scenario, Seller A would only be required to collect sales tax as a remote seller if it meets the economic nexus threshold outlined above and if the final point of delivery is in a jurisdiction that is a member of the ARSSTC.

Guidance for Transaction #2

Transaction #2 is more complicated as it brings in resale elements.

1. Does Seller B meet the economic nexus threshold for collecting sales tax as a remote seller,
2. Is the delivery/shipping address in an ARSSTC member jurisdiction, and
3. What resale exemption documentation should Seller B obtain from Seller A to exempt transaction #2 from sales tax?

The economic nexus threshold and the delivery/shipping address questions have the same implications as outlined for Transaction #1. However, transaction #2 has an added element of possible resale exemption claim by Seller A on its purchase from Seller B.

Following are the possible types of resale documentation that are acceptable for Seller B to exempt its sale to Seller A:

- **Resale exemption certificate issued to Seller A by the local Alaskan taxing authority** where the transaction is sourced.
 - For more discussion on local Alaskan taxing authority exemption certificates, please see [Interpretation 2020.10 – Entity Based Exemption Certificates](#).



Interpretation 2022.01

- **ARSSTC Remote Reseller Sales Tax Exemption Certificate** issued to Seller A by the ARSSTC.
 - [ARSSTC Remote Reseller Certificate application](#)
- **Streamlined Certificate of Exemption** for Seller A that outlines the appropriate Type of business and reason for exemption pertaining to the transaction.
 - Note that neither the State of Alaska nor the ARSSTC are members of the SSUTA but claims for resale exemption by Seller A using the Streamlined certificate will be accepted for audit purposes by ARSSTC as appropriate documentation.
- **Uniform Sales & Use Tax Resale Certificate – Multijurisdiction** (from the Multistate Tax Commission) presented by Seller A.
 - Claims for resale exemption by Seller using the Uniform Resale Certificate will be accepted for audit purposes by ARSSTC as appropriate documentation.

Transaction #2 Summary

In the Transaction #2 scenario, Seller B would only be required to collect sales tax on its sale to Seller A if the following two conditions are met:

- Seller B has exceeded the economic nexus threshold outlined in the Uniform Code and,
- Transaction #2 has a point of delivery located in an ARSSTC member jurisdiction.

If both of these conditions are met, Seller B has a requirement to charge sales tax on its sale to Seller A, **unless** Seller A provides appropriate documentation supporting their claim for resale.

Several forms of resale exemption documentation may be accepted by Seller B, including the Streamlined Certificate of Exemption and the Uniform Sales & Use Tax Resale Certification from the MTC.