

Memorandum

To: Alaska Remote Seller Sales Tax Commission Board
From: Maureen Graham, Policy Committee Chair *MB*
Date: 6/9/2022
Re: Report of Policy Committee Meeting Discussion Topics for April & May 2022

The Policy committee met on April 19, 2022, and May 17, 2022. Topics of discussion included Voluntary Disclosure Agreements, and Interpretation 2022-01- Drop shipping.

The topics have created some in depth discussions, additional research and revisions taking several meetings to get through.

Voluntary Disclosure Agreement (VDA) Program and Policy for Delinquent Taxpayers Registering with the Commission

VDA programs are primarily used for businesses that have not collected sales tax to come forward to the taxing authority and limit the lookback period to reduce or limit the tax liability (for tax that was not collected) and to negotiate or abate penalty charges. Businesses that have collected **but not remitted tax** are usually not afforded penalty abatement. VDA's are typically anonymous at first. When contacted, the tax authority does not know the name of the business. They are usually done prior to registration and cannot be entered into if the business has been noticed or selected for an audit.

There was agreement that a VDA program may be something for the board to consider and give direction to the Policy Committee in the future as the AMSTP grows and as it shifts more from education of the program to the enforcement and audit aspect of the program. The challenge would be agreement of all jurisdictions in situations of penalty abatement, and it would likely require a code revision. The risk of not developing a program would be businesses may not disclose they met threshold prior to registration, and the ARSSTC would only obtain uncollected tax, penalty and interest if found under an audit. Most of the local jurisdictions participating in the Policy Committee do not have an official VDA program but do receive requests for them occasionally and address them case by case based on their local code or policies.

The discussion of VDA's resulted from businesses that have approached the AMSTP staff anonymously with scenarios that they have voluntarily collected sales tax on remote sales that they have not remitted and wish to pay the tax now. These businesses have collected tax for periods prior to inception of the

ARSSTC. The Policy Committee has agreed on a policy to handle these requests in the absence of a VDA program. It was agreed that full penalty and interest should be assessed, as the tax was collected and not remitted, and agreement from the member tax jurisdictions would be required. The consent from the member tax jurisdiction would allow the AMSTP staff to collect tax, penalty, and interest prior to the creation of the ARSSTC. Jurisdictions that do not agree, would need to contact the business once known, determine the amount and collect the tax due on their own for amounts prior to 2020.

Resale Exemptions and Interpretation 2022-01 Transactions Involving Drop-Shipments into ARSSTC Member Jurisdictions and MTC Multi-jurisdictional Resale Certificate.

Businesses that use drop shippers to get their products to buyers in Alaska and do not meet requirements for registration with the ARSSTC are not able to obtain a tax exemption, as currently they are required to be registered to collect tax with the ARSSTC. This prompted an interpretation for guidance to these businesses.

Discussion centered on possibly allowing any reseller to apply for an exemption with the ARSSTC. However, doing so would conflict with some local codes that limit tax exemptions to only those that are licensed or registered to make sales in their jurisdictions. It was determined that guidance to these remote seller businesses would provide an option of voluntary registration with the ARSSTC allowing them to qualify to apply for the resale exemption.

Another resale scenario that the AMSTP staff presented were businesses that are charged another State's sales tax for items purchased that are delivered to a destination outside of Alaska (such as Washington State) that ultimately are resold here. Many of these businesses are not able to obtain an exemption as they do not have an exemption in that State or make sales in that State. Clinton reached out to the Multistate Tax Commission to look for options. The MTC has a Multijurisdictional Uniform Sales & Use Tax Resale Certificate, used by 37 States, that allows for a Buyer to use the certificate within member States to streamline the exemption process for Buyers and prevent them from having to register in each State individually. Many of the participating States have caveats and additional conditions for use noted on the form. The MTC will allow the ARSSTC to be added to the multijurisdictional certificate form giving businesses registered to collect tax either with the ARSSTC or a local tax jurisdiction a pathway to purchase products tax exempt that they resell in Alaska. The committee is bringing the form to the board to approve the use and the proposed language to be added.

Alaska Remote Sellers Sales Commission
Budget vs. Actuals: ARSSTC FY '22 - FY22 P&L
 July 2021 - March 2022

	Actual	Total Budget	over Budget
Income			
4000 Commission Fee Income	416,098	419,994	(3,896)
4005 Net Sales Tax collected from MUNIREvs	11,704,651	10,499,994	1,204,657
4005A GASB Contra Net Sales Tax Collected	(11,706,324)	(10,499,994)	(1,206,330)
Total 4005 Net Sales Tax collected from MUNIREvs	(1,673)	-	(1,673)
4100 Late Fees	35,600	15,000	20,600
4200 Reprocessing Fees	1,175	1,125	50
4300 Credit Card Fees	1,150	750	400
4400 Other Income	8,117		8,117
Total Income	460,467	436,869	23,598
Gross Profit	460,467	436,869	23,598
Expenses			
5000 AML Operating Expenses			-
5001 Munirevs Enhancement Invoices	2,187	30,000	(27,813)
5002 Governance/Travel		1,500	(1,500)
5003 Legal	12,397	22,500	(10,103)
5004 Personnel Expenses			-
5004A Salaries	174,452	255,000	(80,548)
5004B Payroll Taxes	13,598		13,598
5004C Health Insurance	37,292		37,292
5004D Nationwide Retirement	8,416		8,416
Total 5004 Personnel Expenses	233,758	255,000	(21,242)
5005 Insurance		12,000	(12,000)
5005B Cyber	4,353		4,353
5005C SLIP	4,954		4,954
Total 5005 Insurance	9,308	12,000	(2,692)
5006 Audit Services	9,000	10,000	(1,000)
5007 8% Overhead Expense	21,950	24,270	(2,320)
Total 5000 AML Operating Expenses	288,600	355,270	(66,670)
5008 Bank Fees	143	375	(232)
5009 Merchant Services Fees	6,413	4,500	1,913
5010 Member Tax Revenue Expense	10,232,000	8,951,250	1,280,750
5011 GASB Contra Member Tax Expense	(10,232,000)	(8,951,250)	(1,280,750)
Total 5010 Member Tax Revenue Expense	-	-	-
5020 GovOS Expense	1,330,365	1,020,000	310,365
5020A GASB Contra GovOS Expense	(1,330,365)	(1,020,000)	(310,365)
Total 5020 GovOS Expense	-	-	-
5030 TTR Fee Expense	143,959	108,750	35,209
5030A GASB Contra TTR Fee Expense	(143,959)	(108,750)	(35,209)
Total 5030 TTR Fee Expense	-	-	-
Total Expenses	295,156	360,145	(64,989)
Net Operating Income	165,311	76,724	88,587
Other Income			
6000 Interest Earned	255	225	30
Total Other Income	255	225	30
Net Other Income	255	225	30
Net Income	165,566	76,949	88,617

Alaska Remote Sellers Sales Commission
Balance Sheet
As of March 31, 2022

	Total
ASSETS	
Current Assets	
Bank Accounts	
1000 AMLIP (Fund Balance)	\$ 176,774
1005 ARSSTC Depository	\$ 260,268
1010 ARSSTC Disbursement	\$ 3,549
1015 Northrim Sweep Account	\$ 976,858
Total Bank Accounts	\$ 1,417,448
Other Current Assets	
1020 Prepaid Insurance	\$ 6,228
1105 Sales Tax Receivable from Prior EOM	\$ 1,525,053
1110 Prepaid	\$ 0
Total Other Current Assets	\$ 1,531,281
Total Current Assets	\$ 2,948,729
TOTAL ASSETS	\$ 2,948,729
LIABILITIES AND EQUITY	
Liabilities	
Current Liabilities	
Accounts Payable	
2000 Accounts Payable (A/P)	\$ 2,503,992
Total Accounts Payable	\$ 2,503,992
Other Current Liabilities	
2005 Due to AML	\$ 0
2010 Due to AML - TTR Fee	\$ 0
2015 GovOS Fee Payable	\$ 183,023
2020 TTR Fee Payable	\$ 19,035
2040 Other Current Liabilities	\$ 0
2045 Sales tax payable	\$ 0
2060 Unearned Income	\$ 1,000
Total Other Current Liabilities	\$ 203,058
Total Current Liabilities	\$ 2,707,050
Total Liabilities	\$ 2,707,050
Equity	
3000 Retained Earnings	\$ 76,112
Net Income	\$ 165,566
Total Equity	\$ 241,679
TOTAL LIABILITIES AND EQUITY	\$ 2,948,729

Alaska Remote Sellers Sales Commission
Profit and Loss
July 2021 - March 2022

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Income	
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Gross Profit	460,467
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5001 Munirevs Enhancement Invoices	2,187
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5004C Health Insurance	37,292
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Total 5020 GovOS Expense	-
5030 TTR Fee Expense	143,959
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Total 5030 TTR Fee Expense	-
Total Expenses	295,156
Net Operating Income	165,311
Other Income	
6000 Interest Earned	255
Total Other Income	255
Net Other Income	255
Net Income	165,566