



2020-05 INTERPRETATION

SOURCING FOR GOODS

This interpretation addresses drop shipments, freight forwarding from out of state, and delivery of goods via a common carrier within the State of Alaska. This interpretation only applies to the sourcing of sales of goods. It is not intended to address the sourcing of services.

Issue:

Many companies do not ship directly to Alaska. To get products, residents instruct the company to deliver merchandise to a freight-forwarding company (usually) in Washington State which then ships the merchandise to the Alaskan community. Within Alaska, many companies sell products to remote communities and the products are either picked up by or delivered to a local common carrier for subsequent shipment of the good(s) to the Alaskan community.

What is the point of delivery for sales of goods when a drop shipper, freight forwarder or a common carrier is used in the delivery of the goods?

Discussion:

Point of Delivery is defined as the location where receipt by the purchaser occurs. Under the definition of “receive” and “receipt”, goods are “received” by the purchaser when the purchaser takes possession of the good(s). In addition, the definition of “receive” & “receipt” specifically states that temporary possession of goods by a shipping company does not constitute receipt. It is important to note that the point of delivery is not impacted by which party to the transaction hires the common carrier / shipping company.

Accordingly, the point of delivery for sales of goods is the location (as known to the seller) where the purchaser takes possession of the goods. The phrase “as known to the seller” plays an important role when determining the point of delivery. There are two general situations where “as known to the seller” can have an impact.

Situation #1 – Purchaser simply provides a delivery address to the seller and there is no additional information shared by the purchaser regarding where they will take receipt.

Situation #2 – Purchaser and seller have sufficient communication, or seller has sufficient knowledge that the delivery address is a third-party and the purchaser will take receipt at a location other than the delivery address.

In general, when the point of delivery, as known to the seller is in a member jurisdiction, the remote sale is subject to the member jurisdiction’s sales tax.

Guidance:

Under the Uniform Code, the Point of Delivery is the location where the purchaser takes receipt as known to the seller.



If the seller knows that the delivery address is simply the location of a shipping company which takes temporary possession of the good(s) on behalf of the purchaser, the seller should not use the provided delivery address as the point of delivery. The seller should instead use the address where the purchaser will take receipt in Alaska. The remote seller must collect and remit the sales tax for the final destination as known to the seller, regardless of whether the shipping company was hired by the seller or the purchaser.

Rationale:

The Uniform Code addresses this question in Section 230 – Sellers with Physical Presence and Section 250 – Definitions
SECTION 230 – Sellers with a physical presence in the taxing jurisdiction

- A. *Sellers with a physical presence in a Taxing Jurisdiction and no remote or internet-based sales shall report, remit, and comply with standards, including audit authority, of the Taxing Jurisdiction.*
- B. *Sellers with a physical presence in a Taxing Jurisdiction that also have remote or internet-based sales where the Point of Delivery is in a different Taxing Jurisdictions shall
 - i. *report and remit the remote or internet sales to the Commission; and*
 - ii. *report and remit the in-store sales to the Taxing Jurisdiction.**
- C. *Sellers with a physical presence in a Taxing Jurisdiction that also have remote or internet-based sales where the Point of Delivery is in the same Taxing Jurisdictions shall report and remit those remote sales to the Taxing Jurisdiction.*
- D. *Sellers and marketplace facilitators that do not have a physical presence in a Taxing Jurisdiction must report and remit all remote sales to the Commission.*
- E. *For all purchases the tax rate added to the sale price shall be as provided in the Taxing Jurisdiction’s sales tax code, based on point of delivery.*
- F. *A marketplace facilitator is considered the remote seller for each sale facilitated through its marketplace and shall collect, report, and remit sales tax to the Commission. A marketplace facilitator is not considered to be the remote seller for each sale or rental of lodging facilitated through its marketplace, wherein the seller is considered to have a physical presence in the Taxing Jurisdiction.*

Section 250 – Definitions

Point of Delivery: means the location at which property or a product is delivered or service rendered.

- A. *When the product is not received or paid for by the purchaser at a business location of a remote seller in a Taxing Jurisdiction, the sale is considered delivered to the location where receipt by the purchaser (or the purchaser’s recipient, designated as such by the purchaser) occurs, including the location indicated by instructions for delivery as supplied by the purchaser (or recipient) and as known to the seller.*

Receive or Receipt:

- A. *Taking possession of property;*
- B. *Making first use of services;*
- C. *Taking possession or making first use of digital goods, whichever comes first.*

The terms “receive” and “receipt” do not include temporary possession by a shipping company on behalf of the purchaser.

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Examples: Examples assume sellers have already met the economic threshold for remote sales.

1. A Wasilla resident travels to Anchorage (which is a non-sales tax jurisdiction) to buy a snowmachine from AAA Sports. The buyer purchases the machine at the store in Anchorage and loads the machine on a trailer and drives back to Wasilla. AAA Sports does not charge sales tax since the transfer of goods happened at the storefront which is in a non-sales tax jurisdiction.
2. A Palmer resident purchases a snowmachine via AAA Sports online store and arranges to have a friend pick up the machine at the storefront. AAA Sports does not charge sales tax since the transfer of goods to the purchaser's recipient, designated as such by the purchaser, happened at the storefront which is in a non-sales tax jurisdiction and the machine was not delivered to the purchaser via shipping company.
3. A Bethel resident purchases a snowmachine via AAA Sports online store. AAA Sports does not offer delivery to Bethel and instead delivers the snowmachine to TTT Transport Company at the local airport. AAA Sports knows they are delivering to a shipping company that will ship the machine to the purchaser in Bethel. AAA Sports charges Bethel sales tax and remits through the Commission.
4. A Houston resident purchases a snowmachine via AAA Sports online store and arranges for TTT Transport Company pick up the machine at the storefront and deliver it to Houston. AAA Sports knows a shipping company is picking up the machine and will deliver it to the purchaser in Houston. AAA Sports charges Houston sales tax and remits through the Commission.
5. A Juneau resident purchases a dining table from Fred's Furniture online store. The purchaser provides a delivery address of a Seattle freight forwarder. Fred's Furniture is not aware that the address provided is a freight forwarder and is not aware that the purchaser will take possession at a different delivery address. Fred's Furniture should consider the Seattle delivery address as the point of delivery.
6. A Girdwood resident purchases a snowmachine via AAA Sports online store and arranges for TTT Transport Company pick up the machine at the storefront and deliver it to Girdwood. AAA Sports knows a shipping company is picking up the machine and delivering it to Girdwood which is a non-sales tax jurisdiction. AAA Sports does not charge sales tax since the point of delivery was in a non-sales tax jurisdiction.
7. A Yakutat resident orders from XYZ Furniture who does not deliver to Alaska. The resident has the product delivered to FFF Freight Company in Kent, Washington. XYZ Furniture knows that they are delivering to a shipping company that will ship the product to the purchaser in Yakutat. XYZ Furniture charges sales tax for Yakutat and remits through the Commission.
8. A tourist visits HHH Company storefront in Homer and makes a purchase for herself. She also purchases five separate gifts and has the store deliver the goods to friends around Alaska. HHH Company charges the Homer and Kenai Peninsula Borough sales taxes for all sales purchased at the storefront, regardless of destination, and remits directly to the Kenai Peninsula Borough.

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9. A Saint Paul resident purchases a product via HHH Company online store and has it delivered to Saint Paul. HHH Company charges Saint Paul sales tax and remits through the Commission.
10. A Seattle, Washington resident purchases a product via HHH Company online store and has it delivered to Seattle. Since this is an out-of-state sale, the Commission's remote seller sales tax rules do not apply. HHH Company must check with Washington State Dept of Revenue to ascertain if there is a remote seller nexus requirement. If so, HHH Company needs to assess if they are required to collect and remit sales tax for that state.
11. A Ketchikan resident purchases building supply material from SSS Supply which is located in Juneau. SSS Supply does not offer delivery to Ketchikan and instead delivers the materials to CCC Cargo Company at the local dock. SSS Supply knows they are delivering to a shipping company that will ship the materials to the purchaser Ketchikan. SSS Supply charges sales tax for Ketchikan and Ketchikan Gateway Borough and remits through the Commission.
12. A Craig resident purchases building supply material from SSS Supply and arranges for SSS Supply to deliver the materials to the local dock where his friend will load them onto a private boat returning to Craig. SSS Supply charges local Juneau sales tax since the transfer of materials to the purchaser's recipient, designated as such by the purchaser, happened in the local jurisdiction and the materials were not delivered to a shipping company. SSS Supply remits directly to Juneau.
13. A Seldovia resident buys furniture from ABC Furniture which is located in Anchorage. ABC Furniture delivers the furniture to the buyer in Seldovia. ABC Furniture charges Seldovia and Kenai Peninsula Borough sales tax and remits through the Commission.
14. An Adak resident buys furniture from ABC Furniture and arranges to have TTT Transport Company pick up the furniture at the storefront and deliver it to Adak. ABC Furniture knows a shipping company is picking up the furniture to be delivered to the purchaser in Adak. ABC Furniture charges Adak sales tax and remits through the Commission.