

Alaska Remote Seller Sales Tax Commission

3rd Quarter 2022 Update and Overview

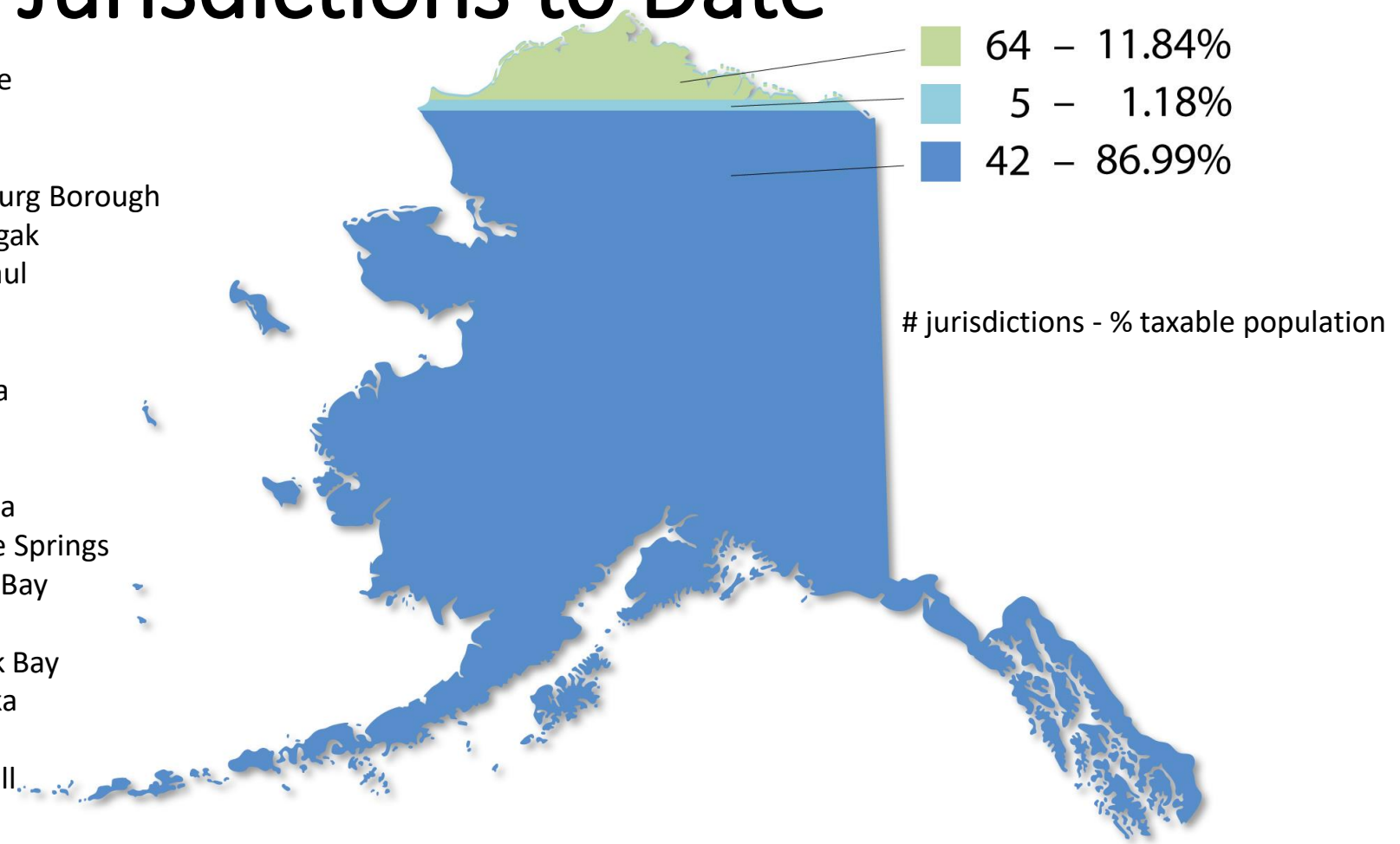
November 18, 2022



Jurisdictions to Date

- Adak
- Aleknagik
- Anchorage (alcoholic beverage tax only)
- Aniak
- Bethel (retail and alcoholic beverage)
- Cordova
- Craig (retail and alcoholic beverage)
- Dillingham (retail and alcoholic beverage)
- Gustavus
- Haines Borough
- Homer
- Houston
- Juneau (retail and alcoholic beverage)
- Kenai City
- Kenai Peninsula Borough
- Ketchikan City
- Ketchikan Gateway Borough
- Kodiak
- Kotzebue (retail and alcoholic beverage)
- Mountain Village
- Nenana
- Nome
- North Pole (retail and alcoholic beverage)

- Ouzinkie
- Palmer
- Pelican
- Petersburg Borough
- Quinhagak
- Saint Paul
- Saxman
- Selawik
- Seldovia
- Seward
- Sitka
- Soldotna
- Tenakee Springs
- Thorne Bay
- Togiak
- Toksook Bay
- Unalaska
- Wasilla
- Wrangell
- Yakutat



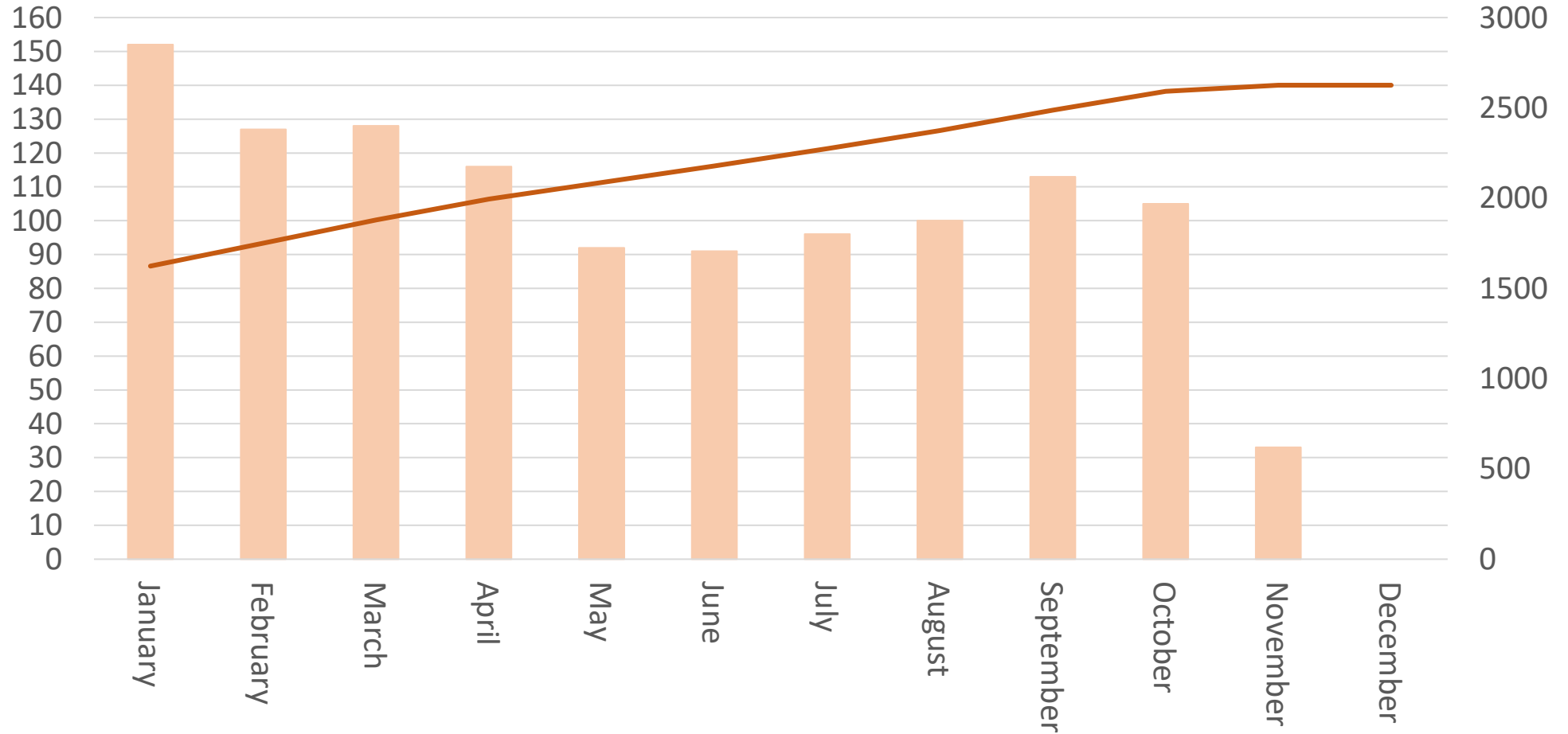
2022 Registered Sellers

*2022 to Date: **1153***

2021 Total: 812

2020 Total: 660

*= 2625 registered
sellers*



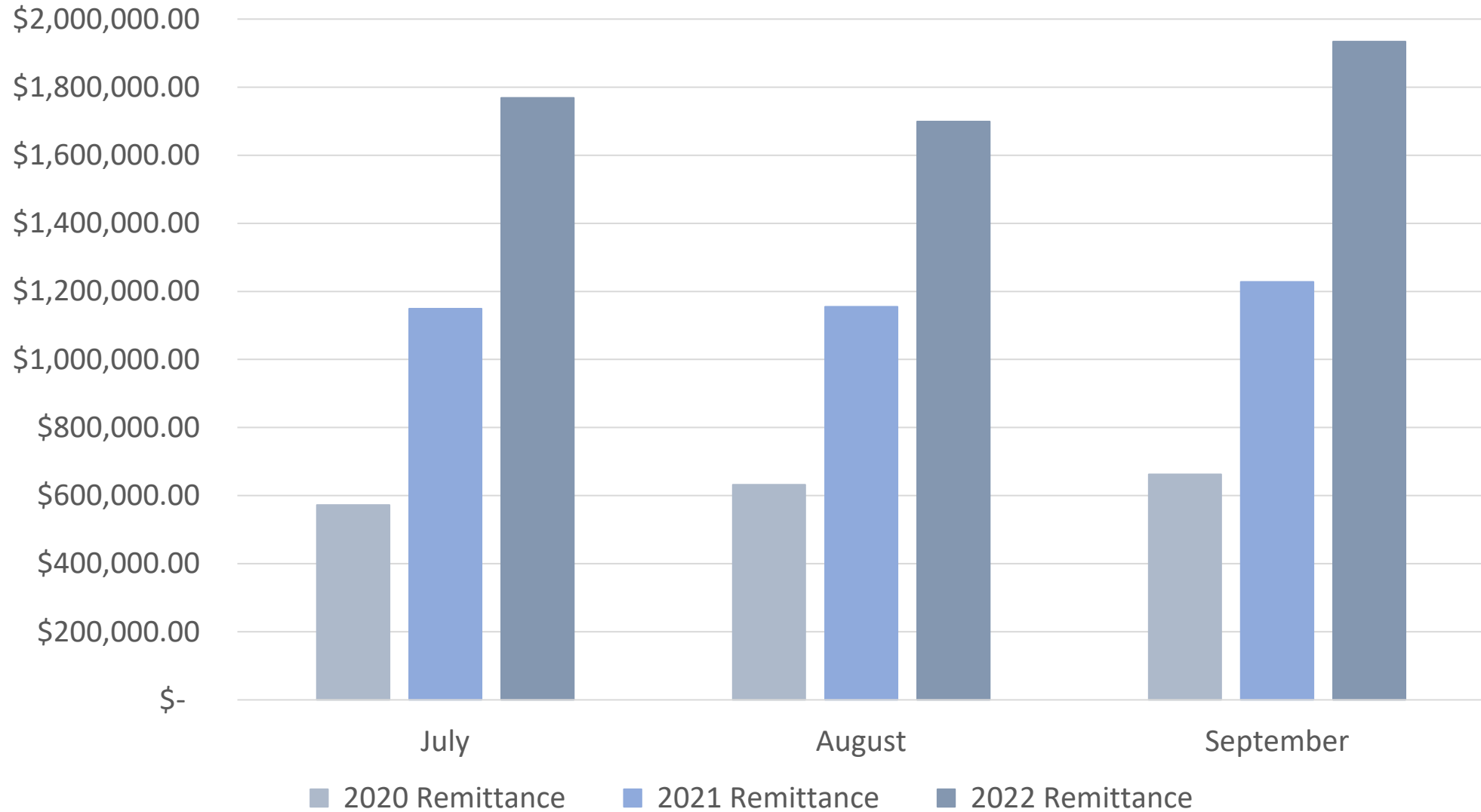
Top 20 Sellers for 2022Q3

1. Amazon.com Services, LLC (MPF)
2. Apple, Inc.
3. eBay, Inc.
4. Hulu, LLC
5. Microsoft Corporation
6. Etsy, Inc.
7. Intuit, Inc.
8. Recreational Equipment, Inc.
9. *Clipper Oil Inc.*
10. Nordstrom, Inc.
11. Nike Retail Services, Inc.
12. *Ash Grove Cement Company*
13. Sysco Seattle
14. *Univar Solutions USA*
15. Target Corporation
16. WW Grainger
17. *Duluth Holdings Inc.*
18. US Foods, Inc.
19. *McKinley Research Group*
20. *Spenard Builders Supply*

Top 20 Business Comparison

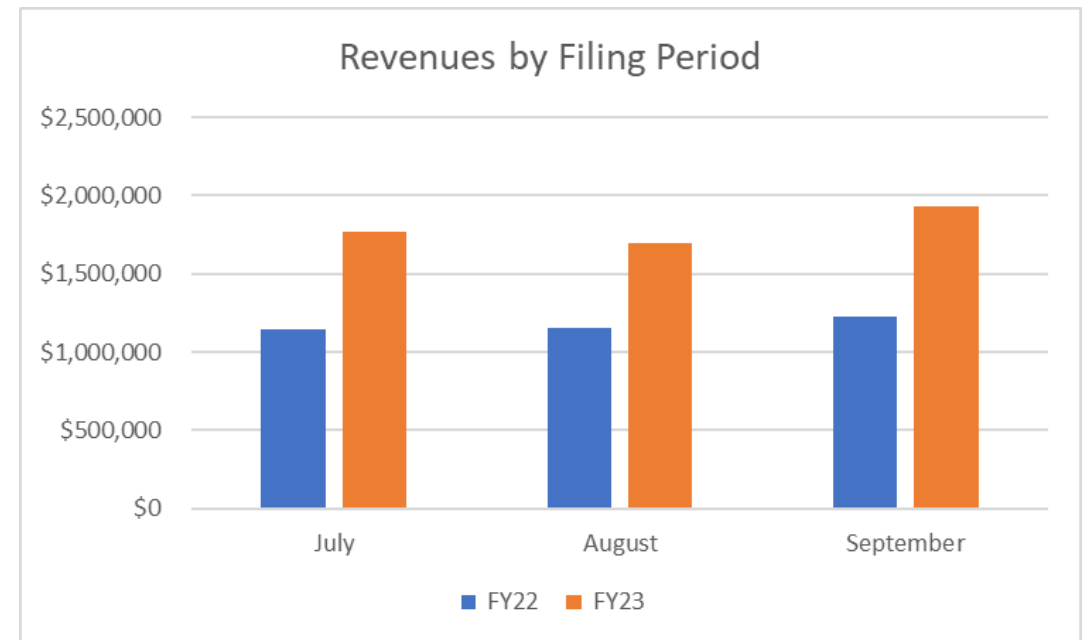
Year:	2021	2022
Total 3Q Revenue:	\$ 3,532,447	\$ 5,402,523
Revenue from Top 20:	\$ 2,548,253	\$ 3,085,870
Top 20 as % of Total Revenue:	72.14%	57.12%

2022Q3 Sales Tax Revenue (by filing period)

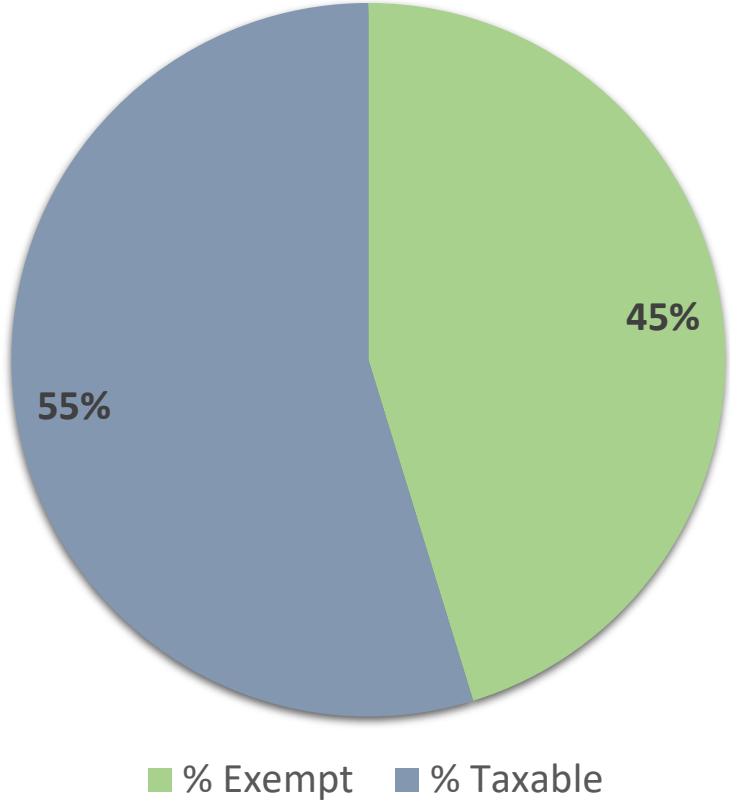
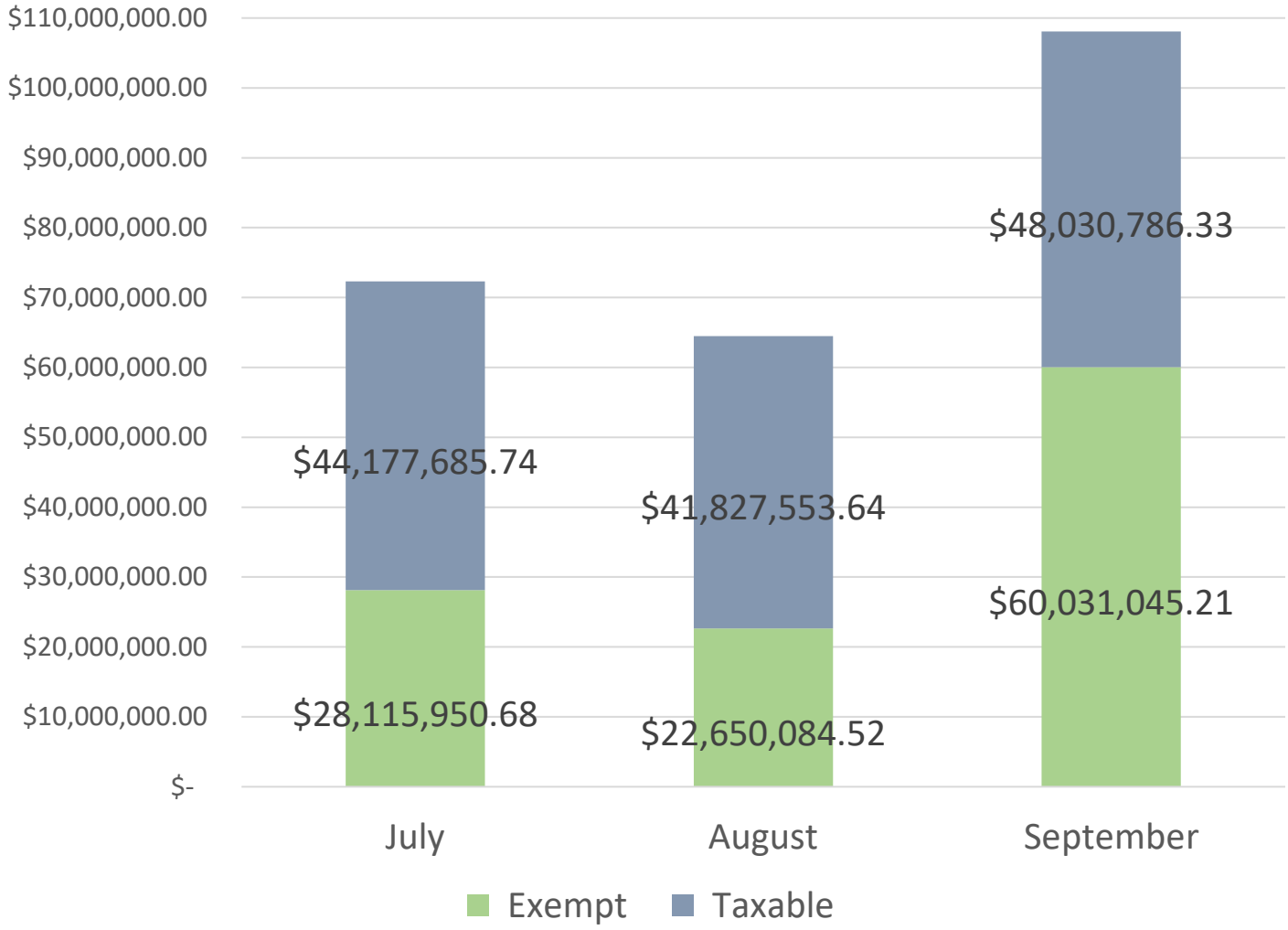


FY22/FY23 Revenue Comparison

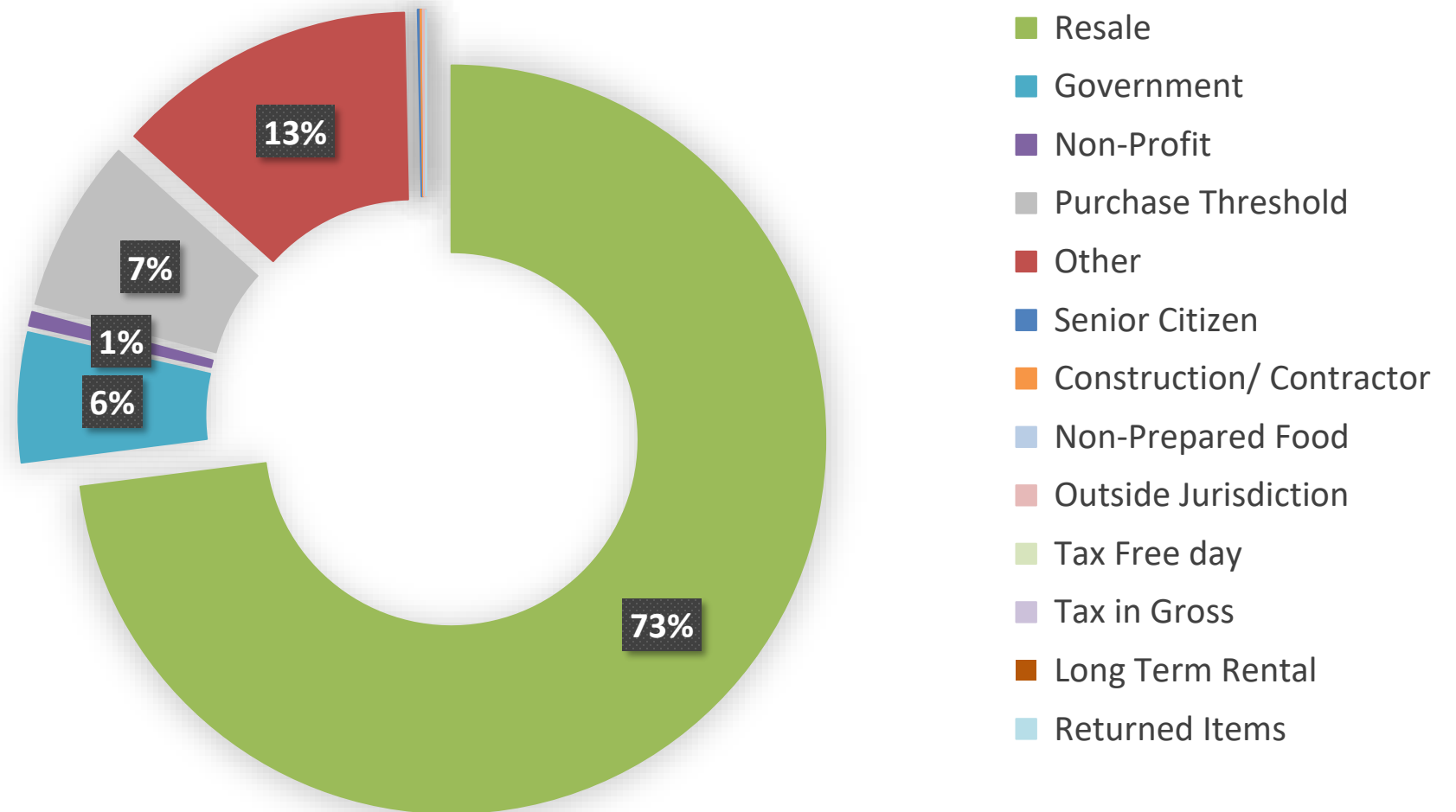
Filing Month	FY22	FY23
July	\$1,149,036	\$1,769,026
August	\$1,155,184	\$1,698,945
September	\$1,228,227	\$1,934,551



2022Q3 Exempt versus Net Taxable (by filing period)



2022Q3 Sales Tax Exemption Breakdown



ARSSTC Member Fees

- Current service provider fees:
 - GovOS: 8%
 - TTR: 1%
- ARSSTC rate: 2.25%
 - This rate is set to remain unchanged FY23.
- Total fee % of 11.25% through December 31.
- Service provider fees will reset January 1, 2023:
 - GovOS: 12%
 - TTR: 1.25%
 - Total fees 15.5% heading into 2023

2022Q3 Updates and Successes

TTR/Avalara

- Assisted new members to develop accurate exemption matrices
 - Galena
- Adjusted tax map to reflect change in tax rate
 - Ouzinkie
- Adjust tax map to reflect update in exemption information for Kotzebue contractor services
- Working with Avalara to update their customer information regarding Alaska local jurisdiction sales tax and taxable shipping information
- Working on contact renewal with Avalara

2022Q3 Updates and Successes

GovOS

- GovOS has hired additional programmers and we are starting to see results.
- Amended Return module upgrades were installed after several month wait.
- Returned Items deduction change order started after several month wait.
 - Is due to be completed in 4Q.
- Multiple additional change orders are being developed that will improve both staff and business user experiences.

2022Q3 Updates and Successes

Membership

- New Members to ARSSTC
 - City of Galena – July 2022
 - City of Unalakleet – August 2022
- Adopted and Implemented Uniform Code
 - None in 2022Q3

2022Q3 Updates and Successes

ARSSTC Meetings

- Board Meetings
 - Met in August
 - Initial Board review of Voluntary Disclosure Program
 - Update from staff on MTC Annual meeting
 - AMSTP staffing update
- Finance Committee Meetings
 - None in 3rd quarter
- Policy Committee Meetings
 - Met in July, August, September
 - Finalized Voluntary Disclosure program for Board approval, developed and approved Interpretation clarifying definition of physical presence, started discussion on updating Interpretation on Sourcing of Goods.

2022Q3 Updates and Successes

General Guidance

- Options for AK businesses to gain exemption from WA sales tax on their resale purchases.

Updates to Sales Tax Rules

- Ouzinkie changed tax rate from 3% to 6% effective 7/1/2022

Staffing Update

- Added compliance / audit staff (Tonya Shelhart)
- Added part-time Technician position (Sarah King)

2022Q3 Updates and Successes

Audit Program

Estimated Assessments

- Identified 6 businesses to conduct estimated filings for. Created estimated assessments and sent to businesses.

Filing Discrepancies

- Identified and contacted 176 businesses that filed similar amounts for Haines Borough and Haines Rural and contacted business for clarification.
 - Majority have amended their returns resulting in account credits.
- Identified and contacted 12 businesses who have been (probably erroneously) filing under Alcoholic Beverage lines.

Exemption Analysis

- Identified and contacted 12 businesses with very large exemptions.
- Continued follow up with outreach from 2022Q1.

Audit

- Sent first full audit notice out to a remote seller. Extension was requested.
- Several additional audits are being planned to be sent in 4Q.

2022Q3 Updates and Successes

Program Updates

- Seller Registration
 - Continue to see positive growth: over 2,600 sellers registered to date
- Compliance
 - Continue to outreach to businesses on the “Top 1,000 Online Businesses” list
 - Sent first round of estimated assessment notices to numerous non-filers.
 - Assessments on non-respondents will be finalized in 4Q.
 - Continued escalation efforts on businesses that fail to register.
- Statewide impacts
 - Developing guidance for AK businesses and residents to address WA sales tax charges.
 - Should yield additional revenues for ARSSTC member communities instead of those revenues going to WA state.

2022Q3 Challenges

- Many companies are not able to seamlessly apply a community's tax cap to a sale
- Identifying businesses with potential erroneous non-collection of sales tax
- Working with filers who submit paper filings to Commission and jurisdictions
- Providing clear filing and payment history upon seller request
- Non-response from outreach regarding delinquent filers

Program Goals for FY23

- Finalize Voluntary Disclosure Program – will be implemented January 1, 2023.
- Finalize estimated tax assessment policy for non-filers with no filing history.
- Develop education packet for newly registered remote sellers.
- Develop reference archive of system notifications sent to registered remote sellers.
- GovOS:
 - Returned Goods exemption category for filing upload template.
 - Change order for Fees Report to accommodate fluctuating member fees.
- TTR:
 - ZIP+4 solution
- Continue registration outreach to Alaskan-based remote sellers, using an industry-specific approach.
- Continue outreach to large national remote sellers for registration compliance.
- Continue working with jurisdictions to join ARSSTC and adopt Uniform Code.

Questions?

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