

Alaska Remote Seller Sales Tax Commission

4th Quarter 2022 Update and Overview

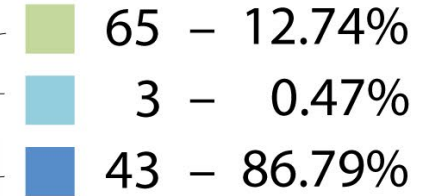
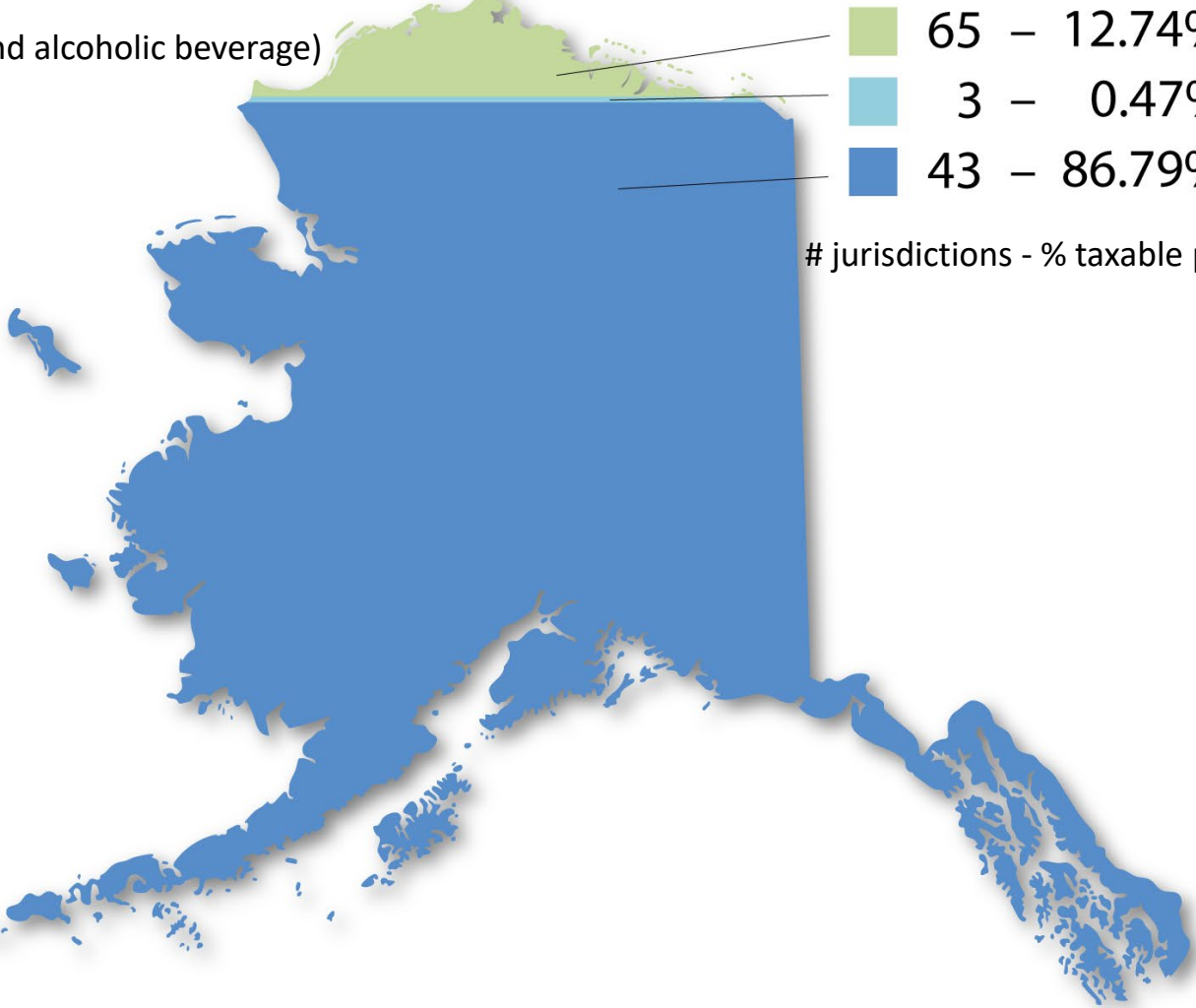
February 23, 2023



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)
Galena
Gambell
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
Unalakleet
Unalaska
Wasilla
White Mountain
Wrangell
Yakutat



jurisdictions - % taxable population

CY2022 Registered Sellers

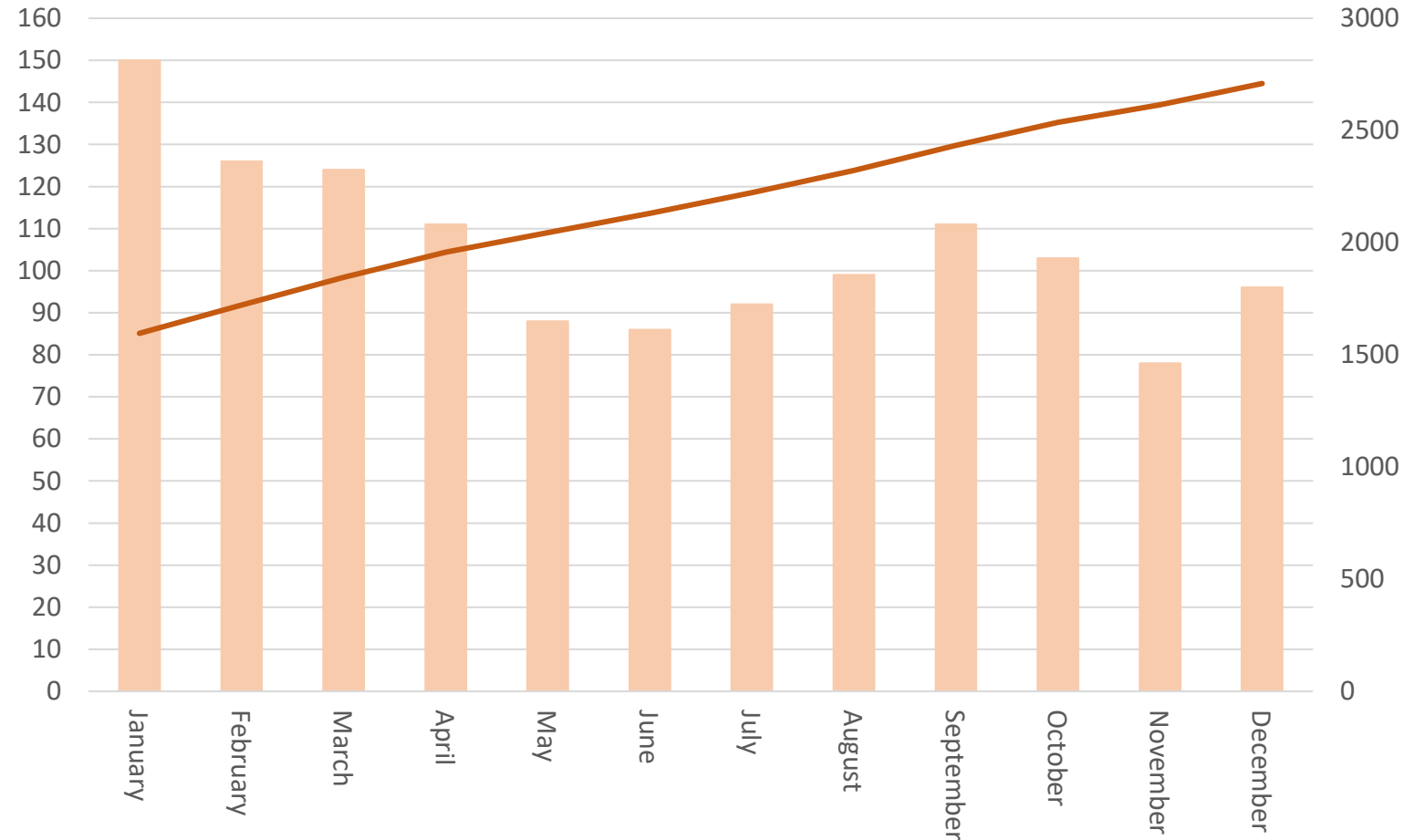
Registered Sellers:

- 2022: 1264
 - 2021: 795
 - 2020: 651
- = 2710 registered sellers through 2022

Average registration/month:

- 2022: 105
- 2021: 66
- 2020: 59

249 closed accounts in 2022



Top 20 Sellers for 2022Q4

- | | |
|-----------------------------------|----------------------------------|
| 1. Amazon.com Services, LLC (MPF) | 11. Recreational Equipment, Inc. |
| 2. Apple, Inc. | 12. Ash Grove Cement Company |
| 3. eBay, Inc. | 13. Nike Retail Services, Inc. |
| 4. Etsy, Inc. | 14. Nordstrom, Inc. |
| 5. Microsoft Corporation | 15. Target Corporation |
| 6. <i>Wayfair LLC</i> | 16. <i>Walmart.com USA</i> |
| 7. Hulu, LLC | 17. <i>BestBuy.com LLC</i> |
| 8. <i>Stitch Fix Inc</i> | 18. <i>LL Bean Inc</i> |
| 9. Intuit, Inc. | 19. <i>Adobe Inc</i> |
| 10. <i>Spotify USA</i> | 20. <i>VF Outdoors LLC</i> |

Top 20 Sellers for CY2022

- | | |
|-----------------------------------|--|
| 1. Amazon.com Services, LLC (MPF) | 11. <i>Infosat Able Holdings, Inc.</i> |
| 2. Apple, Inc. | 12. Nike Retail Services, Inc. |
| 3. eBay, Inc. | 13. <i>Adobe, Inc.</i> |
| 4. <i>Hulu, LLC</i> | 14. Ash Grove Cement Company |
| 5. Microsoft Corporation | 15. <i>Wayfair, LLC</i> |
| 6. Etsy, Inc. | 16. <i>Sysco Seattle, Inc.</i> |
| 7. Intuit, Inc. | 17. BestBuy.com, LLC |
| 8. Recreational Equipment, Inc. | 18. <i>WW Grainger, Inc.</i> |
| 9. Target Corporation | 19. <i>Outdoors Online, LLC</i> |
| 10. Nordstrom, Inc. | 20. US Foods, Inc. |

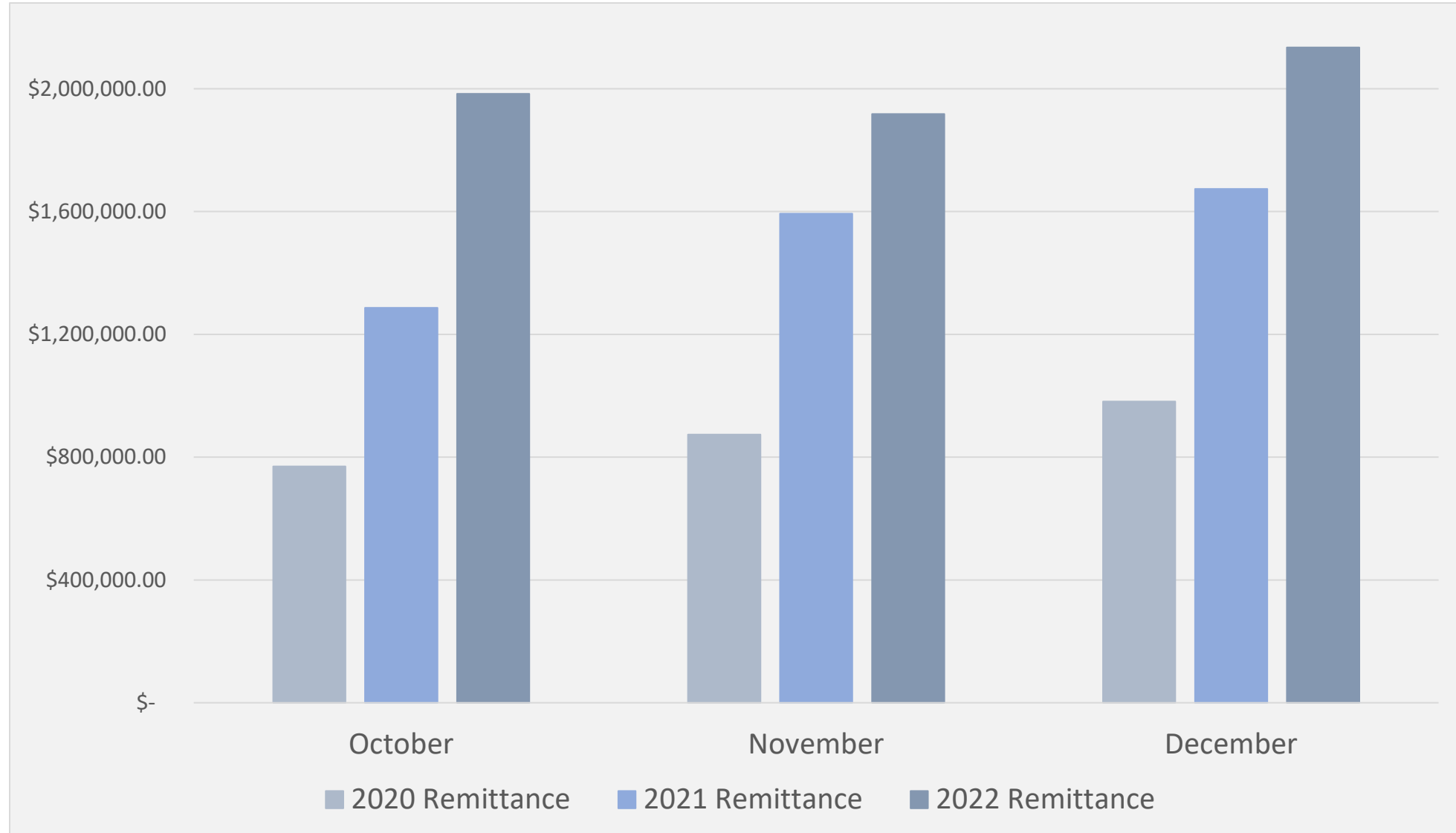
Top 20 Business Comparison

Year:	2021	2022
Total 4Q Revenue:	\$ 4,522,397	\$ 6,031,991
Revenue from Top 20:	\$ 3,331,374	\$ 4,191,245
Top 20 as % of Total Revenue:	73.66%	69.48%

CY2022 Tax Revenue by Business Remittance

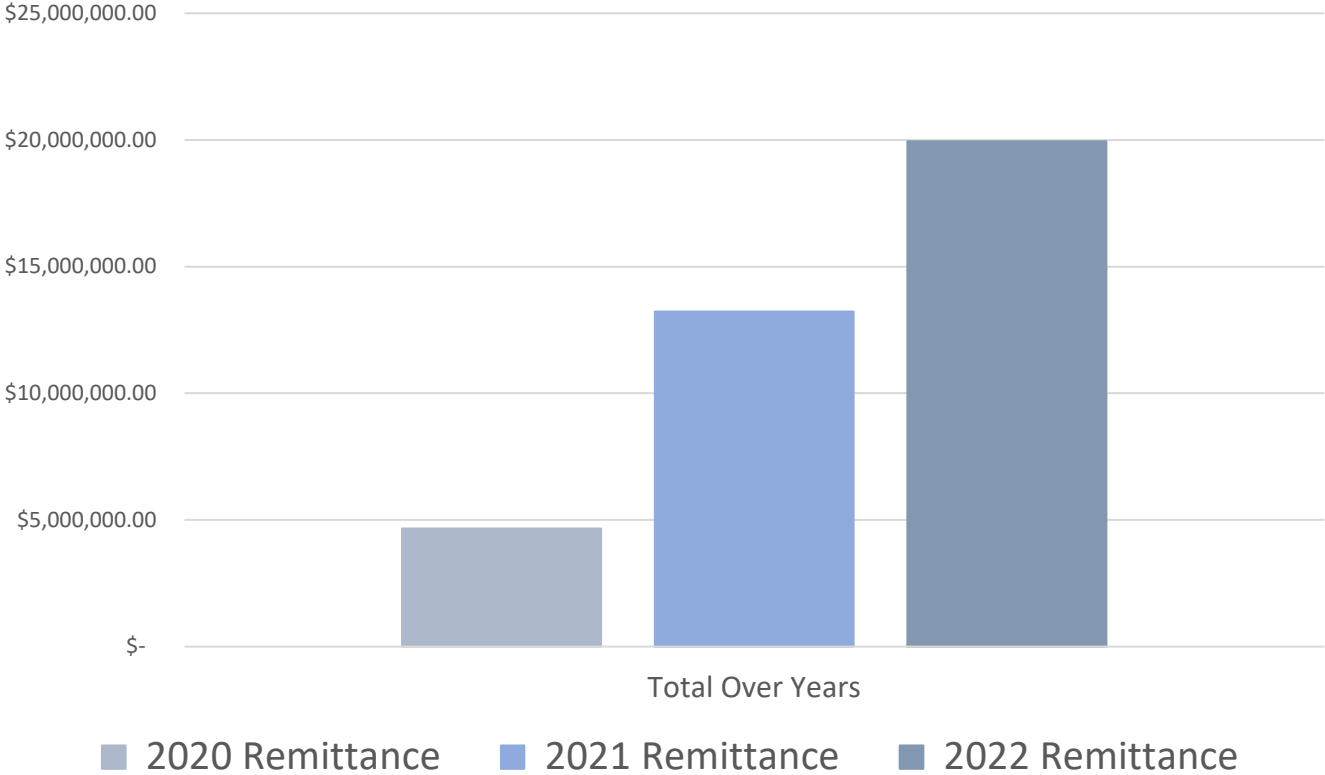
Category	Count	% Filers	% Total Paid
> \$500,000	3	0.12%	50.75%
\$100,000 - \$500,000	16	0.63%	16.35%
\$50,000 - \$100,000	23	0.91%	8.20%
\$10,000 - \$50,000	121	4.78%	14.08%
\$5,000 - \$10,000	106	4.19%	3.70%
\$1,000 - \$5,000	471	18.60%	5.16%
< \$1,000	1335	52.73%	1.77%
\$0	456	18.01%	0.00%

2022Q4 Sales Tax Revenue (by filing period)

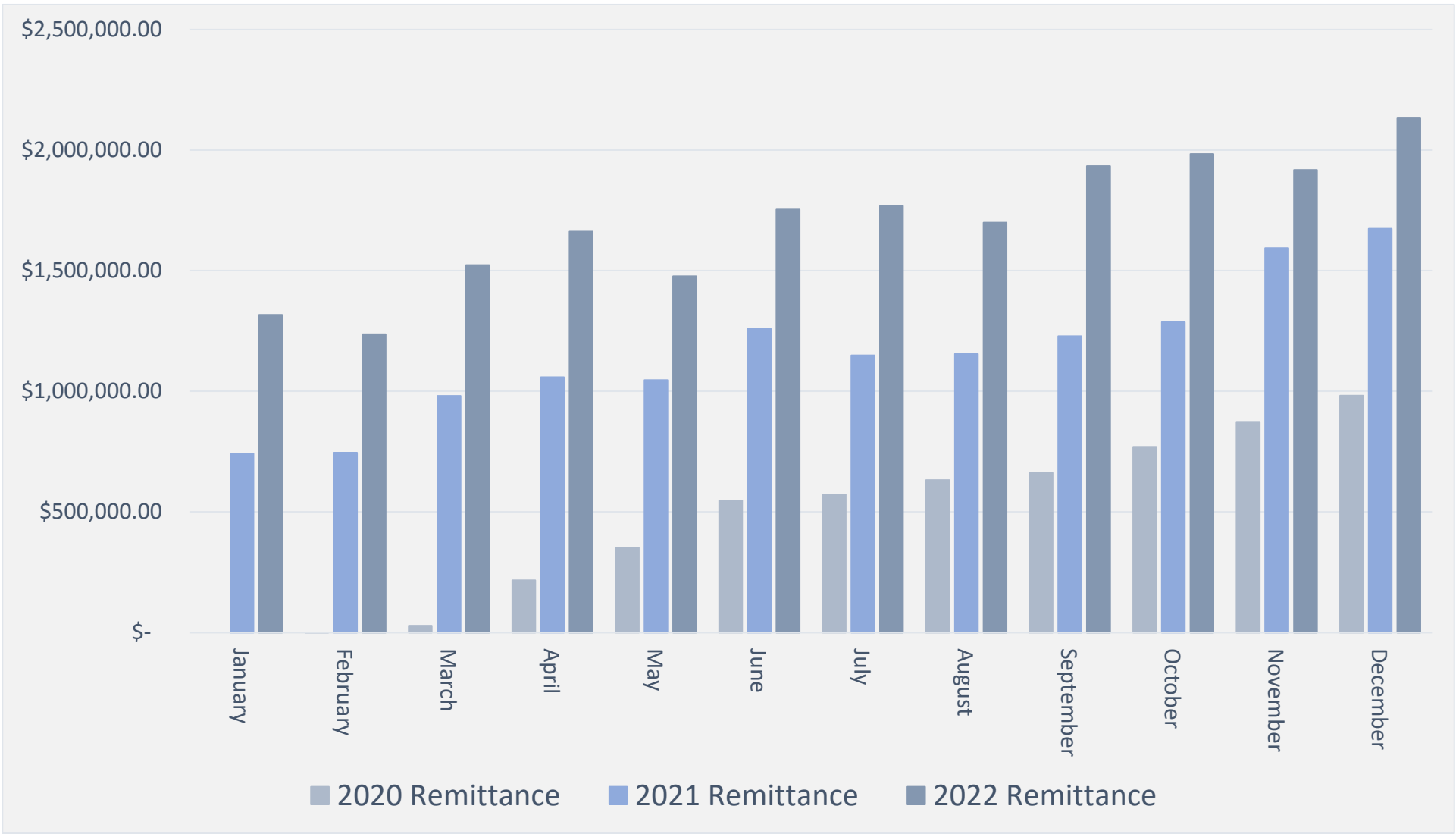


Revenue Comparison

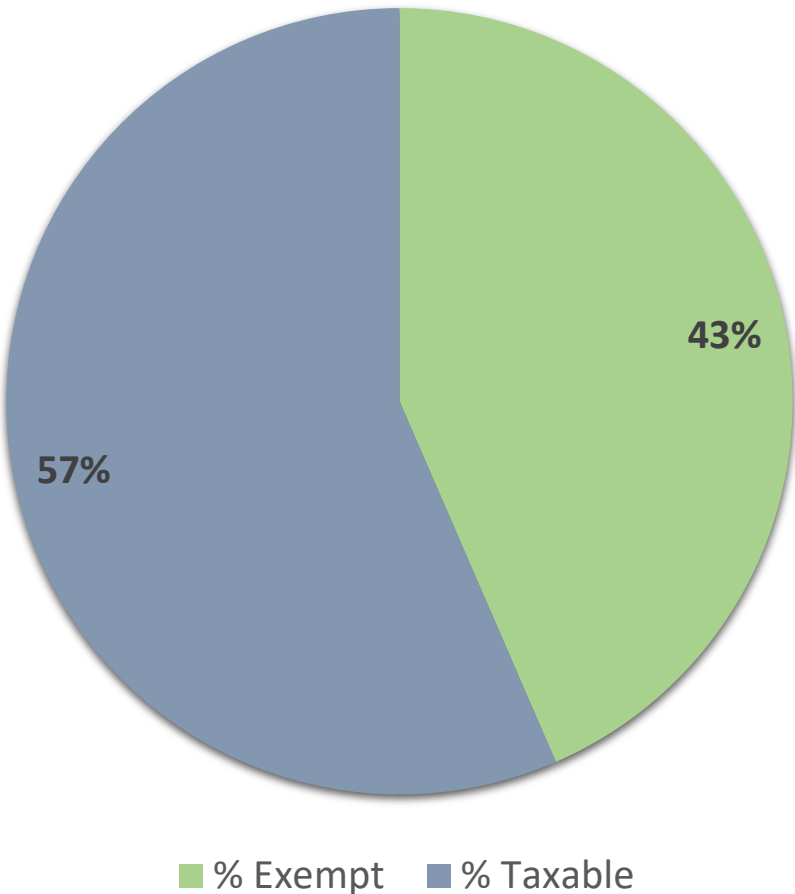
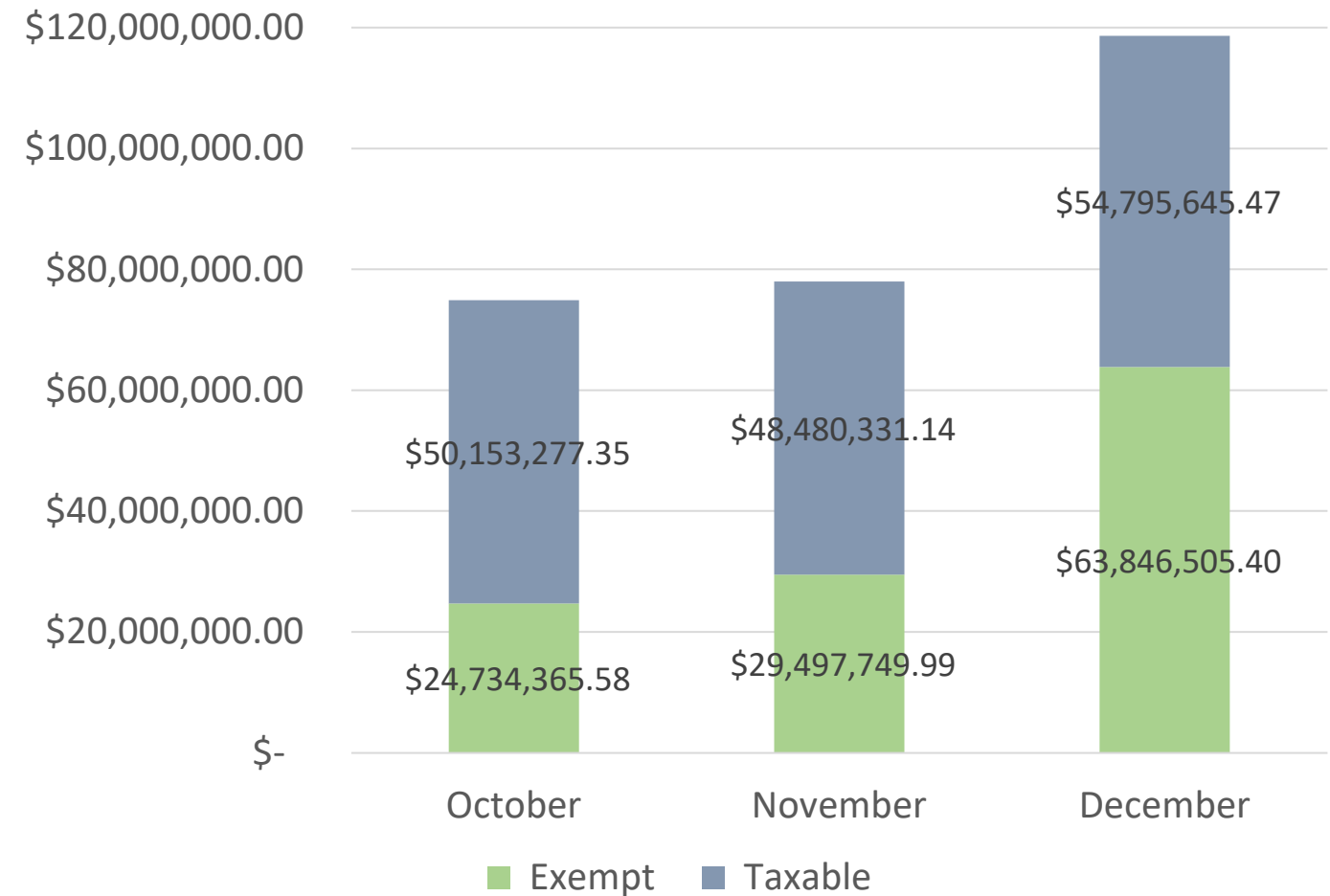
Filing Month	CY20	CY21	CY22
October	\$769,705.55	\$1,286,607.30	\$1,983,959.16
November	\$874,031.19	\$1,593,194.40	\$1,917,617.28
December	\$981,897.38	\$1,673,569.40	\$2,134,873.92
Annual	\$4,658,919.07	\$13,227,457.67	\$19,945,546.14



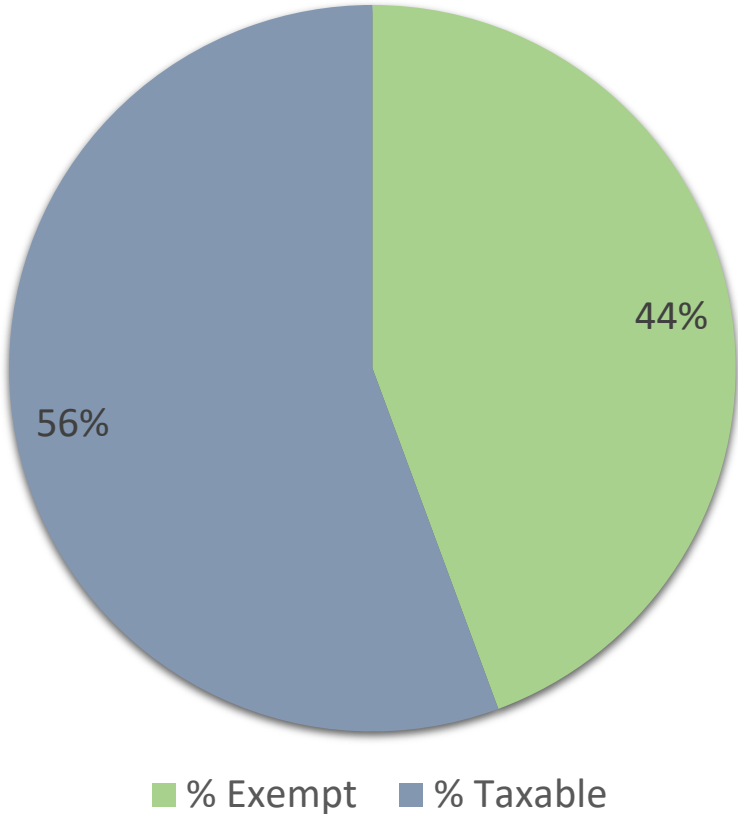
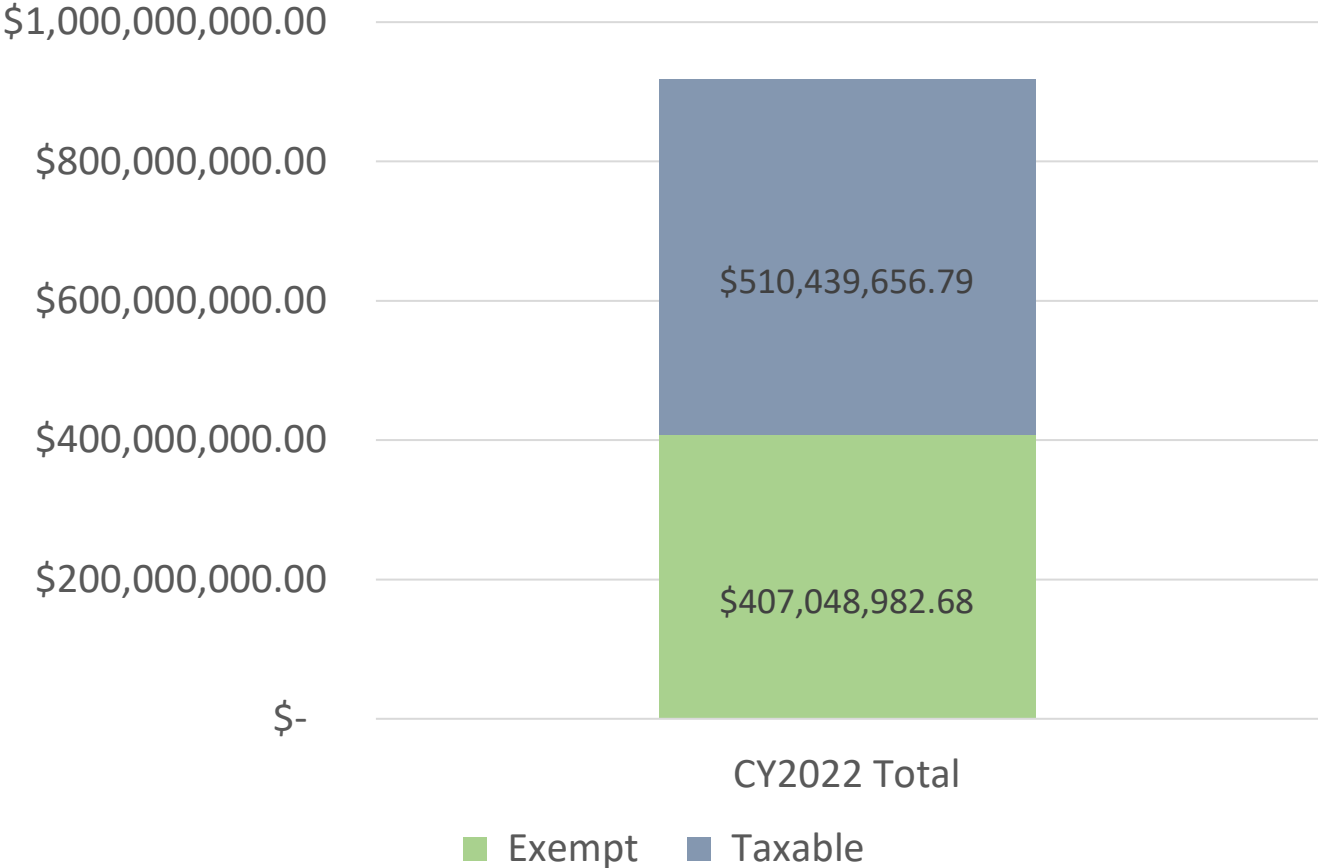
CY2022 Sales Tax Revenue (by filing period)



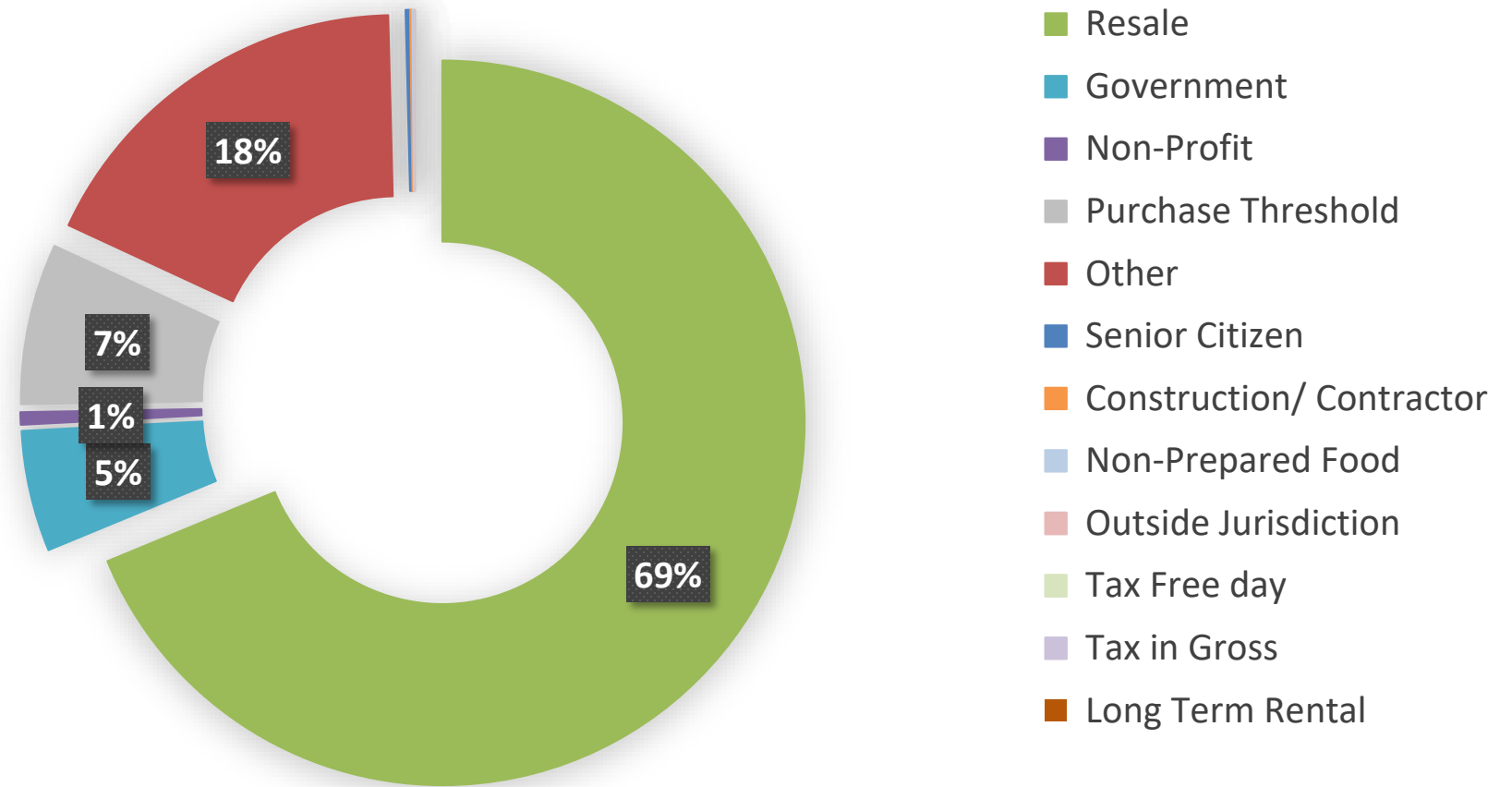
2022Q4 Exempt versus Net Taxable (by filing period)



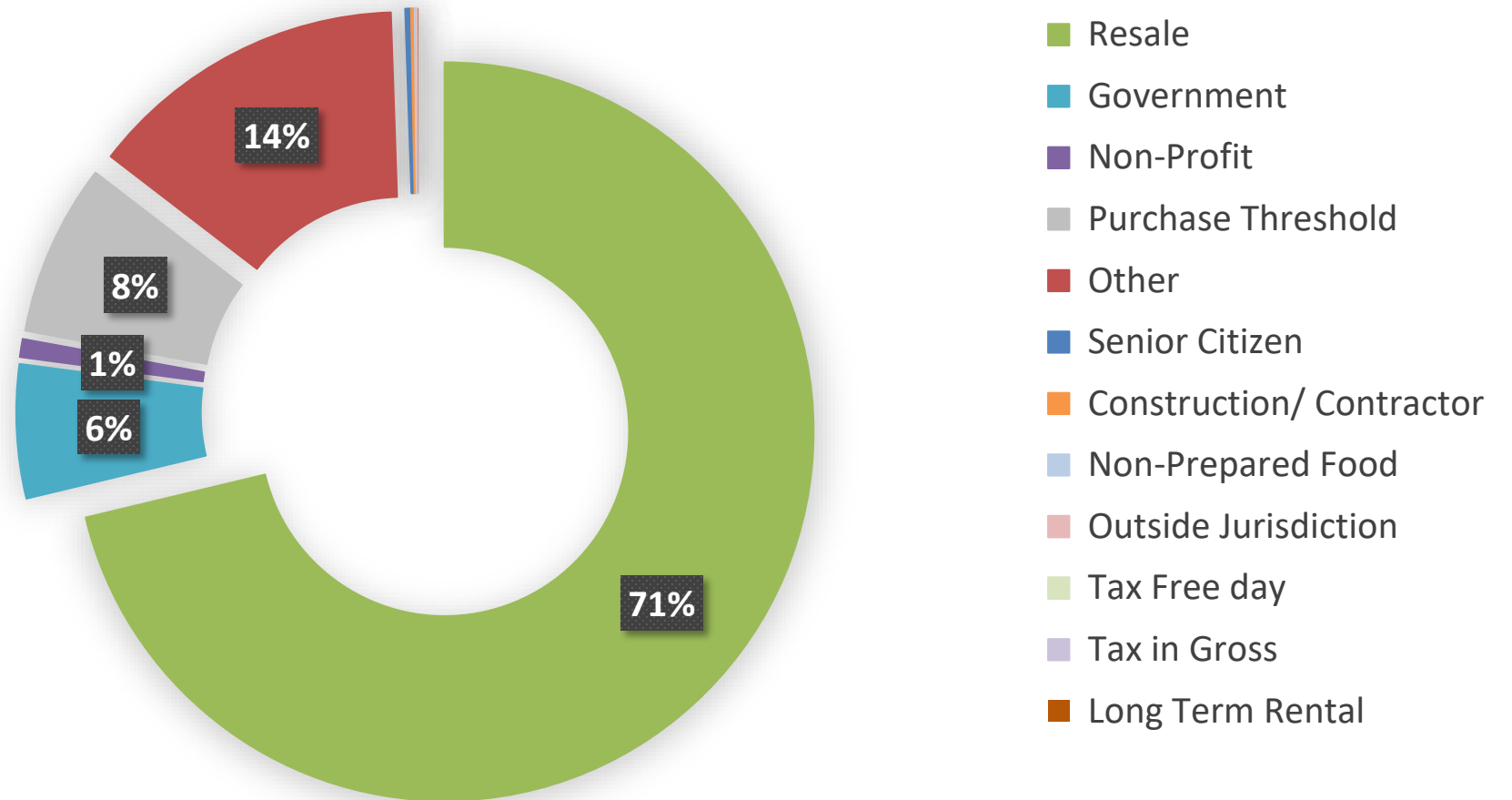
CY2022 Exempt versus Net Taxable (CY22 total)



2022Q4 Sales Tax Exemption Breakdown



CY2022 Sales Tax Exemption Breakdown



ARSSTC Member Fees

- Current service provider fees:
 - GovOS: 12%
 - TTR: 1.25%
- ARSSTC rate: 2.25%
 - This rate is set to remain unchanged FY23.
- Actual effective rate for CY2022 was 13.38%
 - Actual effective rate for CY2021 was 16.22%
- Service provider fees will reset January 1, 2023:
 - GovOS: 12%
 - TTR: 1.25%
 - Total fees 15.5% heading into 2023

2022Q4 Updates and Successes


TTR/Avalara

- Assisted new members to develop accurate exemption matrices.
 - Galena
 - Unalakleet
- Adjusted tax map to reflect new seasonal tax rate for Ketchikan.
- Adjusted tax map to properly reflect Haines ZIP code as Haines.
- Assisted two companies with API requests.
- Working with Avalara to update filing requirements guidance for remote sellers into Alaska (currently states Alaska does not have a state sales tax).
- Working with Avalara to identify sellers that are filing \$0 with the ARSSTC, most likely not set up correctly in Avalara system.
- Finalized contract renewal with Avalara for 1-year.

2022Q4 Updates and Successes

GovOS

- Working on upgrades to reporting from Amended Return module.
- Working on improved reporting for jurisdiction Batch Summary reports (some updates are not reflected in reports, vendor cap issues).
- Working on Returned Items deduction change order.
 - Is due to be completed in 2022Q1.
- Assisted with estimated assessment process and creating account balances.
- Multiple additional change orders are being developed that will improve both staff and business user experiences.

A photograph of the Aurora Borealis (Northern Lights) over a dark lake at night. The lights are vibrant green and purple, reflecting on the water. The sky is dark with some stars visible. A white curved line separates the image from the text on the right.

2022Q4 Membership

- New Members to ARSSTC
 - City of White Mountain
- Adopted and Implemented Uniform Code
 - City of Galena
 - City of Unalakleet

2022Q4

ARSSTC Meetings

ARSSTC Annual Meeting

- Met in December
- Voted on Bylaws amendments
- Elected Board of Directors

Board Meetings

- Met in October, December
- Final approval of Voluntary Disclosure Program
- Initial review of ARSSTC/AML service agreement renewal

Finance Committee Meetings

- None in 4th quarter

Policy Committee Meetings

- Met in October, November, December
- Updated Interpretation on Sourcing of Goods
- Began discussion on bundled transactions
- Began discussion on Marketplace Facilitators and filing requirements with ARSSTC

2022Q4 Updates and Successes

General Guidance

- Sent notice to sellers: check settings with 3rd party tax software – make sure set to Alaska remote sales.

Updates to Sales Tax Rules

- City of Ketchikan passed a seasonal sales tax of 5.5% beginning April 2023; decreased sales tax rate of 3% beginning October 2023.
- City of Nome rescinded their seasonal sales tax November 2022.
- City of Seldovia and City Borough of Sitka reverted to non-seasonal sales tax rate in October 2022.
- City Borough of Sitka had a 2-day tax holiday in November 2022.

2022 4Q Updates and Successes

Program Updates

- Successful annual audit of program; Presented to Board January 2023.
- Finalized Voluntary Disclosure Program; implemented January 2023.
- Resale Exemption Certificates
 - Issued 79 resale exemption certificates for remote sellers in CY2022.
- Seller Registration
 - Continue to see positive growth: over 2,800 sellers registered to date.
- Compliance
 - Finalized three estimated assessments totaling \$5,525.48
 - Estimated notice respondents filed returns totaling just over \$29k.
 - Four remote sellers were force-registered out of nine force-registered notice letters.

Staffing Update

- Terminated compliance / audit staff.
- Open recruitment for compliance and technician staff.

2022Q4 Updates and Successes

Audit Program

Estimated Assessments

- Sent 29 estimated assessment notices of which 5 were final demands.
- Received approx. \$29k in revenue from estimated assessment notices.

Exemption Analysis

- Identified 23 business with questionable exemption reporting for audit.
 - Businesses were contacted in early 1Q 2023.
 - Responses are currently being reviewed / processed.

Audit

- First full audit finalized in 4Q, resulting in assessment of just over \$2k.
- Seven additional businesses selected for full audits-notices scheduled for 1Q 2023.

2022Q4 Challenges

- Identifying remote sellers reporting erroneous zero filings due to errors in their 3rd party tax company settings.
- Working with filers who submit paper filings to Commission and jurisdictions, usually connected to incorrect 3rd party tax company settings.
- Providing clear filing and payment history upon seller request.
- Working with AK-based remote sellers as they update their POS systems to properly collect remote sales tax.
- Helping smaller remote sellers through the challenges they face using POS / tax software such as Shopify that doesn't work well in AK.

Program Goals for FY23

- Develop Collections enforcement actions process & procedures.
- Develop education packet for newly registered remote sellers.
- Develop reference archive of system notifications sent to registered remote sellers – will be completed 2023Q1.
- 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.

Notes for Members

- Promptly notify the ARSSTC of local sales tax code changes.
 - We have to give at least 30 days' notice to remote sellers of most changes.
- Notify the ARSSTC of any paper returns submitted by remote sellers to your community.
 - The remote seller has likely made an error with its 3rd party tax service if they are sending you returns.
 - We will contact the remote seller(s) to correct the issue.
- Local resale certificates
 - We've been working on guidance to assist local businesses with obtaining sales tax exemption on their inventory purchases from out of state.
 - Having a local resale certificate for your community is part of the process.
 - Contact us for assistance on developing your own local resale certificate process.

ARSSTC Board of Directors

- Brandi Harbaugh, President
 - Kenai Peninsula Borough
- Melissa Haley, Vice President
 - City/Borough of Sitka
- Joan Miller, Treasurer
 - City of Wasilla
- Xavier Mason, Secretary
 - City of Bethel
- Stephanie Queen
 - City of Soldotna
- Ruth Kostik
 - City/Borough of Juneau
- Scott Bloom
 - City of Kenai

Questions?

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