

Alaska Remote Seller Sales Tax Commission

1st Quarter 2023 Update and Overview

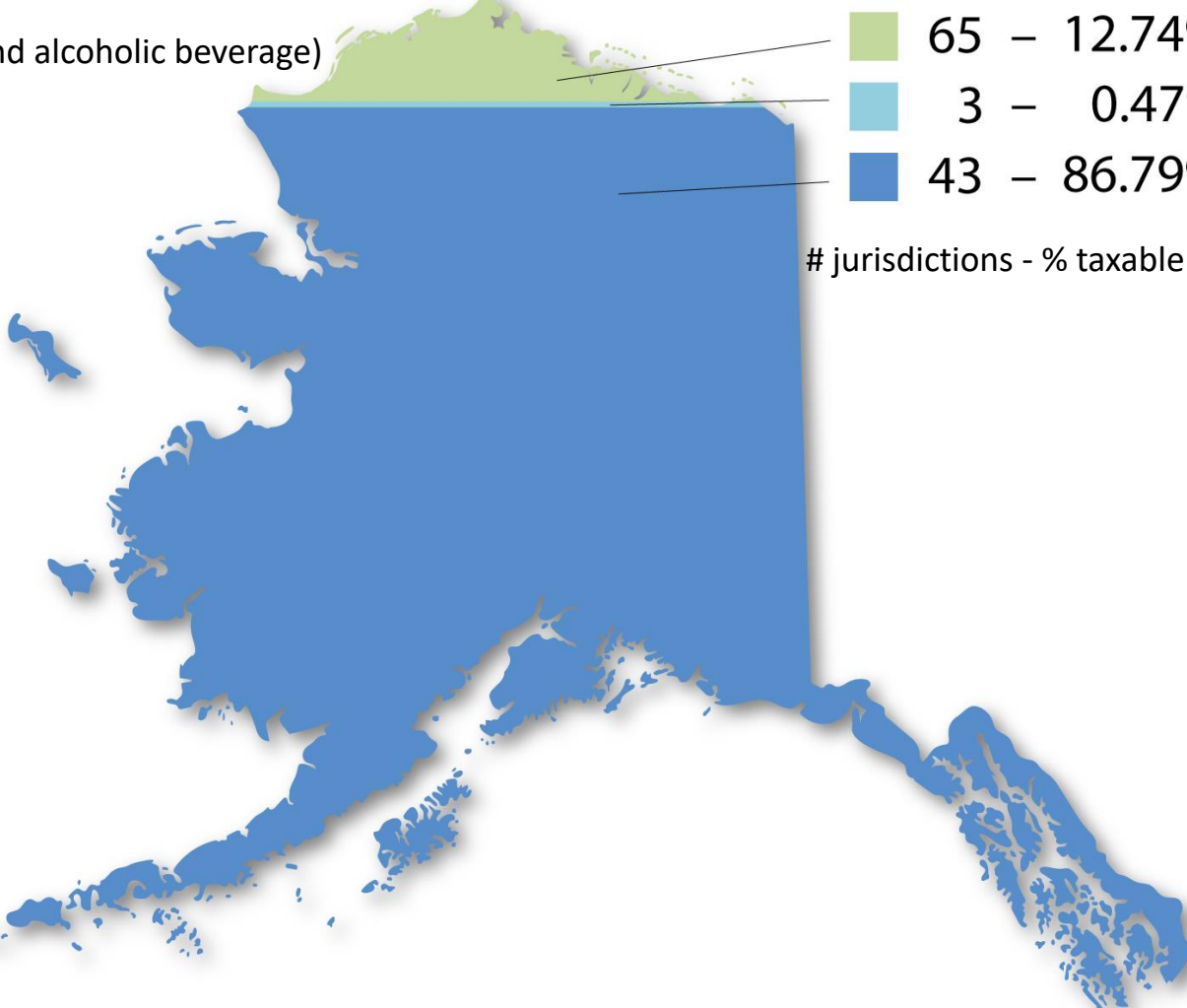
May 25, 2023



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

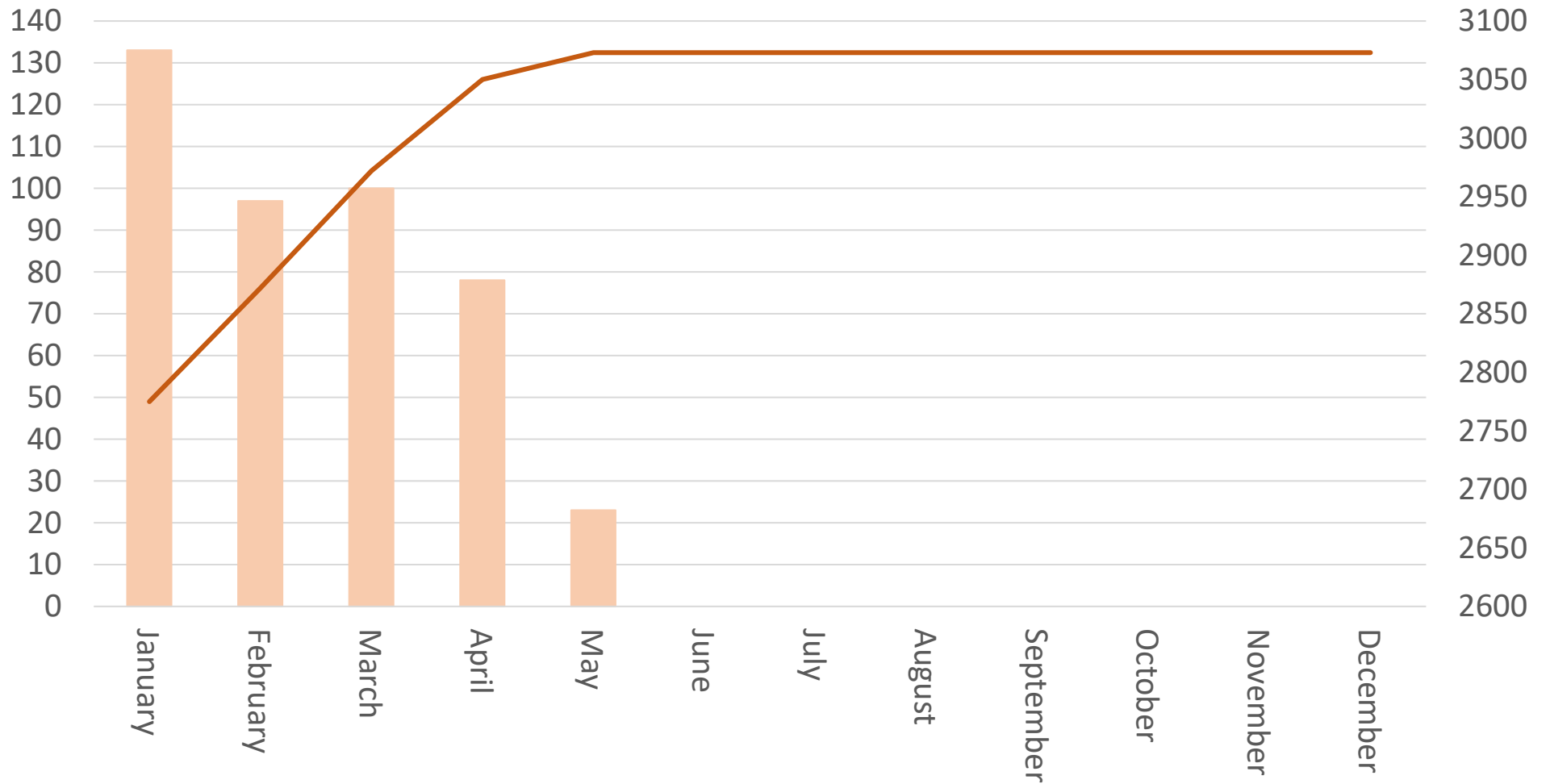


65 – 12.74%
3 – 0.47%
43 – 86.79%

jurisdictions - % taxable population

2023 Registered Sellers

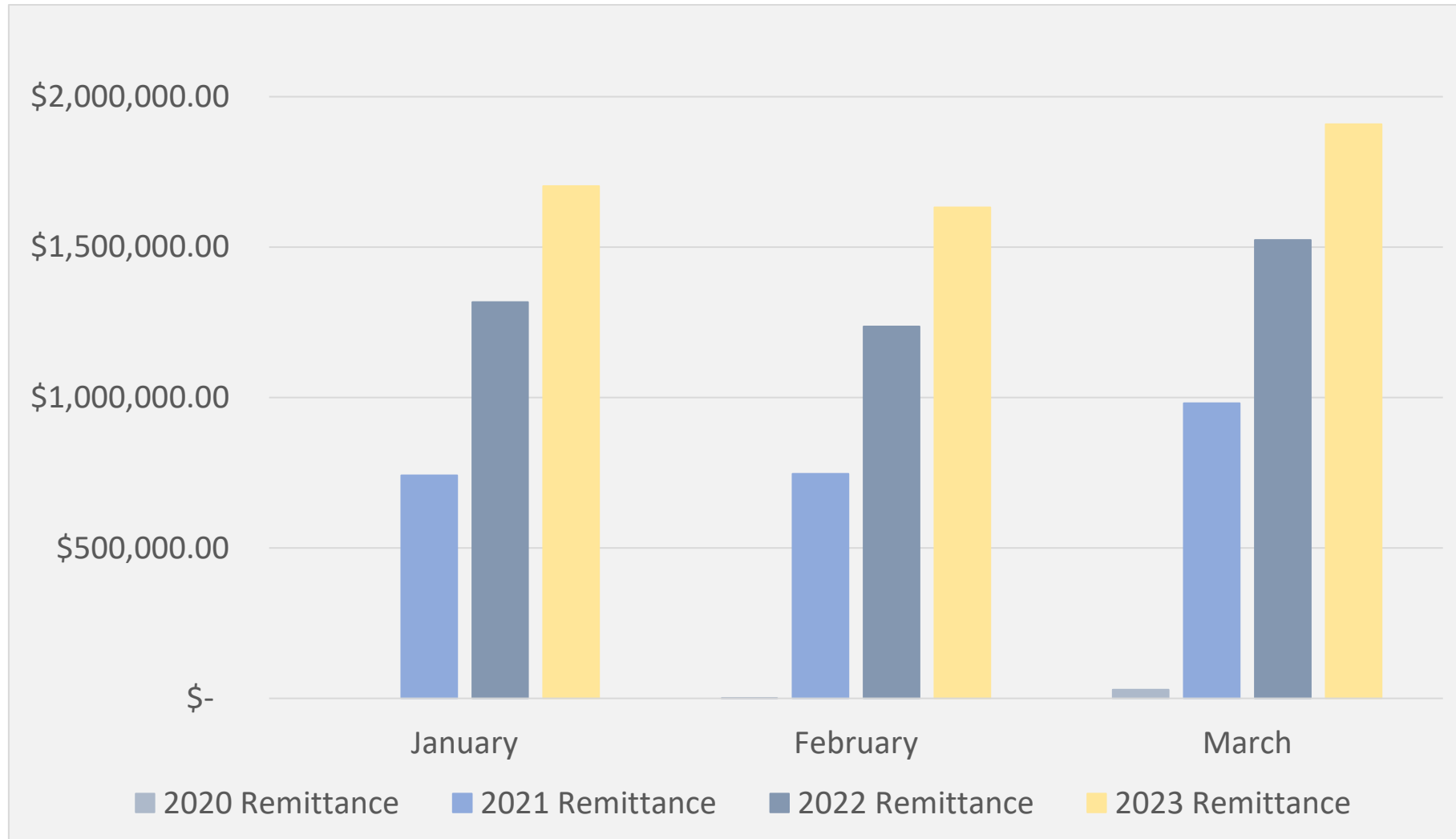
2023 to Date: 431
2022 Total: 1229
2021 Total: 776
2020 Total: 637
= 3073 registered sellers



Top 20 Sellers for 2023Q1

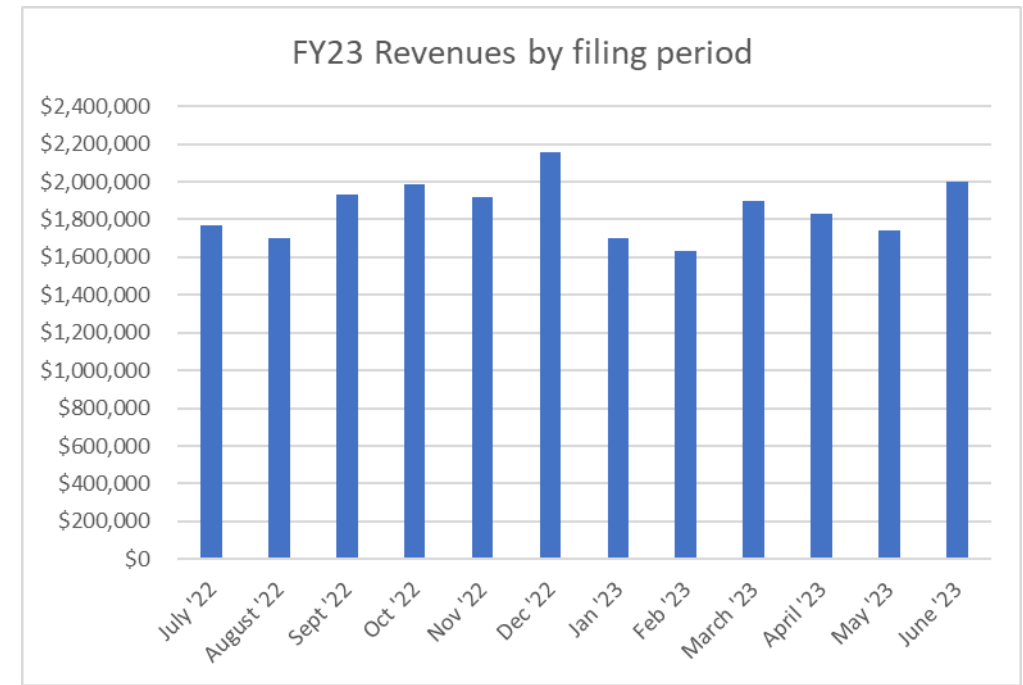
1. Amazon.com Services, LLC (MPF)
2. Apple, Inc.
3. eBay, Inc.
4. *Google LLC*
5. Intuit, Inc.
6. Hulu, LLC
7. Microsoft Corporation
8. *Graybar Electric Company, Inc.*
9. Etsy, Inc.
10. *ADP, Inc.*
11. Stitch Fix, Inc.
12. Ash Grove Cement Company
13. *Dell Marketing, LP*
14. *Space Exploration Technology Corporation*
15. Recreational Equipment, Inc.
16. Adobe, Inc.
17. Spotify USA, Inc.
18. Target Corporation
19. *WW Grainger, Inc.*
20. Nike Retail Services, Inc.

2023Q1 Sales Tax Revenue (by filing period)

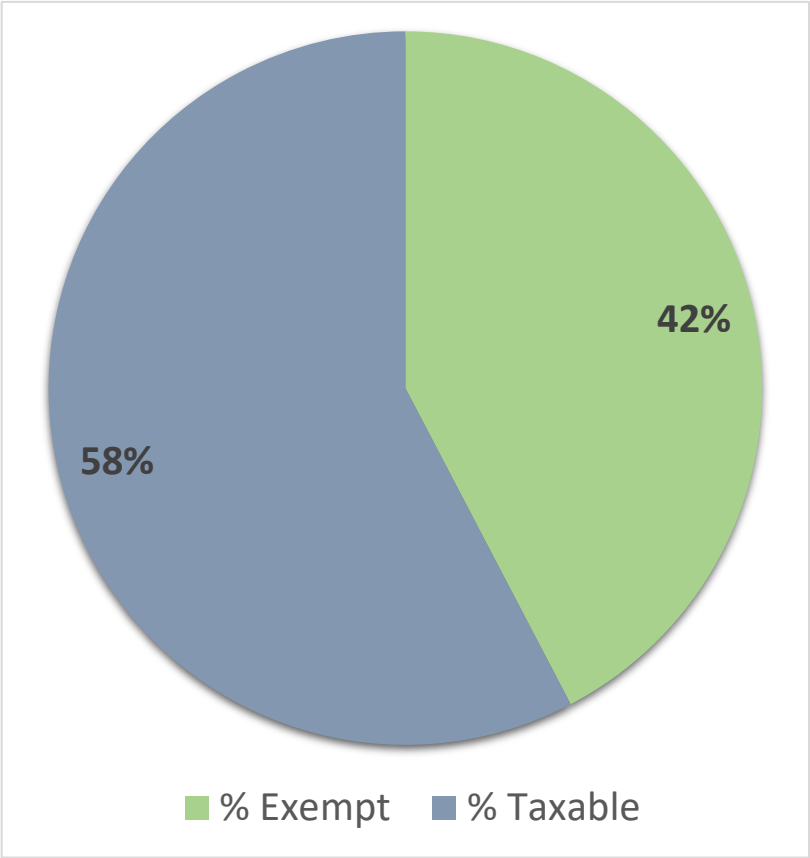
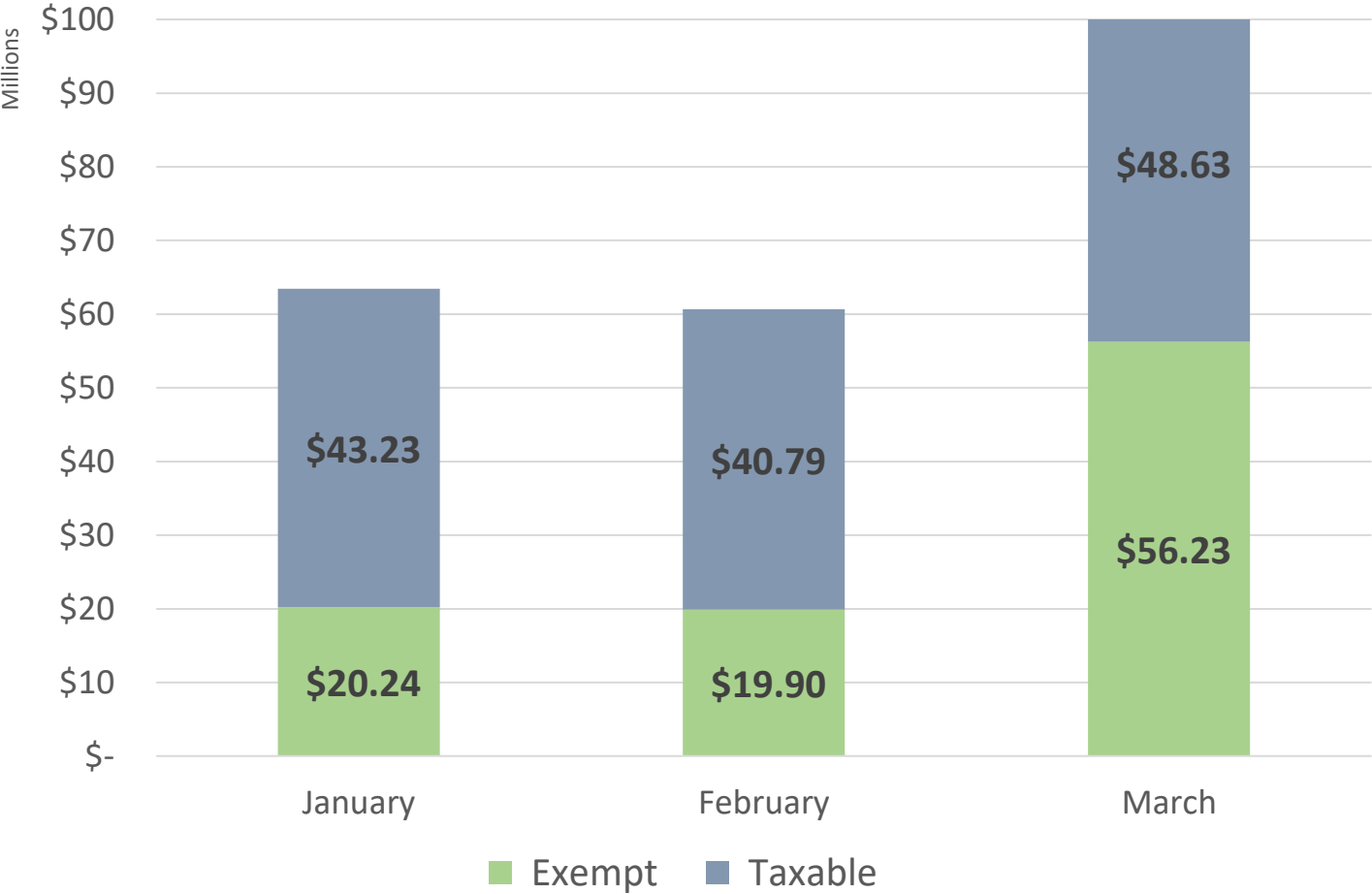


FY23 Revenue Projections

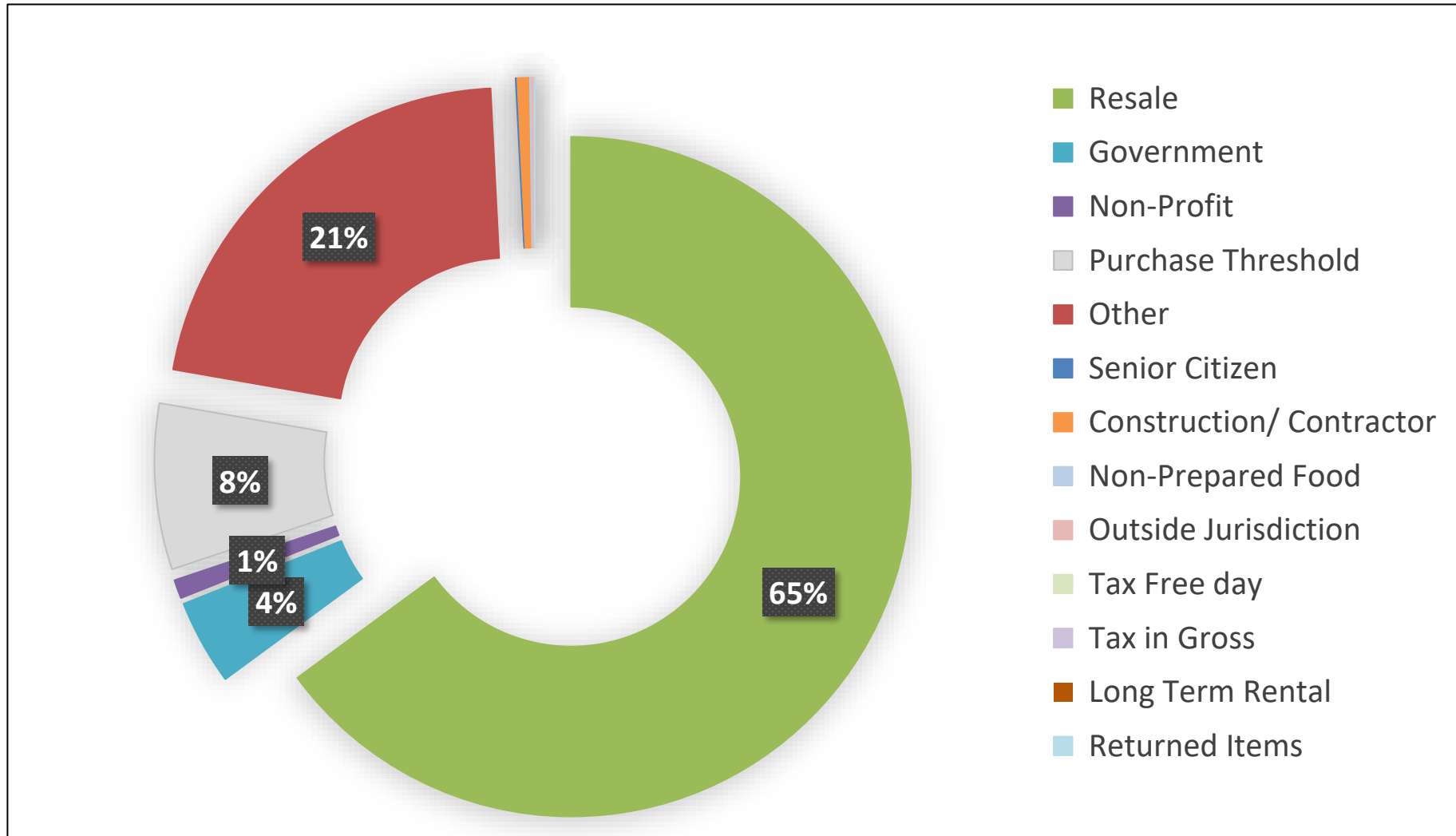
Filing Period	FY23 Revenues	
July '22	\$1,769,026	<i>actual</i>
August '22	\$1,698,945	<i>actual</i>
Sept '22	\$1,934,551	<i>actual</i>
Oct '22	\$1,983,959	<i>actual</i>
Nov '22	\$1,917,617	<i>actual</i>
Dec '22	\$2,159,423	<i>actual</i>
Jan '23	\$1,702,415	<i>actual</i>
Feb '23	\$1,631,775	<i>actual</i>
March '23	\$1,900,775	<i>actual</i>
April '23	\$1,830,000	<i>estimated</i>
May '23	\$1,740,000	<i>estimated</i>
June '23	\$2,000,000	<i>estimated</i>
FY23 Total	\$22,268,487	



2023Q1 Exempt versus Net Taxable (by filing period)



2023Q1 Sales Tax Exemption Breakdown



ARSSTC Member Fees

- Service provider fees increased to their original rates January 1, 2023.
 - GovOS: 12%
 - TTR: 1.25%
- We anticipate reaching \$10 million total annual revenue in June 2023 and the provider fee rates will reduce for the remainder of 2023.
 - GovOS: 8%
 - TTR: 1%
- The ARSSTC fee rate is set at 2.25% for the remainder of FY23 and heading into FY24.

2023Q1 Updates and Successes

TTR/Avalara

- Assisted new members to develop accurate exemption matrices:
 - Unalakleet
- Adjusted tax map matrix for Kotzebue construction exemption
- Adjusted tax map for Ketchikan seasonal tax rate
- Adjusted tax map for removal of Nome seasonal tax rate
- Updated tax map Overview section to remove tax rates in descriptive language (reduces manual tracking and adjustments)
- Updated tax map to include “Sales by” and “Sales to” tribal members
- Assisted two companies with API requests
- Assisted ARSSTC staff to publish Alaska filing guidelines with Avalara clients
- Reaching out to Shopify to discuss Alaska address taxing issues

2023Q1 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
 - Due date extended to 2023Q1
- Multiple additional change orders are being developed that will improve both staff and business user experiences
- Assisted with processing and documenting multiple refunds

A photograph of the Aurora Borealis (Northern Lights) over a body of water. The aurora displays vibrant green and purple hues, with some rays appearing as bright streaks. The lights are reflected in the calm water below. In the foreground, the dark silhouette of a shoreline or mountains is visible. The sky is dark with some stars visible.

2023Q1 Membership

- New Members to ARSSTC
 - None in 2023Q1
- Adopted and Implemented Uniform Code
 - None in 2023Q1

2023Q1

ARSSTC Meetings

ARSSTC meetings are open to Commission members and can be found here:

<https://arsstc.org/meetings/>

Board Meetings

- Met in January, March
- Received FY22 audit results
- Election of Board officers
- Renewed AML/ARSSTC service agreement
- Approved updated Interpretation 2020.05 Sourcing of Goods
- Approved Interpretation 2022.02 Physical Presence
- Approved FY24 Budget

Finance Committee Meetings

- Met in January, March
- Submitted proposed FY24 budget to Board
- Recommended creation of litigation defense fund

Policy Committee Meetings

- Met in February, March
- Continued discussion on bundled transactions interpretation
- Revised physical presence interpretation
- Discussed digital goods and marketplaces, including service-focused marketplaces

2023Q1 Updates and Successes

General Guidance

- Sent notice to sellers: check settings with 3rd party tax software – make sure set to Alaska remote sales
- Turned off automated system notifications from ARSSTC portal.

Updates to Sales Tax Rules

- City of Dillingham discontinued timely filing discount effective March 2023
- City of North Pole increased sales tax cap from \$11 to \$16.50 effective March 2023
- Ketchikan City and Borough had a sales tax holiday in March 2023
- Sent notification re: Nome rescinding seasonal sales tax rate

2023Q1 Updates and Successes

Audit / Compliance Program

Zero Filers Review

- Began outreach to nearly 500 remote sellers that have never reported sales.
- Outreach has proven successful so far with numerous amended returns being filed, and cleanup of unnecessary registrations.

Exemption Analysis

- Contacted 23 business with questionable exemption reporting for a targeted review.
 - 9 businesses responded to initial inquiry providing requested documentation.
 - 4 of these have been closed out, resulting in approx. \$25k in assessments.
 - 5 respondents are still in various stages of documentation review.
 - The remaining 14 non-respondents will be subjected to a full audit.

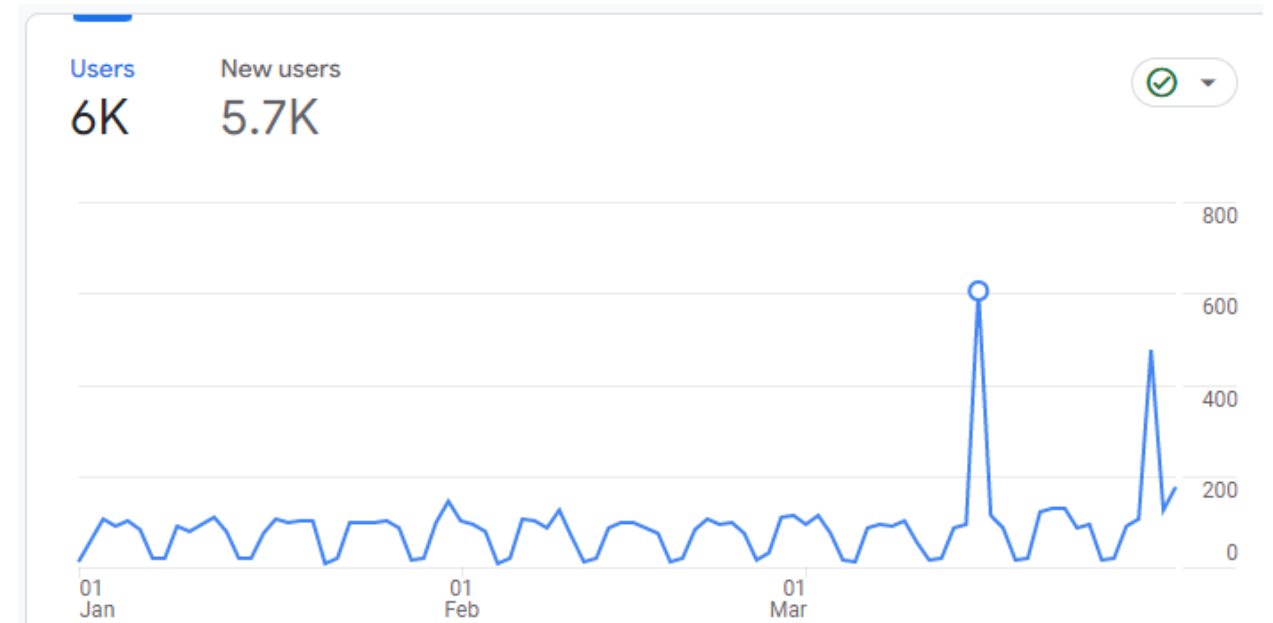
Audit

- 14 non-respondents from Exemption analysis project will be subject to full audit.
- Initial audit group was notified in early April.
- Responses are being received, with documentation from sellers currently being prepared.

2023Q1 Updates and Successes

Program Updates: Website

- 6,000 visits
 - 5,700 new users
 - Average engagement time: 1m01s
- Added Notifications Library
- Most visited pages:
 - Member Jurisdictions
 - Business/Sellers
 - Tax Rates
 - Uniform Code
 - Resources



Program Goals for 2Q 2023

- Develop education packet for newly registered remote sellers.
- GovOS:
 - Complete change order for Returned Goods exemption category on filing upload template.
 - Work with GovOS to improve reporting abilities in system.
 - Begin work on next programming updates for additional improvements.
- Continue registration outreach to Alaskan-based remote sellers, using an industry-specific approach.
- Continue outreach to large national remote sellers for registration compliance.
- Target additional municipalities for ARSSTC membership and Uniform Code adoption.
- Bring newly hired staff up to full-operating level.

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
- VACANT – waiting to be filled
 - City of Soldotna
- Ruth Kostik
 - City & Borough of Juneau
- Scott Bloom
 - City of Kenai

Questions?

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