



One Sealaska Plaza, Ste. 302, Juneau, AK 99801

P: (907)790-5300, F: (907)463-5480 [www.arsstc.org](http://www.arsstc.org)

**Alaska Remote Seller Sales Tax Commission**  
**Board of Directors Meeting**  
**February 21, 2024 10:00 am – 12:00 pm**  
*Virtual via Zoom*

Board of Director Attendees:

- **Libby Bakalar**, City of Bethel
- **Scott Bloom**, City of Kenai
- **Melissa Haley**, City & Borough of Sitka
- **Brandi Harbaugh**, Kenai Peninsula Borough
- **Ruth Kostik**, City & Borough of Juneau
- **Layton Lockett**, City of Adak
- **Cassee Olin**, City of Wasilla

1. Call to order
2. Approval of the Agenda
3. Approval of Minutes
  - a. 12.5.23 Annual Meeting Minutes
  - b. 1.12.24 Board Meeting Minutes
4. Public participation on Non-Agenda Items
5. Official Business
  - a. Election of Board officers for 2024
  - b. Policy Committee Report
  - c. Review and approve revision to Interpretation 2021.05 – Remote Services
  - d. FY24 Draft Budget Revision
  - e. Uniform Remote Seller Code Updates – work group
6. Comments
7. Adjournment



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**Alaska Remote Seller Sales Tax Commission  
Board of Directors Meeting Minutes  
December 5, 2023 4:30-5:00pm**

*Virtual via Zoom / In-person At Dena'ina Center, Anchorage*

**Board of Director Attendees:**

- Libby Bakalar
- Janette Bower
- Melissa Haley
- Brandi Harbaugh
- Ruth Kostik

**Board of Directors Absent:**

- Scott Bloom
- Joan Miller

1. Call to order / Roll Call
  - a. Quorum established with 15 member jurisdictions present.
2. Approval of the Agenda
  - a. Motion by Layton Lockett / Seconded by unidentified member
3. Approval of Minutes
  - a. 11.15.23 Board minutes
  - b. Typos noted in minutes on page 2. Will be corrected by AMSTP staff.
  - c. Motion to approve / seconded by unidentified members
4. Public participation on Non-Agenda Items
  - a. No public participation
5. Official Business
  - a. Board of Directors Election
    - i. Initial results of election:
      1. Layton Lockett – 17 votes
      2. Ruth Kostik - 16 votes
      3. Libby Bakalar – 15 votes
      4. Scott Bloom & Glen Steckman tied with 9 votes
    - ii. Results of Runoff election
      1. Scott Bloom – 13 votes
      2. Glenn Steckman – 2 votes



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- b. Annual update to ARSSTC members
    - i. Clinton Singletary presented slideshow update.
- 6. Comments
  - a. No comments
- 7. Adjournment
  - a. Adjourned 5:15 pm



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**Alaska Remote Seller Sales Tax Commission**  
**Board of Directors Meeting Minutes**  
**January 12, 2024 10:00 am – 11:00 am**  
*Virtual via Zoom*

**Board of Director Attendees:**

- Libby Bakalar
- Scott Bloom
- Melissa Haley
- Brandi Harbaugh
- Ruth Kostik
- Layton Lockett
- *Absent*-Joan Miller

**Staff present:**

- Clinton Singletary
- Nils Andreassen
- Karl Kaufman

1. Call to order
  - a. Call to order at 10:05 am
2. Approval of the Agenda
  - a. Motion to approve by Melissa Haley; Second by Ruth Kostik
3. Public participation on Non-Agenda Items
  - a. No public participation
4. Official Business
  - a. **Review & approval of revised AML / ARSSTC Service Agreement**

Brandi Harbaugh – previous Board meeting authorized Brandi to sign renewal on behalf of ARSSTC, but since that time, material changes were needed to the agreement that needed additional discussion by the Board.

Layton Lockett – motion to adopt Service Agreement as presented; Second by Melissa Haley.

**Discussion:**

- Layton – question on new fee structure for ATR contract, differences between prior contract. Clinton explained that previous contract fee was simply a % of revenues each month. New contract is a fixed annual fee payable monthly.
- Scott Bloom – what is term of new ATR contract. Clinton – initial one year term w/ two optional one year renewals.



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- Scott Bloom – does approval of AML contract by the Board also lead to approval of ATR contract? Specifically pursuant to section of service agreement that requires Commission approval of contracts over \$10,000.
- Clinton – AML has operated with the understanding that the contract approval requirement was specific to Commission contracts. ATR contract is considered an AML contract and AML has already approved the new ATR contract.
- Nils – Added further clarification that the \$10,000 clause isn't related to AML contracts such as ATR. Section 2, subsection 3 relates to AML's contracts. Due to the significance of the GovOS contract, Nils expects more involved discussions prior to renewal of that contract.
- Layton – question for Nils; Did Commission Board have input on new ATR contract or did AML execute on its own? Brandi stated she did participate in initial negotiation with AML & ATR. Nils – had to move on contract renewal fairly rapidly to ensure AML's responsibilities are met.
- Scott – how does AML interpret Section 2, subsection 3 where the Commission should be notified 90 days prior to contract change and have opportunity to assume, terminate or change the contract? Even though AML had to originally sign the contracts, the Commission is the one paying the fees and was concerned about having a role in future negotiations. Nils disagreed on there being a consensus by the Commission about its role in future negotiations and had believed the Board was aware of the upcoming expiration of the ATR contract. Nils suggested option of pursuing RFP for other companies performing similar services as ATR. Layton desires more Board participation prior to future contract expirations / renewals to at least share their position.
- Scott – when is GovOS contract up for renewal? Per Clinton, five year renegotiation option coming up in late 2024. Scott is not comfortable with AML negotiating fees that are being paid by members, believed the service agreement provided protection on that. Possibly recommend a subcommittee for future negotiations and changes to service agreement to add clarity on the topic. With the new ATR fee structure being a flat fee annually, who would owe the fee if there was no revenue? Nils – AML would be responsible for paying the contract.
- Ruth – what if annual revenues end up in a different tier than projected? Clinton - If annual revenues exceed projections and end up in a higher tier, fees would be due for the entire year at the higher fee tier. However, the opposite was not true and they recommended we pick a lower tier rather than a higher tier.
- Layton – likes the idea of budgeting / expensing for higher fee bucket, and refunding overage to members at end of year as needed.
- Question from Haines Borough if the desire is for the GovOS or ATR contracts to be in the Commission's name rather than AML. Undecided at this time, but will be discussed.
- Scott is supportive of moving forward, but wants to ensure service agreement is revised for clarity for future contracts.
- Layton – motion to amend service agreement to correct typos in Sections 9 & Section 16; Scott seconded and asked for unanimous consent. Further discussion, Scott asked Nils to work with Karl on additional amendment to service agreement over the next few months. No objection to motion; motion carries.
- Brandi asked for any additional discussion on original motion, now amended. No discussion. Roll call vote passes 6-0.

5. Comments – no additional comments or discussion.

6. Adjournment – adjourned at 10:46 am.



**To: ARSSTC Board of Directors**

**From: Clinton Singletary, Statewide Municipal Sales Tax Director**

**Date: February 21, 2024**

**Re: ARSSTC Board of Directors Officers**

The Board of Directors officers as of the end of 2023 were as follows:

- President – Brandi Harbaugh, Kenai Peninsula Borough
- Vice President – Melissa Haley, City & Borough of Sitka
- Treasurer – Joan Miller (*role also serves as chair of Finance Committee*)
- Secretary – Ruth Kostik, City & Borough of Juneau

Officers for 2024 were not chosen during the ARSSTC Annual Meeting in December. Lastly, Joan Miller has since resigned and Wasilla's seat has been filled by Cassee Olin, Finance Director with the City of Wasilla.



## Interpretation 2021.05

### REMOTE SERVICES AND SOURCING / POINT OF DELIVERY

#### **Issue:**

When is a service considered to be a remote service and how is the point of delivery determined?

#### **Applicable Uniform Code Sections:**

Section 270 of the Uniform Code provides the following definitions:

**Remote Sales** – means sales of goods or services by a remote seller or marketplace facilitator.

**Remote Seller** – means a seller or marketplace facilitator making sales of goods or services for delivery within the State of Alaska without having a physical presence in the member jurisdiction in which delivery is made.

**Services** – means all services of every manner and description, which are performed or furnished for compensation, and delivered electronically or otherwise into a member jurisdiction including but not limited to:

- A. Professional services;
- B. Services in which a sale of property or product may be involved, including property or products made to order;
- C. Utilities and utility services not constituting a sale of property or products, including but not limited to sewer, water, solid waste collection or disposal, electrical, telephone services and repair, natural gas, cable or satellite television, and Internet services;
- D. The sale of transportation services;
- E. Services rendered for compensation by any person who furnishes any such services in the course of his trade, business, or occupation, including all services rendered for commission;
- F. Advertising, maintenance, recreation, amusement, and craftsman services.

**Point of delivery** – means the location at which property or a product is delivered or service is rendered.

- C. When the service is not received by the purchaser at a business location of a remote seller, the service is considered delivered to the location where the purchaser receives the service.
- D. For products or services transferred electronically, or other sales where the remote seller or marketplace facilitator lacks a delivery address for the purchaser, the remote seller or marketplace facilitator shall consider the point of delivery of the sale to be the billing address of the buyer.

**Receive or receipt** – for purposes of section .030 and the definition of “point of delivery” means:

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



## Interpretation 2021.05

***Physical presence** – for purposes of section .050 means a seller who establishes any one or more of the following within a member jurisdiction:*

- 1. Has any office, distribution or sales house, warehouse, storefront, or any other place of business within the boundaries of the member jurisdiction;*
- 2. Solicits business or receiving orders through any employee, agent, salesman, or other representative within the boundaries of the member jurisdiction;*
- 3. Provides services or holds inventory within the boundaries of the member jurisdiction;*
- 4. Rents or leases property located within the boundaries of the member jurisdiction.*

*A seller that established physical presence within the local member jurisdiction in any calendar year will be deemed to have a physical presence within the member jurisdiction for the following calendar year.*

## **Interpretation**

Per the above definitions in the Uniform Code, a service is taxable as a remote sale if the seller does not have a physical presence in the member jurisdiction in which the service is delivered. Physical presence would be established in the member jurisdiction if, during the course of performing a service, the service provider physically visits or physically performs a service within the jurisdiction. This physical presence will carry-forward to the next full calendar year.

Point of delivery for services is considered the place where the service is rendered. The concept of “service rendered” is used to help convey the fact that the agreed upon service which is deliverable to the purchaser has in fact been delivered to the purchaser. The location where the “service is rendered” is the location where the purchaser receives the service. It is important to note that the location where the service is physically performed is not necessarily the same location as where the “service is rendered”.

Finally, the location where the purchaser first takes receipt of services is the location where the purchaser “makes first use of services” as found in the definition of “receive or receipt” in the Uniform Code.

It is important to note that sales of goods or services are sourced in the same manner under the Uniform Code in that both are taxed based on the destination principle i.e. where the purchaser takes receipt. This approach of using the same sourcing principle regardless of type of transaction is beneficial to help avoid the debate over whether the transaction is a sale of goods or services.

## **Summary:**

Services are considered to be “remote sales” if two primary conditions are met:

- 1) The service is delivered into a taxing jurisdiction that is a member of the ARSSTC and,
- 2) The service provider does not have physical presence in the member jurisdiction where the service is received by the purchaser.





## Interpretation 2021.05

Services are frequently performed in multiple locations over the course of the service. For example, some services may require a visit to the customer's place of business or other location. Then the remainder of the service may occur in the service provider's office. Under the Uniform Code, only one location determines the applicable sales tax; the point of delivery i.e. where the purchaser receives the service and first makes use of the service.

If the point of delivery is in an ARSSTC member jurisdiction, and the service provider has not created a physical presence in the member jurisdiction, then the service is a remote sale. If the point of delivery is in a jurisdiction where the service provider has created physical presence, then the service is not a remote sale.

## Example Services

Following are some example types of services that may be categorized as either remote sales or local sales. These examples are only provided as a general resource. If a transaction is not specifically addressed in these examples, please contact the ARSSTC for a more formal determination of your transaction.

Several of these example service scenarios involve the performance of a service with a physical or electronic good as the end result of the service. This type of transaction is called a "mixed transaction" and generally calls for analysis using the True Object Test.

For reference, the True Object Test is typically used to help determine if a transaction is the sale of a good or the sale of a service. This test is most used by taxing jurisdictions that don't tax services but do tax sales of goods. Some "mixed transactions" contain elements of both a service and a good so the True Object Test is used to help determine taxability.

When applying the True Object Test to these example transactions, a particular transaction may be best categorized as the purchase of a good (tangible or intangible) rather than a service. However, as stated earlier in this Interpretation, the Uniform Code sources goods and services using the same destination principle.

For purposes of determining where the purchaser takes receipt in these example transactions, the location where the purchaser receives the resulting physical or electronic good can be used as the point of delivery of the transaction, even if the true object of the transaction is not the resulting good.

### Advertising Services

- Digital / electronic advertising
- Television advertising
- Radio advertising
- Print media advertising

Each of these types of advertising services typically involve the preparation & publication of either a digital audio/visual advertisement or an electronic document for use in print media.

*Approved by ARSSTC Board of Directors 8/18/21*



## Interpretation 2021.05

In general, each of these advertising services are physically prepared & published at the seller's business location. However, the end result of the rendered service, a digital copy of the ad itself, is typically delivered to the purchaser electronically. As a result, the point of delivery would be the purchaser's billing address.

Accounting Services – services rendered typically involve the preparation of a tax filing, tax return or other financial document.

- If purchaser receives the rendered service (the filing / return / document) at the office of the service provider, the point of delivery is the office location.
- If purchaser receives the rendered service (the filing / return / document) at an address known to the seller, the point of delivery is the purchaser's address known to the seller.
- If purchaser receives the rendered service (the filing / return / document) electronically or a delivery address is not known to the seller, the point of delivery would be the purchaser's billing address.
- If purchaser receives the rendered service (the filing / return / document) in physical form, but not at the office of the service provider, the point of delivery is the address where the purchaser receives the rendered service.

It is important to note that if during the provision of its services, the service provider physically visits the subsequent point of delivery, physical presence will have been established at the point of delivery. Once the seller has established physical presence in the jurisdiction where the point of delivery is located, sales into that jurisdiction would not be considered remote sales; and should be reported directly to the local jurisdiction.

Legal / Attorney Services – services rendered could include client representation at a legal proceeding, legal analysis for client, preparation / review of legal documents, general guidance.

Due to the varied nature of legal services, it is possible for a single legal matter to have multiple different points of delivery, depending on the work that is done for that matter. As a result, it would be appropriate for the service provider to determine a single point of delivery for the entire legal matter. That single point of delivery should be determined based on which service or type of service will likely be the prevalent service performed during the matter.

- If purchaser receives the primary rendered service at the office of the service provider, the point of delivery is the office location.
- If purchaser receives the primary rendered service at an address known to the seller, the point of delivery is the purchaser's address known to the seller.
- If purchaser receives the primary rendered service electronically or a delivery address is not known to the seller, the point of delivery would be the purchaser's billing address.
- If purchaser receives the primary rendered service in physical form, but not at the office of the service provider, the point of delivery is the address where the purchaser receives the rendered service.

Appraisal Services – services rendered typically involve the preparation of an appraisal report for either the property owner or lending company.

*Approved by ARSSTC Board of Directors 8/18/21*



### Interpretation 2021.05

- If purchaser receives the rendered service (e.g., an appraisal report) at the office of the service provider, the point of delivery is the office location.
- If purchaser receives the rendered service (e.g., an appraisal report) at an address known to the seller, the point of delivery is the purchaser's address known to the seller.
- If purchaser receives the rendered service (e.g., an appraisal report) electronically or a delivery address is not known to the seller, the point of delivery would be the purchaser's billing address.
- If purchaser receives the rendered service (e.g., an appraisal report) in physical form, but not at the office of the service provider, the point of delivery is the address where the purchaser receives the rendered service.

It is important to note that if during the ~~performance provision~~ of its services, the ~~service appraiser provider~~ physically visits the subsequent point of delivery, the service provider will have established physical presence in the jurisdiction where the point of delivery is located. ~~will have been established at the point of delivery.~~ Once the seller has established physical presence in the jurisdiction where the point of delivery is located, sales into that jurisdiction would not be considered remote sales and should be reported directly to the local jurisdiction.

Architect / Engineering services – services rendered typically involve the preparation of designs or an engineering report and may also include one or more site visits during the service. The provision of the final design(s) or report(s) to the purchaser is considered the rendering of the service.

- If purchaser receives the rendered service (e.g., designs / reports) at the office of the service provider, the point of delivery is the office location.
- If purchaser receives the rendered service (e.g., designs / reports) -at an address known to the seller, the point of delivery is the purchaser's address known to the seller.
- If purchaser receives the rendered service (e.g., designs / reports) electronically or a delivery address is not known to the seller, the point of delivery would be the purchaser's billing address.
- If purchaser receives the rendered service (e.g., designs / reports) in physical form, but not at the office of the service provider, the point of delivery is the address where the purchaser receives the rendered service.

It is important to note that if during the ~~performance provision~~ of its services, the service provider physically visits the subsequent point of delivery, the service provider will have established physical presence in the jurisdiction where the point of delivery is located ~~will have been established at the point of delivery.~~ Once the seller has established physical presence in the jurisdiction where the point of delivery is located, sales into that jurisdiction would not be considered remote sales and should be reported directly to the local jurisdiction.-

Real estate agent services – services rendered typically involve advertising and negotiating the eventual sale of real property on behalf of the owner or buyer of the property.

- The point of delivery for real estate agent services ~~are is~~ considered rendered to be where the subject property is located.



### **Interpretation 2021.05**

- If the real estate agent visited the property location during the provision of its services, physical presence in the property location's local jurisdiction would have been established.
- Establishing physical presence in the property location's jurisdiction causes the real estate agent services to no longer be ~~a~~ remote and should be reported directly to the local jurisdiction. ~~sale.~~



**To: ARSSTC Board of Directors**

**From: Clinton Singletary, Statewide Municipal Sales Tax Director**

**Date: February 21, 2024**

**Re: FY24 Budget Mid-Year Review**

Over the last few budget cycles, it has become standard practice to review the ARSSTC budget at the mid-year point to ensure that the budget is still on track, including the revenue estimates and the Commission fee rate.

The ARSSTC Finance Committee has not met to discuss these items due to the extended absence of Joan Miller who had been serving as Treasurer and chair of the Finance Committee.

#### **Revenue Projections**

- Original FY24 Budget projected revenues of \$25 million with a Commission fee of 2.25%.
- The first six months' actuals are \$880k greater than original projections.
- Conservative projections for the remaining six months show final FY24 revenues amounting to \$27 million.

#### **Operating Expenses**

- The program has been fully staffed for the bulk of FY24 so personnel expenses remain largely unchanged from the original budget.
- MUNIRevs enhancement invoices have been slightly updated to better reflect enhancements that are anticipated to be completed in FY24.

#### **ATR Fees**

The new fee structure for ATR (fka TTR) necessitates a new approach to charging member jurisdictions. The proposed FY24 Budget reflects the projected total ATR fees that will be due for FY24.

Staff would like to present some possible ATR funding options for the Board's consideration and approval.

#### **Option 1 – Flat % each month**

- Uses a flat % determined by dividing anticipated monthly ATR fee by monthly average anticipated revenues.
- \$33,333.33 monthly ATR fee / \$2 million = 1.67%
- Charge member jurisdictions 1.7% each month.



- Monthly fees collected greater than the base \$33,333 would live in an “ATR Payable” account in the ARSSTC financials.
- Monthly fees collected less than the base \$33,333 would need to be paid out of ARSSTC fund balance.

#### Option 2 – Variable % each month

- Use a variable monthly % determined by dividing the required \$33k monthly fee by total revenue received in the month.
- $\$33,333.33 \text{ monthly ATR fee} / \text{monthly revenue} = \text{Fee \%}$
- Simplest option in terms of collecting the exact fee due each month to ATR but effective rate would be less predictable.

#### Option 3 – Increase Commission Fee %

- Increase Commission Fee % and pay ATR out of fund balance each month.
- Members could be reimbursed for excess Commission Fees collected at the end of FY as needed.

For the revenues received in January, and remitted to ARSSTC member jurisdictions in February, AMSTP staff used Option 2. If the Board wishes a different approach to be used, staff will incorporate and communicate to member jurisdictions moving forward.

#### Fund Balance

- Original FY24 budget anticipated a negative Net Income of \$30k, reducing the available fund balance to a level within the Fund Balance Policy.
- Updated projections show Net Income will actually increase by nearly \$30k, placing the overall fund balance higher than what is allowed under the Fund Balance Policy.

**ARSSTC FY24 Budget - Approved**

	<b>Approved FY24 @ 2.25%</b>	<b>Revised Budget</b>
<b>Income</b>		
<b>4000 Commission Fee Income</b>	\$ 560,401	\$ 603,826
<b>4005 Net Sales Tax collected from MUNIREvs</b>	\$ 24,346,299	\$ 26,232,874
4005A GASB Contra Net Sales Tax Collected	\$ (24,346,299)	\$ (26,232,874)
Total 4005 Net Sales Tax collected from MUNIREvs	\$ -	\$ -
4100 Late Fees	\$ 75,000	\$ 75,000
4200 Reprocessing Fees	\$ 1,800	\$ 1,800
<b>4300 Credit Card Fees</b>	\$ 1,500	\$ 1,500
4400 Other Income	\$ 15,000	\$ 15,000
Total Income	\$ 653,701	\$ 697,126
Gross Profit	\$ 653,701	\$ 697,126
<b>Expenses</b>		
<b>5000 AML Operating Expenses</b>		
<b>5001 Munirevs Enhancement Invoices</b>	\$ 50,000	\$ 45,000
5002 Governance/Travel	\$ 7,000	\$ 7,000
5003 Legal	\$ 25,000	\$ 15,000
5004 Personnel Expenses		
5004A Salaries	\$ 390,000	\$ 390,000
5004B Payroll Taxes	\$ 34,000	\$ 34,000
5004C Health Insurance	\$ 96,000	\$ 96,000
<b>5004D Nationwide Retirement</b>	\$ 20,000	\$ 20,000
<b>Total 5004 Personnel Expenses</b>	\$ 540,000	\$ 540,000
<b>5005 Insurance</b>		
5005B Cyber	\$ 5,000	\$ 5,000
5005C SLIP	\$ 7,000	\$ 7,000
Total 5005 Insurance	\$ 12,000	\$ 12,000
5006 Audit Services	\$ 10,500	\$ 10,500
5007 8% Overhead Expense	\$ 51,560	\$ 50,360
<b>Total 5000 AML Operating Expenses</b>	\$ 696,060	\$ 679,860
<b>5008 Bank Fees</b>	\$ 600	\$ 600
5009 Merchant Services Fees	\$ 15,000	\$ 15,000
5010 Member Tax Revenue Expense	\$ 21,883,799	\$ 23,620,271

<b>5011 GASB Contra Member Tax Expense</b>	\$ (21,883,799)	\$ (23,620,271)
<b>Total 5010 Member Tax Revenue Expense</b>	\$ -	
5020 MUNIrevs Expense	\$ 2,200,000	\$ 2,280,000
5020A GASB Contra MUNIrevs Expense	\$ (2,200,000)	\$ (2,280,000)
Total 5020 MUNIrevs Expense	\$ -	
5030 TTR Fee Expense	\$ 262,500	\$ 332,603
5030A GASB Contra TTR Fee Expense	\$ (262,500)	\$ (332,603)
Total 5030 TTR Fee Expense	\$ -	
5060 Other Business Expenses	\$ 500	\$ 500
Office Supplies & Software	\$ 2,500	\$ 2,500
Total Expenses	\$ 714,660	\$ 698,460
<b>Net Operating Income</b>	\$ (60,959)	\$ (1,334)
<b>Other Income</b>		
6000 Interest Earned	\$ 30,000	\$ 30,000
<b>Total Other Income</b>	\$ 30,000	\$ 30,000
<b>Net Other Income</b>	\$ 30,000	\$ 30,000
<b>Net Income</b>	\$ (30,959)	\$ 28,666
<b>Beginning General Fund Balance</b>	\$ 208,632	\$ 208,632
<b>Change to General Fund Balance</b>	\$ (30,959)	\$ 28,666
<b>Ending General Fund Balance</b>	\$ 177,673	\$ 237,298
<b><i>General Fund Detail</i></b>		
<b>Legal Fund Balance</b>	\$ 100,000	\$ 100,000
<b>Unassigned General Fund</b>	\$ 77,673	\$ 137,298
<b>Minimum Fund Balance - 20% of annual expenditures</b>	\$ 142,932	\$ 139,692
<b>Maximum Fund Balance - 25% of annual expenditures</b>	\$ 178,665	\$ 174,615





## Fund Balance Policy

*Revised July 2023*

Alaska Remote Sales Tax Commission hereby establishes and will maintain reservations of Fund Balance as defined herein in accordance with the Governmental Accounting and Financial Standards Board (GASB) Statement No. 54. This policy shall apply to the Alaska Remote Seller Sales Tax Commission ("ARSSTC") Operating Fund.

### Classifications of Fund Balance

Under GASB Statement No. 54, fund balances are classified as non-spendable, restricted, committed, assigned or unassigned amounts.

1. Non-Spendable – Amounts that cannot be spent because they are either in a (a) non-spendable form, including items not expected to be converted to cash (i.e. inventories, prepaid amounts, long-term portion of loans and notes receivable and property acquired for resale), or (b) legally or contractually required to be maintained intact (i.e. the principal of a permanent fund).
2. Restricted – Amounts constrained to be used for a specific purpose as per external parties, constitutional provision, or enabling legislation.
3. Committed – Amounts constrained to be used for a specific purpose as per action by the Alaska Remote Seller Sales Tax Commission Board of Directors. Amounts classified as committed are not subject to legal enforceability like restricted resources; however, they cannot be used for any other purpose unless the Commission Board removes or changes the commitment by taking the same action it employed to impose the commitment.
4. Assigned – Amounts intended to be used by the "ARRSTC" for a specific purpose but are neither restricted nor committed. The intent shall be expressed by the Commission for a specific purpose. The nature of the actions necessary to remove or modify an assignment is not as rigid as required under a committed fund balance classification.
5. Unassigned – Amounts available for any purpose (amounts that are not Non-Spendable, Restricted, Committed or Assigned) in the "ARRSTC."

### Prioritization of Fund Balance Use (Spending Policy)

When expenditures are incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available, it shall be the policy of the Commission to use the restricted amounts first as permitted under the law. When an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, it shall be the policy of the Commission to use the committed amounts first, followed by the assigned amounts and then unassigned amounts.

### Minimum Level of Unassigned General Fund Balance

It shall be the policy of the Commission to begin each fiscal year with a minimum unassigned fund balance of 20% of the annual expenditures for that year. Such fund balance shall serve liquidity needs, protect against unforeseen expenditures and litigation, and mitigate the single revenue source dependency upon unanticipated revenue declines. Fund Balance in excess of the minimum may only be appropriated for expenditure by an affirmative vote of a majority of the Commission Board.



### **Annual Review and Determination of Fund Balance Reserve Amounts**

Compliance with the provisions of this policy shall be reviewed as part of the closing of the financial books at year-end (June 30) and the amounts of restricted, committed, assigned and non-spendable fund balance will be determined. Any residual balance amounts will be classified as unassigned.

### **Emergency Expenditure Policy**

The minimum fund balance as set forth through the ARSSTC Fund Balance Policy are to be maintained at all times except in the case of an emergency. In an actual emergency, the Commission may expend below the minimums as set forth in the Fund Balance Policy by an affirmative vote of a majority of the Commission Board.

### **Replenishing Fund Balance once Below the Prescribed Minimum Fund Balance**

When fund balance falls below the minimum 20% range, the Commission will replenish shortages/deficiencies using the budget strategies and timeframes described below.

- The Commission will reduce recurring expenditures, or
- The Commission will reduce member's future fees, or
- The Commission will rebate a portion of member past fees, or
- The Commission will increase revenues or pursue other funding sources, or,
- The Commission will request an equitable specified contribution from participating Commission members, or,
- Some combination of the three options above.

### **Minimum fund balance deficiencies shall be replenished within the following time period:**

- Deficiency resulting in a minimum fund balance less than 20% shall be replenished over a period not to exceed two years.

### **Use of Surplus Fund Balance once Above the Prescribed Minimum Fund Balance**

Should unassigned fund balance ever exceed the maximum 25% range, the Commission may consider such fund balance surpluses for one-time expenditures that are nonrecurring in nature and which will not require additional future expense outlays for maintenance, additional staffing or other recurring expenditures. The Commission Board may also choose to assign a portion of the excess fund balance for a specific, yet not fully identified use such as litigation expenses, software/systems conversion or other uses as approved by the Board. These funds are to be maintained as a part of the overall fund balance but will be tracked separately as their own special use fund.

A surplus fund balance exceeding the maximum 25% should be remedied over a period not to exceed two years.

### **Policy Review**

This policy is to be reviewed by the Commission's Board annually. Review shall be initiated by the Commission's Finance Committee.



**To: ARSSTC Board of Directors**

**From: Clinton Singletary, Statewide Municipal Sales Tax Director**

**Date: February 21, 2024**

**Re: Uniform Code Work Group**

AMSTP staff, in conjunction with the ARSSTC Policy Committee are interested in establishing a work group to review and discuss updates to the Uniform Remote Seller Sales Tax Code.

Article VI, Section 3 of the ARSSTC Bylaws grants authority to the Board President to establish special committees; the last code work group was established in late 2020 with meetings held in December 2020.

My proposed timeline for the group's efforts are as follows:

- Send invitation to all member jurisdictions by February 23.
- Four weekly meetings starting March 6 w/ last meeting March 27.
- Recommendations and draft Uniform Code revisions from work group to be presented to Board during April 17<sup>th</sup> Board meeting.

Staff is requesting authorization from the Board to proceed with a Uniform Code work group consisting of member jurisdiction representatives.