

ARSSTC Policy Committee Agenda
April 16, 2024 * 2:00pm – 3:30pm

1. Draft Telecom Guidance document
2. Discussion on possible statewide non-profit exemption certificate



Overview of Taxation of Telecommunications Services

Intended for ARSSTC Member Jurisdictions

This guidance document is intended to assist ARSSTC member jurisdictions with determining when a telecommunications (telecom) company should be considered a local business, i.e. having physical presence in a municipality vs being considered a remote seller. In addition, this document provides some additional insight into how telecom transactions are generally taxed.

Here's two background questions to set some groundwork for the guidance:

1. How are telecom services sourced?
2. Under what circumstances do telecom service providers have physical presence in a jurisdiction?

Telecom Services Sourcing

The STGB (Streamlined Sales Tax Governing Board) provides detailed sourcing rules specific for telecom services. Though Alaska municipalities are not participating in the STGB, these are some standard national guidelines that telecom companies expect to follow.

The general principle is that telecom services are sourced to the service location or billing address of the customer. Using service location or billing address as the point of delivery will generally produce proper taxation.

Physical presence for telecom service providers

Historically, wired telecom service providers established physical presence due to the presence of telecom infrastructure that the service provider owned and operated in a jurisdiction. As wireless cell providers came on the scene, they established physical presence in much the same manner as wired telecom service providers, generally based on the presence of cellular infrastructure such as towers, or cellular equipment located on towers.

Over the last several years, a new group of wireless telecom providers have begun operating which advertise as being discount or specialty wireless providers. These companies can achieve lower costs as they rely on the already established infrastructure owned / operated by larger wireless companies. These lower cost operators simply purchase or rent space / capacity from larger wireless companies, so they don't have to invest in their own infrastructure to provide their services.

As a result, when discussing filing requirements and physical presence with a telecom service provider, the following questions should be asked of the telecom company before making a determination:

1. Does the company provide wired or wireless telecom services?
2. Does the company own infrastructure that is located within the jurisdiction?
3. Does the company use infrastructure owned by other telecom companies?
4. Does the company lease telecom equipment to their customer(s)?

The ARSSTC also asks that a community check with the ARSSTC **before** issuing a determination to a telecom company to ensure that the guidance is consistent across ARSSTC member communities.

Application would question / require the following:

1. Does the NP have any physical presence in any ARSSTC member jurisdictions? If so, provide list and explain how physical presence was met.
2. Copy of IRS non-profit determination letter, showing the specific 501(c) designation granted by the IRS.
3. List of or copies of certificates that the NP has already obtained from ARSSTC member jurisdictions.
4. Is the NP requesting certificate to exempt its purchases, its sales or both?

Once physical presence and NP designation is confirmed, organization would be issued a “statewide” NP certificate that would be specific to ARSSTC jurisdictions where:

- The NP has no physical presence,
- The member jurisdictions allow exemption to the organization’s specific NP designation,
- NP certificate would also specify exemption on “sales by” and/or “sales to” the organization.

Goal for this certificate is to streamline NP exemption certificate options for NPs that sell or operate across the state, similar to typical remote sellers needing resale certificates.