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**Alaska Remote Seller Sales Tax Commission**  
**Board of Directors Meeting**  
**April 17, 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. 2.21.24 Board Meeting Minutes
4. Public participation on Non-Agenda Items
5. Official Business
  - a. AML / ARSSTC Service Agreement Revisions
  - b. FY25 Draft Budget Proposal
  - c. Uniform Code Draft Revisions
  - d. Delegation of local authority / collection agreements
  - e. GovOS contract timing update
6. Comments
7. Adjournment



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

Board of Director Attendees:

- **Absent-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**

- a. Call to order at 10:03 am

**2. Approval of the Agenda**

- a. Motion by Scott Bloom; Second by Melissa Haley

**3. Approval of Minutes**

- a. 12.5.23 Annual Meeting Minutes
- b. 1.12.24 Board Meeting Minutes
  - i. Motion by Melissa Haley to approve both sets of minutes; Second by Layton Lockett

**4. Public participation on Non-Agenda Items**

- a. No public participation

**5. Official Business**

**a. Election of Board officers for 2024**

- i. President – Brandi Harbaugh nominated by Melissa Haley
- ii. Vice President – Layton Lockett nominated by multiple board members
- iii. Treasurer – Ruth Kostik nominated by Brandi Harbaugh
- iv. Secretary – Scott Bloom nominated by Ruth Kostik
  - 1. Motion by Layton Lockett for unanimous consent on nominations; Second by Ruth Kostik w/ no objection.

**b. Policy Committee Report**

- i. Presented by Maureen Graham, Chair ARSSTC Policy Committee

**c. Review and approve revision to Interpretation 2021.05 – Remote Services**



Question from Brandi about Interpretation 2021.05 and why legal services is being called out for having challenges with multiple possible service locations. Maureen explained legal was the one presenting the primary challenge to the policy committee. Karl Kaufman added that the variety of types of legal services adds to the challenge in determining point of delivery, harder to outline a general rule than it was for other services. Suggestion from Layton to add additional disclaimers that this is not an exhaustive list. Follow-up question on how long would revisions likely take in the future. Clinton explained future revisions could likely be made fairly quickly.

Scott questioned if it was appropriate to approve current draft, and revise as needed in the future. Clinton responded that staff would prefer approval now, with future revisions to come later.

Motion by Scott Bloom to approve w/ unanimous consent as drafted, with expectation of additional revisions to come in near future. Second by Ruth. No objections.

#### **d. FY24 Draft Budget Revision**

FY24 budget mid-year review presented by Clinton. Discussed new ATR fee structure and possible payment options that could be taken. Melissa Haley does not think Option 3 would be a good choice, prefers the separate identification of the specific fees. Layton commented that Option 1 could be safer option, providing some flexibility with being able to repay members if fees are over collected. Ruth initially preferred Option 3, since the new ATR fee is flat rate rather than % based and is a cost to the Commission. Second choice would be Option 1. Option 2 would be too difficult with the variability built in. Brandi also prefers Option 1. Possibly revise how the software contracts are outlined in the AML/ARSSTC contract.

Motion by Ruth to use ATR Fee Option 1 for remainder of FY24. Second by Melissa Haley. No objection.

Additional discussion on Fund Balance outlook for FY24. Question about Fund Balance Policy and Clinton confirmed that the policy is specific to unassigned fund balance, not combined fund balance. Clarifying question from Ruth on what course of action would be needed today? ARSSTC Fee adjustment to impact fund balance, or keep as is with possible refund at end of FY24? Brandi added clarification on the ATR fee discussion, that she felt it more appropriate to separately identify direct costs such as software in the budget, rather than pay out of a pooled, restricted account.

No additional action needed by the Board at this time.

#### **e. Uniform Remote Seller Code Updates – work group**

Clinton discussed the need for a new work group to discuss revisions to the Uniform Code. Requesting that the Board authorize establishment of a work group. Clinton walked through anticipated timeline of meetings and revisions. Question from Layton, concerned about receiving enough interest from members to participate and form work group.

Motion by Ruth to establish work group; Second by Layton. No objection.

Discussion: Clinton explained recruitment process that he will use. Broad outreach to all members. Concern by Melissa about risk of bringing these changes to member councils, due to risks and associated costs. Clinton walked through current list of code changes in some detail.



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Brandi asked the Board to consider someone to attend the group meetings and be able to report back to the Board. Ruth Kostik volunteered.

## 6. Comments

Question from Scott about revisions to AML/ARSSTC agreement, status update. That is next on staff's list, along with GovOS fee negotiation timetable.

Karl Kaufman brought to the Board's attention a new memo / opinion from the solicitor general regarding Alaska native land allotments.

## 7. Adjournment

- a. Adjourned at 11:26 am

DRAFT



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## MEMORANDUM OF AGREEMENT

### Provision of Professional Services for the Alaska Remote Seller Sales Tax Commission

**Section 1. Purpose.** This Memorandum of Agreement (this “MOA”) is effective as of the 1st 21<sup>st</sup> day of January July 2024 (the “Effective Date”), between the Alaska Municipal League (“AML”), an Alaska intergovernmental, not-for-profit organization, and the Alaska Remote Seller Sales Tax Commission (the “Commission”), an interlocal governmental entity, to set forth the terms for AML to provide administrative and support services to the Commission.

**Section 2. Scope of Services.** AML will provide the following services for the Commission, and/or as directed by the Board of Directors (the “Services”):

1. Support Commission Board, Subcommittee, and Member meetings, activities, and communications, including the following tasks:
  - a. Make meeting arrangements, and provide for notice in conformance with Commission Bylaws
  - b. Provide agenda support
  - c. Prepare meeting minutes
  - d. Provide compliance oversight
2. Support member meetings, activities, and communications, including the following tasks:
  - a. Maintain Commission member list
  - b. Administer annual member meeting
  - c. Conduct annual rate, boundary, and member Code review
  - d. Send monthly emails with updates on compliance, reporting, and software development
  - e. Establish a Commission website with information available to members, taxpayers, and prospective members
  - f. AML will provide or organize the provision of legal support, at the direction of the Commission, when legal services are needed for code enforcement actions or on behalf of the Commission.
3. Enter into and manage software contracts necessary for collection, remittance, and reporting, and all other services as required by the Commission, with the provision that all contracts may revert to the Commission if the Alaska Municipal League no longer acts as the administrator on behalf of the Commission. The Commission shall be notified at least 90 days prior to ~~the contract change or conclusion~~change or expiration of the contract(s). The Commission shall and have the opportunity to assume, terminate or change the contract. participate in contract negotiations, including rate & fee negotiations. Requests by the Commission to assume, terminate or change the contract(s) will be

considered only if the requests do not significantly interfere with AML's ability to provide the required services to the Commission. The Commission will delegate a member or members of the Board to participate in contract negotiations on behalf of the Commission. [Recommended Option 1] The delegee has the authority to approve contracts on behalf of the Board and the Commission. [Option 2:] Contracts will be approved by the Board for execution. Timing under Option 2 could be problematic.

- a. GovOS Support – as required by contract attached as Exhibit A
- b. ATR Support – as required by contract attached as Exhibit B
4. Coordinate Commission decision-making and operational activities through AML's Executive Director
  - a. Communicate staffing roles and responsibilities
5. Manage day-to-day operations of the Commission, including the following tasks:
  - a. Conduct outreach to online retailers and national contacts
  - b. Conduct outreach to Alaska businesses
  - c. Establish and manage separate accounting.
    - i. Reconcile accounts on a daily basis
    - ii. Remit net revenue to members on an agreed-upon and consistent date
    - iii. Report – review in partnership with members
  - d. Follow the policies and procedures as set out by the board
  - e. Manage and respond to legal or other questions from or directed to the Commission
  - f. Seller Compliance – review in partnership with members
  - g. Contract for a compliance audit and prepare required materials for audit
    - i. Make available the auditor to present to the board, and provide to the board the audit and oversight documents
  - h. Maintain (including, without limitation, backing up its computer files, and maintaining facilities and procedures for safekeeping and retaining documents) books and records of the Commission and its operations
  - i. Provide an annual report

**Section 3. Equipment and Supplies.** AML will provide all necessary equipment and facilities to timely and efficiently perform the Services.

**Section 4. Standard of Care.** AML agrees, at all times, to complete the Services in a professional and timely fashion. In performing the Services, AML must exercise all due care and caution in accordance with the best industry practices. The Commission will cooperate fully to ensure that AML is capable of timely performing the Services.

**Section 5. Commission Scope of Responsibilities.** The Commission shall act in good faith in the execution of this MOA, the Commission Bylaws, and the Intergovernmental MOA. The Commission acknowledges the legal status of the Alaska Municipal League. The Commission has the following duties and authority:

- Review and work with AML to develop a budget consistent with the administrative needs of the Commission; and approve as determined by the Board.

- Review and approve annual staffing plan (recognizing the Commission has no direct authority over AML staff), consistent with the budget, in support of necessary Commission functions.
- Approve contracts related to the performance of services outlined in this agreement valued over \$10,000.
- Direct all Board and Commission inquiries and requests through the Executive Director of AML or designee.
- Establish administrative policies and procedures for the operations of the Commission.
- Review and approve a-marketing marketing and communication plans and strategies.
- Approve implementation and amendment process of the MOA and Code.
- Participate in and receive the annual audit report and oversight documents.
- Conduct an annual performance review of AML's activities.

**Section 6. Term.** The term of this MOA shall expire June 30, 2024<sup>5</sup>. Subsequent terms shall expire and be renewed on a fiscal year (July 1 – June 30) schedule. Prior to expiration of the term, the parties will review the MOA and may amend the MOA as mutually desired and renew. After the term, the MOA (amended or not) may be renewed for two additional one-year terms upon approval of the board, unless sooner amended or terminated as provided below in this MOA.

**Section 7. Amendment.** This MOA may be amended at any time by mutual written agreement of the parties.

**Section 8. Renewal.** AML and the Commission may mutually agree to renew this MOA for two successive one-year terms after the initial term of this MOA.

**Section 9. Termination for Convenience.** This MOA may be terminated by either party upon 120 days' advance written notice. In the event that this MOA is terminated, all finished or unfinished documents, data compilations, reports, and/or other materials prepared by AML under this Agreement are the property of the Commission and AML hereby agrees to peaceably return all such items to the Commission by or upon the effective date of termination and as may be further instructed by the Commission. AML shall be entitled to receive compensation for invoiced work performed to the effective date of the termination.

**Section 10. Remediation.** If the Commission determines that AML has failed to fulfill in a timely and proper manner the obligations of this MOA, the Commission will notify AML in writing of these deficiencies, work with AML to take action to address deficiencies within thirty (30) days, with expected remediation within ninety (90) days.

**Section 11. Termination for Cause.** If, through any cause, AML shall fail to fulfill in a timely and proper manner the obligations under this MOA, unresolved within ninety (90) days and determined to be significantly detrimental to the governance or fiduciary oversight of the Commission, then the Commission shall thereafter have the right to immediately terminate this MOA, upon a vote of the Board of Directors, by giving written notice to AML and specifying the

effective date thereof. The Commission reserves the right to terminate for cause within thirty (30) if Board determines that circumstances necessitate. In either event, all finished or unfinished deliverable items under this MOA prepared by AML shall, at the option of the Commission, become its property, and AML shall be entitled to receive just and equitable compensation for any satisfactory work completed on such materials prior to the effective date of termination. In such event, AML shall not be relieved of liability to the Commission for damages sustained by the Commission by virtue of any breach of this MOA, and the Commission may withhold any payment due AML for the purpose of setoff until such time as the exact amount of damages due the Commission from such breach can be determined.

**Section 12. Fees.** Fees will be applied to total revenues upon collection each month, deducted according to these terms, and the remainder of the revenue remitted to the member annual revenues are determined by the Commission's fiscal year.

- A. GovOS. AML will facilitate payment of the Commission's GovOS contracts fees, which may be reviewed and amended after five years after the effective date of the Commission's contract (November 2024).

\$0-\$10M	\$10M-\$20M	\$20M+
12%	8%	4%

- B. ATR. AML will facilitate payment of the Commission's ATR contract fees, which was renewed in December 2023 under a new pricing model. ATR's fees are structured as follows, subject to a 5% annual increase.

Annual Revenue Collected	Annual Fee (Billed monthly)	Pro-rata Monthly Fee
Up to \$25 million	\$375,000	\$31,250
Up to \$30 million	\$400,000	\$33,333
Up to \$35 million	\$425,000	\$35,417
Up to \$40 million	\$445,000	\$37,083

- C. Commission. The Commission's fees will be collected monthly, applied as an annual, board-approved percent of revenue to gross sales tax collected, consistent with the budget. The total percent collected from fees (between GovOS, ATR and AML) should be limited to not more than 20% in any one month, with the maximum preferred limit at 15% (and the intent to work toward lowering fees as quickly as possible). The Commission as a whole may approve a higher percentage if circumstances demand.

- D. AML Expenses

AML will submit monthly reports of expenses to the Board, and the Commission will pay AML's direct expenses and ~~8%~~ overhead expenses upon approval by the board or designee. The overhead expenses rate will be set at 8% and may be renegotiated annually

as part of approving the Commission's fiscal year budget. Overhead will be applied to direct expenses as compensation for rent, computers and electronic equipment, telecommunication equipment and services, and indirect staff time in proportion to the Commission's share of each line item as approved in the budget. Direct and indirect expenses will be evaluated annually to ensure appropriate allocation. Cost beyond costs approved in the budget are not a reimbursable direct expense and must be approved by the board of directors. AML's direct expenses include, and as provided for in the annual budget are:

1. Staff who are directly responsible for Commission programs. Costs include salary and benefits.
2. Contracts, insurance, and miscellaneous costs directly related to AML's performance of the Services
3. Any Commission-approved loan or start-up capital by AML will be repaid in subsequent years in a manner as determined by the Board and in agreement with AML, to include any agreed upon interest.
4. AML expenses paid by the Commission may not exceed the approved budget in any fiscal year, unless a prior request to amend and increase the budget has been received and approved by the Board of Directors.

### **Section 13. Insurance.**

AML will maintain general (currently \$2,000,000) and professional liability insurance coverages at all times during this MOA with limits and retention amounts in commercially-prudent amounts consistent with industry standards to cover any loss arising as a result of any real or alleged negligence, errors, or omissions on the part of AML's officers, agents or employees (minimum \$1,000,000) in any aspect of the performance of services under this MOA. Notwithstanding, the commercial general liability must include minimum coverage of \$1,000,000.

The policy must name the Commission as an additional insured and provide that the policy may not be cancelled without 30 days' prior written notice to the Commission. Upon reasonable request, the Commission shall be furnished with a certificate evidencing issuance of such policy of liability insurance, and such certificate shall recite that said policy may not be canceled without 30 days' prior written notice to the Commission.

AML shall also maintain Worker's Compensation and Employers Liability Insurance (with minimum limits of \$100,000 per accident). Worker's compensation insurance and employers' liability insurance shall be in compliance with the statutory requirements of the State of Alaska, and any other statutory obligation, whether federal or state pertaining to compensation of injured employees. The worker's compensation insurance and employers' liability insurance shall contain a waiver of subrogation provision in favor of the Commission.

### **Section 14. Indemnification.**

- A. AML's Obligation to Indemnify. AML shall, indemnify, defend and hold the Commission harmless, including its directors, officers, employees, representatives, affiliates, successors, and permitted assigns (the "Commission Indemnified Parties") from and against all liability, damages, demands, penalties, fines, causes of action, losses, costs, or expenses, including attorneys' fees asserted against, imposed upon or incurred by any Commission Indemnified Party arising out of or resulting from: (a) any breach or nonfulfillment by AML of, or any failure by AML to perform, any of the covenants, terms, or conditions of, or any of its duties or obligations under, this MOA, including without limitation any failure of AML to assume responsibility for any of the Services in a timely manner in accordance with this MOA except to the extent that such breach, nonfulfillment, or failure is caused by the actions of any Commission Indemnified Party; (b) any negligent acts or omissions or willful misconduct related to this MOA; or (c) any successful enforcement of this indemnity.
- B. The Commission's Obligation to Indemnify. To the extent allowed by law and subject to availability and appropriation of funds by Members, the Commission shall indemnify and hold harmless AML and its directors, officers, employees, representatives, affiliates, successors, and permitted assigns (the "AML Indemnified Parties") from and against all liability, damages, demands, penalties, fines, causes of action, losses, costs, or expenses, including attorneys' fees asserted against, imposed upon or incurred by any AML Indemnified Party arising out of or resulting from: (a) any breach or nonfulfillment by the Commission of, or any failure by the Commission to perform, any of the covenants, terms or conditions of, or any of its duties or obligations under, this MOA except to the extent that such breach, nonfulfillment, or failure is caused by the actions of any AML Indemnified Party; (b) any negligent acts or omissions or willful misconduct related to this MOA; or (c) any successful enforcement of this indemnity.

**Section 15. Miscellaneous.** This MOA does not create, and shall not be construed as creating, any rights enforceable by any person or entity not a party to this MOA. Nothing in this MOA shall be deemed or construed to create the relationship of principal and agent, or of partnership, or of joint venture, or of any association between the Commission and AML. This MOA may not be assigned without the prior written consent of the other party, which may not be unreasonably withheld. This MOA represents the entire agreement and understanding between the parties with respect to the subject matter of this MOA and supersedes all prior or contemporaneous, express or implied, written or oral MOAs, representations, and conditions between the parties with respect to the subject matter of this MOA. This MOA may be executed in any number of counterparts, including by electronically transmitted signature, and each counterpart shall for all purposes be deemed to be an original; and all such counterparts shall together constitute but one and the same MOA. This MOA may only be modified upon mutual MOA in writing by both parties. The failure of the Commission to enforce a provision of this MOA shall in no way constitute a waiver of the provisions of this MOA or a waiver of any subsequent breach of the same or similar condition or provision of this MOA, nor shall it in any way affect the validity of this MOA. If any section or clause of this MOA is held invalid by a court of competent jurisdiction, or is otherwise invalid under the law, it is the intent of the parties that the remainder of this MOA shall remain in full force and effect.

**Section 16. Contract Administration.** The Commission Board President, or the President's designee, shall be the representative for administering this MOA on behalf of the Commission. The Executive Director of AML shall be the representative for administering this MOA on behalf of AML.

[SIGNATURE PAGE FOLLOWS]

DRAFT

The parties have executed this MOA effective as of the Effective Date.

**The Commission:**

ALASKA REMOTE SELLER  
SALES TAX COMMISSION

By: \_\_\_\_\_

Its: \_\_\_\_\_

**AML:**

ALASKA MUNICIPAL LEAGUE

By: \_\_\_\_\_

Its: \_\_\_\_\_

DRAFT



**To: ARSSTC Board of Directors**

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

**Date: April 17, 2024**

**Re: FY25 Budget Proposal**

On April 8<sup>th</sup>, the ARSSTC Finance Committee met to review the proposed FY25 Budget. After a thorough review, the Finance Committee did not recommend any edits to the proposal and approved this budget proposal to be brought to the ARSSTC Board of Directors for final approval.

### **Revenue Projections**

- FY25 revenue is projected to reach \$28 million.
- Conservative projections for the remaining six months show final FY24 revenues amounting to \$27 million.
- Anticipate slowing revenue growth for FY25, with increase mainly attributed to 1) new registrations from smaller remote sellers, 2) compliance efforts and 3) continued membership gains from smaller communities.
- Overall Gross Profit for the Commission projected to be \$751,207 which is about \$60k greater than FY24 current projections.

### **Operating Expenses**

- FY25 AML Operating Expenses are projected to be almost \$100k greater than FY24 current projections.
- The primary increase is related to MUNIREvs Enhancement Invoices. Several programming changes are on the docket for FY25. Uncertain if all of them will be approved and / or completed, but a placeholder was still needed.
- Personnel is slated for an overall 2.5% increase, but staffing levels will remain the same as FY24.

### **Net Operating Income**

- Net Operating Income is projected to be a loss of \$46,894, compared to FY24's projected loss of \$1,334.
- Interest Income is expected to be substantial due to AML's use of a higher interest AMLIP account for remote seller revenues.
- The final Net Income line is projected to be a slight increase of \$3,107.

### **Fund Balance**

- FY25 Fund Balance is projected to be just under the minimum level required by the Fund Balance Policy.

## ARSSTC FY25 Budget - Draft

	FY25 Draft @ 2.25%	FY24 Approved	FY24 6-month revision
<b>Income</b>			
<b>4000 Commission Fee Income</b>	\$ 622,607	\$ 560,401	\$ 603,826
<b>4005 Net Sales Tax collected from MUNIREvs</b>	\$ 27,048,794	\$ 24,346,299	\$ 26,232,874
4005A GASB Contra Net Sales Tax Collected	\$ (27,048,794)	\$ (24,346,299)	\$ (26,232,874)
<b>Total 4005 Net Sales Tax collected from MUNIREvs</b>	\$ -	\$ -	\$ -
4100 Late Fees	\$ 100,000	\$ 75,000	\$ 75,000
4200 Reprocessing Fees	\$ 1,800	\$ 1,800	\$ 1,800
<b>4300 Credit Card Fees</b>	\$ 1,800	\$ 1,500	\$ 1,500
4400 Other Income	\$ 25,000	\$ 15,000	\$ 15,000
<b>Total Income</b>	\$ 751,207	\$ 653,701	\$ 697,126
<b>Gross Profit</b>	\$ 751,207	\$ 653,701	\$ 697,126
<b>Expenses</b>			
<b>5000 AML Operating Expenses</b>			
<b>5001 Munirevs Enhancement Invoices</b>	\$ 110,000	\$ 50,000	\$ 45,000
5002 Governance/Travel	\$ 8,000	\$ 7,000	\$ 7,000
5003 Legal	\$ 25,000	\$ 25,000	\$ 15,000
5004 Personnel Expenses			
5004A Salaries	\$ 400,000	\$ 390,000	\$ 390,000
5004B Payroll Taxes	\$ 35,000	\$ 34,000	\$ 34,000
5004C Health Insurance	\$ 98,000	\$ 96,000	\$ 96,000
<b>5004D Nationwide Retirement</b>	\$ 21,000	\$ 20,000	\$ 20,000
<b>Total 5004 Personnel Expenses</b>	\$ 554,000	\$ 540,000	\$ 540,000
<b>5005 Insurance</b>			
5005B Cyber	\$ 5,000	\$ 5,000	\$ 5,000
5005C SLIP	\$ 7,000	\$ 7,000	\$ 7,000
<b>Total 5005 Insurance</b>	\$ 12,000	\$ 12,000	\$ 12,000
5006 Audit Services	\$ 11,000	\$ 10,500	\$ 10,500
5007 8% Overhead Expense	\$ 57,600	\$ 51,560	\$ 50,360
<b>Total 5000 AML Operating Expenses</b>	\$ 777,600	\$ 696,060	\$ 679,860
<b>5008 Bank Fees</b>	\$ 1,000	\$ 600	\$ 600
5009 Merchant Services Fees	\$ 16,500	\$ 15,000	\$ 15,000
5010 Member Tax Revenue Expense	\$ 24,336,794	\$ 21,883,799	\$ 23,620,271
<b>5011 GASB Contra Member Tax Expense</b>	\$ (24,336,794)	\$ (21,883,799)	\$ (23,620,271)
<b>Total 5010 Member Tax Revenue Expense</b>	\$ -	\$ -	\$ -
5020 MUNIREvs Expense	\$ 2,312,000	\$ 2,200,000	\$ 2,280,000
5020A GASB Contra MUNIREvs Expense	\$ (2,312,000)	\$ (2,200,000)	\$ (2,280,000)
<b>Total 5020 MUNIREvs Expense</b>	\$ -	\$ -	\$ -
5030 ATR Fee Expense	\$ 400,000	\$ 262,500	\$ 332,603
5030A GASB Contra ATR Fee Expense	\$ (400,000)	\$ (262,500)	\$ (332,603)
<b>Total 5030 ATR Fee Expense</b>	\$ -	\$ -	\$ -
5060 Other Business Expenses	\$ 500	\$ 500	\$ 500
Office Supplies & Software	\$ 2,500	\$ 2,500	\$ 2,500
<b>Total Expenses</b>	\$ 798,100	\$ 714,660	\$ 698,460
<b>Net Operating Income</b>	\$ (46,894)	\$ (60,959)	\$ (1,334)
<b>Other Income</b>			
<b>6000 Interest Earned</b>	\$ 50,000	\$ 30,000	\$ 30,000
<b>Total Other Income</b>	\$ 50,000	\$ 30,000	\$ 30,000
<b>Net Other Income</b>	\$ 50,000	\$ 30,000	\$ 30,000
<b>Net Income</b>	\$ 3,107	\$ (30,959)	\$ 28,666

<b>Beginning General Fund Balance</b>	\$	237,298	\$	208,632	\$	208,632
<b>Change to General Fund Balance</b>	\$	3,107	\$	(30,959)	\$	28,666
<b>Ending General Fund Balance</b>	\$	240,405	\$	177,673	\$	237,298
<b><i>General Fund Detail</i></b>						
<b>Unassigned General Fund</b>	\$	140,405	\$	77,673	\$	137,298
<b>Legal Fund Balance</b>	\$	100,000	\$	100,000	\$	100,000
<b>Minimum Fund Balance - 20% of annual expenditures</b>	\$	159,620	\$	142,932	\$	139,692
<b>Maximum Fund Balance - 25% of annual expenditures</b>	\$	199,525	\$	178,665	\$	174,615



**To: ARSSTC Board of Directors**

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

**Date: April 17, 2024**

**Re: Uniform Code Work Group / Code revisions**

## **Background**

At the February 21, 2024 Board meeting, the Board approved formation of a Uniform Code work group to consider revisions / updates to the Uniform Code.

17 representatives from member jurisdictions agreed to participate in the work group. Each of the four meetings had strong attendance from the work group members.

In total, revisions were made to the Uniform Code addressing fourteen individual topics, some of which impacted multiple sections of code. Included in the packet is a table summarizing each revision, along with a track changes version of the Uniform Code showing the edits.

Several of the revisions have additional context / information associated with the edits and are discussed further in the following section.

## **Additional Revision Information**

### **Section 040(A) – Transaction Threshold**

This has to do with removing the 200-transaction measure from the economic nexus threshold. You may recall this has been discussed in a previous Board meeting over a year ago, but there are continuing national trends that are worth bringing to the Board's attention.

There are currently only 22 other states with a transaction level in their economic nexus threshold. In addition, since the *Wayfair* decision came out, 11 states have removed their transaction thresholds, most recently Indiana. The overall sentiment in removing the transaction threshold appears to be lessening the burden of collection for smaller remote sellers.

AMSTP staff have found that smaller remote sellers do tend to struggle more with the collection requirements, either with the financial aspect of needing to upgrade software or using software that does not allow for proper collection. Basing remote seller collection on a sales volume of over \$100k would certainly reduce the burden for many smaller businesses with a minimal overall impact to ARSSTC revenues.

The following table, based on 2023 data shows multiple reported sales levels and associated tax impacts to estimate the revenue impact. Staff believes remote sellers only meeting the 200-transaction



threshold are likely included in Groups 3 & 4 primarily, with a certain number likely in group 5 but are reporting zero sales due to software / setup issues.

Group#	1	2	3	4	5
Gross Sales Level	Over 100k	60k - 90k	30k - 60k	< 30k	Zero Filers
# of Sellers	658	233	307	1,597	652
Gross Sales	\$ 1,234,462,491	\$ 18,315,296	\$ 12,899,477	\$ 13,986,388	\$ -
Tax Paid	\$ 23,371,826	\$ 512,375	\$ 380,022	\$ 443,977	\$ -
% of Annual Tax	94.6%	2.1%	1.5%	1.8%	

The work group did not make a recommendation regarding this change, as it is a significant policy decision for the Board.

### **Section 160 – Protests**

The revisions in this section allowed for broader protests than the original estimated assessment and audit assessment language. The new approach is to allow protests for essentially any decision of the Commission. In addition, there needed to be a group that protests could be filed with to serve as a hearing panel. The title “Protest Review Committee” was decided on for the group, subject to approval and formation by the Board.

### **Sections 040, 050 & 080 – Marketplace Facilitators**

These sections were updated with the goal of specifying that three common types of marketplaces are not allowed / required to register with the ARSSTC or collect / remit through the ARSSTC. Definitions of “delivery network companies” and “travel agency services” were added to the definitions section, based on language from other states.

The reason these are being identified and excluded from ARSSTC requirements is due to the physical (local to member jurisdiction(s)) nature of the business they conduct. With the adoption of this language in the Uniform Code, the Commission will be able to draw a clear line for these marketplaces. If adopted, the Commission will also advise member jurisdictions to adopt the same definitions in their local codes in order to clearly require these marketplaces to collect and remit to the jurisdiction on all sales through the marketplace.

### **Definitions of “digital good” and “digital service”**

These definitions are being added to the Uniform Code with the primary goal of recommending adoption by member jurisdictions into their local codes as well. The overall intent is to add clarity at both the local level and the Uniform Code that digital goods and services are subject to local tax, as well as provide sellers an idea of what types of transactions fall under these respective definitions.

It is likely that our current Interpretations regarding digital goods and digital services will need to be updated with these definitions in mind. The interpretations will be used to provide additional detail & examples that are not built into the draft definitions.



### **Section 030 – Inclusion of sales tax in selling price**

Numerous member jurisdictions have language that allows sellers to include sales tax in the selling price, with certain caveats. Including a similar allowance in the Uniform Code would be beneficial to remote sellers, introducing uniformity across member jurisdictions on the topic.

There were a number of comments from the work group on this topic which are summarized below. In the end, the work group recommended this language be included in the revisions.

Inclusion Comments:

- Certain jurisdictions are very strict in their inclusion rules.
- Including sales tax in selling price can be harder to audit.
- Concern about residents living outside city limits, how will they know they are being taxed properly.
- Inclusion will likely happen regardless, good to have explicit requirements in code.

### **Closing Recommendations / Next Steps**

While there was solid representation from member jurisdictions in the work group, the group was concerned about giving all member jurisdictions the opportunity to weigh in on the revisions.

The work group's recommendation was to start with the Board reviewing the proposed revisions at this meeting, then forward the proposed revisions to members for comments & feedback. These comments and feedback would be reviewed by the Board at the June 19<sup>th</sup> meeting. This timeline would also give the Board time to digest the proposed revisions and move to adopt the revisions in June.

<b>Section</b>	<b>Item</b>	<b>Explanation</b>
030	Remove / Rework par. C	Seems to be redundant to B, so combined B & C
030	Inclusion of sales tax in selling price	Is allowed by some members in their local code, uniformity would be beneficial.
040(A)	Transaction threshold	possibly remove transaction limit, in line with national trends
050	Marketplace facilitators	Add clarity & carveouts for specific marketplaces
060	Bundled Transactions	New section to specify treatment of bundled transactions, specific to bundles w/ exempt portions and tax caps.
100(E)	Due date / weekend / holiday	remove due date extension, system cannot handle change, code should match system and practice
120(A)	Rounding	remove rounding requirement; is unenforceable
130(D)	Refunds	Should not be an option due to how program fees are assessed. Refunds should only be issued from Commission.
140(A)	Amended return timing	limits amendments reducing tax to being filed within one year of original; no limit on tax increases.
160	Audits w/ refunds	what happens to over-collection discovered in audit? Provides for refund, if refund plan is approved by Commission
170	Appeal /Protest Process	current appeal mechanism is unclear and narrow-limited to audits and estimated assessments. Expand protest ability.
270	Savings Clause	Rework, to clean up blank reference to local codes for "by reference" adoption
definition	Digital good / Digital Service	Added definitions to also be adopted into local codes.
definition	Physical presence	add additional language back to Para. 2 of the definition; also edit Para 3 to specify service provision.
definition	Bundled Transactions	Added definition, based on Streamlined definition
definition	Delivery network company	added definition to support in registration / collection exclusion; def pulled from other states.
definition	Travel agency services	added definition to support in registration / collection exclusion; def pulled from other states.

## ALASKA REMOTE SELLER SALES TAX CODE

**SECTION 010 – Interpretation**

- A. In order to prevent evasion of the sales taxes and to aid in its administration, it is presumed that all sales and services by a person or entity engaging in business are subject to the sales tax.
- B. The application of the tax to be collected under this Code shall be broadly construed and shall favor inclusion rather than exclusion.
- C. Exemptions from the tax to be collected under this Code shall be narrowly construed against the claimant and allowed only when such exemption clearly falls within an exemption defined in the member jurisdiction's Code.
- D. The scope of this Code shall apply to remote sellers or marketplace facilitators, delivering products or services into Member municipalities adopting this Code, within the state of Alaska.

**SECTION 020 – Title to Collected Sales Tax**

Upon collection by the remote seller or marketplace facilitator, title to collected sales tax vests in the Commission for remittance to the member jurisdiction. The remote seller or marketplace facilitator remits collected sales tax to the Commission on behalf of the member jurisdiction, from whom that power is delegated, in trust for the member jurisdiction and is accountable to the Commission and member jurisdiction.

**SECTION 030 – Collection – Rate**

- A. To the fullest extent permitted by law, the sales tax levied and assessed by the member jurisdiction shall be collected on all remote sales where delivery is made within the member jurisdiction, within the state of Alaska.
- B. The applicable tax shall be added to the sales price as provided in the member jurisdiction's sales tax code, based on Point of Delivery and based on the date the property or product was sold or the date the service rendered was received.
- ~~C. The tax rate added to the sale price shall be the tax rate for the member jurisdiction(s) where the property or product is sold, or service that was rendered is received, and based on the date the property or product was sold or the date the service rendered was received.~~
- ~~D.C.~~ \_\_\_\_\_ An Address and Tax Rate Database will be made available to remote sellers and marketplace facilitators, indicating the appropriate tax rate to be applied.
- ~~E.D.~~ \_\_\_\_\_ The tax assessed shall be consistent with relevant jurisdictional tax caps, single unit sales, and exemptions.
- ~~F.E.~~ \_\_\_\_\_ When a sale is made on an installment basis, the applicable sales tax shall be collected at each payment, calculated at the sales tax rate in effect, and with the cap applied, at the time of the original sale or the date the service is rendered, based on the member jurisdictions' Code(s).
- ~~F.~~ \_\_\_\_\_ When a sales transaction involves placement of a single order with multiple deliveries made at different points in time that are separately invoiced, the applicable sales tax shall be collected on each separately invoiced delivery, calculated at the sales tax rate in effect, and with the cap applied, at the time of the original sale or the date the service is rendered.

- G. The sales tax levied and assessed by the member jurisdiction may be included in the sales price on taxable sales where buyer and seller convenience would be substantially enhanced, provided the seller clearly communicates to the buyer that sales tax is being imposed.

#### SECTION 040 – Obligation to Collect Tax - Threshold Criteria

- A. Any remote seller or marketplace facilitator must collect and remit sales tax in compliance with all applicable procedures and requirements of law, provided the remote seller or marketplace facilitator has met one of the following Threshold Criteria (“Threshold Criteria”) in the current or previous calendar year:
1. The remote seller’s statewide gross sales, including the seller’s marketplace facilitator’s statewide gross sales, from the sale(s) of property, products or services delivered in the state meets or exceeds one hundred thousand dollars (\$100,000); or
  2. The remote seller, including the seller’s marketplace facilitator, sold property, products, or services delivered in the state in two hundred (200) or more separate transactions.
- B. For purposes of determining whether the Threshold Criteria are met, remote sellers or marketplace facilitators shall include all gross sales, from all sales of goods, property, products, or services rendered within the state of Alaska.
- C. The following marketplace facilitators are excluded from the obligation to collect tax outlined in this section:
1. Delivery network companies that deliver tangible personal property on behalf of a marketplace seller that is engaged in business in a member jurisdiction,
  2. Marketplaces facilitating the rental of transient lodging accommodations in hotels, commercial transient lodging facility, homes, apartments, cabins or other residential dwelling units, and
  3. Marketplaces that facilitate or perform travel agency services.

**Commented [CS1]:** Discuss removing transaction threshold.

#### SECTION 050 – Reporting and remittance requirements for local and remote sales

- A. Sellers with a physical presence in a member jurisdiction conducting only local sales shall report and remit to, and comply with standards of, including audit authority, the member jurisdiction.
- B. Sellers with a physical presence in a member jurisdiction that also have remote or internet-based sales where the Point of Delivery is in a different Member Jurisdiction shall (i) report and remit the remote or internet sales to the Commission; and ii) report and remit the local sales to the Member Jurisdiction.
- C. Sellers with a physical presence in a Member Jurisdiction that also have remote or internet-based sales where the Point of Delivery is in the same Member Jurisdiction shall report and remit those remote sales to the Member Jurisdiction.
- D. Sellers and marketplace facilitators that do not have a physical presence in a Member Jurisdiction must report and remit to the Commission all remote sales where the Point of Delivery is in a Member Jurisdiction.
- E. A marketplace facilitator is considered the remote seller for each sale facilitated through its marketplace and shall collect, report, and remit sales tax to the Commission. ~~A marketplace facilitator is not considered to be the remote seller for each sale or rental of lodging facilitated through its marketplace, wherein the seller is considered to have a~~

~~physical presence in the member jurisdiction.~~

F. The following marketplace facilitators shall report and remit to, and comply with standards of, including audit authority, the member jurisdiction:

1. Delivery network companies that deliver tangible personal property on behalf of a marketplace seller that is engaged in business in a member jurisdiction.

2. Marketplaces facilitating the rental of transient lodging accommodations in hotels, commercial transient lodging facility, homes, apartments, cabins or other residential dwelling units, and

3. Marketplaces that facilitate or perform travel agency services.

~~E.~~

**Commented [CS2]:** Unnecessary due to edits in sections 040 & 080.

#### SECTION 060. – Bundled Transactions

A. If the sales price of a bundled transaction is attributable to products or services that are taxable and products or services that are nontaxable, the portion of the sales price attributable to the nontaxable products may be subject to tax unless the seller can identify the nontaxable portion by reasonable and verifiable standards using its books or records that are kept in the regular course of business for other purposes, including, but not limited to, non-tax purposes.

B. A bundled transaction as defined in Section 270 does not qualify for exemption under a member jurisdiction’s single item cap or single service cap exemption.

1. A seller may separate the respective portions of a bundle for purposes of applying a member jurisdiction’s single item or single service tax cap to each respective portion.

2. The seller should identify the sales price attributed to each portion by reasonable and verifiable standards using its books or records that are kept in the regular course of business for other purposes, including, but not limited to, non-tax purposes.

#### SECTION 0760. – No Retroactive Application

The obligations to collect and remit sales tax required by this chapter are applicable at the effective date of the member jurisdiction’s ordinance adopting the Alaska Remote Seller Sales Tax Code.

#### SECTION 0870 – Payment and Collection

Pursuant to this Code, taxes imposed shall be due and paid by the buyer to the remote seller or marketplace facilitator at the time of the sale of property or product or date service is rendered, or with respect to credit transactions, at the time of collection. It shall be the duty of each remote seller or marketplace facilitator to collect the taxes from the buyer and to hold those taxes in trust for the taxing authority of the member jurisdiction. Failure by the remote seller or marketplace facilitator to collect the tax shall not affect the remote seller’s, or marketplace facilitator’s, responsibility for payment to the Commission.

#### SECTION 0980 – Remote Seller and Marketplace Facilitator Registration Requirement

A. If a remote seller’s gross statewide sales meets or exceeds the Threshold Criteria from Section 040, the remote seller shall register with the Commission. If the remote seller is a

marketplace seller and only makes sales in Alaska through a marketplace, the marketplace seller is not required to register with the Commission. The marketplace seller must submit an affidavit attesting to these facts on a form provided by the Commission.

- B. If a marketplace facilitator's gross statewide sales meets or exceeds the Threshold Criteria from Section 040, the marketplace facilitator shall register with the Commission. This requirement does not apply to the following marketplace facilitators:
1. Delivery network companies that deliver tangible personal property on behalf of a marketplace seller that is engaged in business in a member jurisdiction.
  2. Marketplaces facilitating the rental of transient lodging accommodations in hotels, commercial transient lodging facility, homes, apartments, cabins or other residential dwelling units, and
  3. Marketplaces that facilitate or perform travel agency services.
- ~~B.~~
- C. A remote seller or marketplace facilitator meeting the Threshold Criteria shall apply for a certificate of sales tax registration within thirty (30) calendar days of the effective date of this Code or within thirty (30) calendar days of meeting the Threshold Criteria whichever occurs second. Registration shall be to the Commission on forms prescribed by the Commission.
- D. An extension may be applied for and granted based on criteria established by the Commission, based on evidence produced to describe time necessary to update software or other technical needs, not to exceed ninety (90) days.
- E. Upon receipt of a properly executed application, the Commission shall confirm registration, stating the legal name of the remote seller or marketplace facilitator, the primary address, and the primary sales tax contact name and corresponding title. The failure of the Commission to confirm registration does not relieve the remote seller or marketplace facilitator of its duty to collect and remit sales tax.
- F. Each business entity shall have a sales tax registration under the advertised name.
- G. The sales tax certificate is non-assignable and non-transferable.
- H. The sales tax certificate satisfies a member jurisdiction's requirement to obtain a municipal business license, provided the seller does not have a physical presence in that member jurisdiction.

#### SECTION ~~09100~~ – Tax Filing Schedule

- A. All remote sellers or marketplace facilitators subject to this Code shall file a return on a form or in a format prescribed by the Commission and shall pay the tax due.
- B. Filing of sales tax returns are due monthly; quarterly or less frequent filing is optional upon application and approval by the Commission, consistent with the code of the member jurisdiction.
- C. A remote seller or marketplace facilitator who has filed a sales tax return will be presumed to be making sales in successive periods unless the remote seller or marketplace facilitator files a return showing a termination or sale of the business in accordance with this Code.
- D. The completed and executed return, together with the remittance in full for the tax due, shall be transmitted to and must be received by the Commission on or before midnight Alaska Standard Time on the due date. Monthly returns are due the last day of the

immediate subsequent month. Quarterly returns are due as follows:

Quarter 1 (January – March)	April 30
Quarter 2 (April – June)	July 31
Quarter 3 (July – September)	October 31
Quarter 4 (October – December)	January 31

~~E. If the last day of the month following the end of the filing period falls on a Saturday, Sunday, federal holiday or Alaska state holiday, the due date will be extended until the next business day immediately following.~~

~~F.E.~~ Any remote seller or marketplace facilitator holding a remote seller registration shall file a sales tax return even though no tax may be due. This return shall show why no tax is due. If the remote seller or marketplace facilitator intends to continue doing business a return shall be filed reflecting no sales and a confirmation of the intent to continue doing business and shall continue to do so each filing period until the entity ceases doing business or sells the business. If the remote seller or marketplace facilitator intends to cease doing business, a final return shall be filed along with a statement of business closure.

~~G.F.~~ The remote seller or marketplace facilitator shall prepare the return and remit sales tax to the Commission on the same basis, cash or accrual, which the remote seller or marketplace facilitator uses in preparing its federal income tax return. The remote seller or marketplace facilitator shall sign the return, and transmit the return, with the amount of sales tax and any applicable penalty, interest or fees that it shows to be due, to the Commission.

~~H.G.~~ Remote sellers and marketplace facilitators failing to comply with the provisions of this Code shall, if required by the Commission and if quarterly filing has been chosen, file and transmit collected sales taxes more frequently until such time as they have demonstrated to the Commission that they are or will be able to comply with the provisions of this Code. Six (6) consecutive on-time sales tax filings, with full remittance of the sales taxes collected, shall establish the presumption of compliance and return to quarterly filing.

~~H.H.~~ The preparer of the sales tax return shall keep and maintain all documentation supporting any and all claims of exempted sales and purchases. Documentation for exempted sales should include the number of the exemption authorization card presented by the buyer at the time of the purchase; the date of the purchase; the name of the person making the purchase; the organization making the purchase; the total amount of the purchase; and the amount of sales tax exempted. This documentation shall be made available to the Commission upon request. Failure to provide such documentation may invalidate that portion of the claim of exemption for which no documentation is provided.

#### SECTION 1100 – Estimated Tax

A. In the event the Commission is unable to ascertain the tax due from a remote seller or marketplace facilitator by reason of the failure of the remote seller or marketplace facilitator to keep accurate books, allow inspection, or file a return, or by reason of the remote seller or marketplace facilitator filing a false or inaccurate return, the Commission may make an estimate of the tax due based on any evidence in their possession.

- B. Sales taxes may also be estimated, based on any information available, whenever the Commission has reasonable cause to believe that any information on a sales tax return is not accurate.
- C. A remote seller's or marketplace facilitator's tax liability under this Code may be determined and assessed for a period of three (3) years after the date the return was filed or due to be filed with the Commission. No civil action for the collection of such tax may be commenced after the expiration of the three (3) year period except an action for taxes, penalties and interest due from those filing periods that are the subject of a written demand or assessment made within the three (3) year period, unless the remote seller or marketplace facilitator waives the protection of this section.
- D. The Commission shall notify the remote seller or marketplace facilitator, in writing, that the Commission has estimated the amount of sales tax that is due from the remote seller or marketplace facilitator. The Commission shall serve the notice on the remote seller or marketplace facilitator by delivering the notice to the remote seller's or marketplace facilitator's place of business, or by mailing the notice by certified mail, return receipt requested, to the remote seller's or marketplace facilitator's last known mailing address. A remote seller or marketplace facilitator who refuses the certified mail will be considered to have accepted the certified mail for purposes of service.
- E. The Commission's estimate of the amount of sales tax that is due from a remote seller or marketplace facilitator shall become a final determination of the amount that is due unless the remote seller or marketplace facilitator, within thirty (30) calendar days after service of notice of the estimated tax:
  1. Files a complete and accurate sales tax return for the delinquent periods supported by satisfactory records and accompanied by a full remittance of all taxes, interest, penalties, costs and other charges due; or
  2. Files a written notice with the Commission appealing the estimated tax amount in accordance with the appeal procedures, under the provisions of section .160 of this chapter.
  3. Arguments or reasons for failure to timely file a return and remit taxes collected shall not be considered a valid basis or grounds for granting an appeal. The basis and grounds for granting an appeal of an assessment are:
    - a. The identity of the remote seller or marketplace facilitator is in error;
    - b. The amount of the debt is erroneous due to a clerical error (and the nature and extent of the error is specified in the request for appeal); or
    - c. The remote seller or marketplace facilitator disputes the denial of exemption(s) for certain sales.
- F. The amount of sales tax finally determined to be due under this section shall bear interest and penalty from the date that the sales tax originally was due, plus an additional civil penalty of fifty dollars (\$50) for each calendar month or partial month for which the amount of sales tax that is due has been determined.

#### SECTION 1240 – Returns – Filing Contents

- A. Every remote seller or marketplace facilitator required by this chapter to collect sales tax shall file with the Commission upon forms furnished by the Commission a return setting forth the following information:
  1. Gross sales ~~rounded to the nearest dollar~~;
  2. The nontaxable portions separately stating the amount of sales revenue attributable to

- each class of exemption, ~~rounded to the nearest dollar;~~
3. Computation of taxes to be remitted;
  4. Calculated discount (if applicable) based on member jurisdiction's code; and
  5. Such other information as may be required by the Commission.
- B. Each tax return remitted by a remote seller or marketplace facilitator shall be signed (digital or otherwise) by a responsible individual who shall attest to the completeness and accuracy of the information on the tax return.
  - C. The Commission reserves the right to reject a filed return for failure to comply with the requirements of this Code for up to three (3) months from the date of filing. The Commission shall give written notice to a remote seller or marketplace facilitator that a return has been rejected, including the reason for the rejection.

#### SECTION 1320 – Refunds

- A. Upon request from a buyer or remote seller or marketplace facilitator, the Commission shall provide a determination of correct tax rate and amount applicable to the transaction. In the case of an overpayment of taxes, the remote seller or marketplace facilitator shall process the refund and amend any returns accordingly.
- B. If the claimant is a remote seller or marketplace facilitator, and the tax refund is owed to any buyer, the remote seller or marketplace facilitator submits, and the Commission approves, a refund plan to all affected buyers.
- C. Interest will not be paid on tax refund requests filed with the Commission.
- D. ~~The Member Jurisdictions may allow a buyer to request a refund directly from the Member Jurisdiction.~~

#### SECTION 1430 – Amended Returns

- A. A remote seller or marketplace facilitator may file an amended sales tax return, with supporting documentation, and the Commission may accept the amended return, but only in the following circumstances:
  - i. The amended return is filed within one (1) year of the original due date for the return for amended returns reducing the originally reported tax due; and
  - ii. The remote seller or marketplace facilitator provides a written justification for requesting approval of the amended return; and
  - iii. The remote seller or marketplace facilitator agrees to submit to an audit upon request of the Commission.
  - ~~iii.~~ iv. An amended return that increases the tax due from the amount originally reported can be submitted by a remote seller or marketplace facilitator at any time.
- B. The Commission shall notify the remote seller or marketplace facilitator in writing (by email or otherwise) whether the Commission accepts or rejects an amended return, including the reasons for any rejection.
- C. The Commission may adjust a return for a remote seller or marketplace facilitator if, after investigation, the Commission determines the figure included in the original returns are incorrect; and the Commission adjusts the return within three (3) years of the original due date for the return.
- D. A remote seller or marketplace facilitator may file a supplemental sales tax return, with supporting documentation, and the Commission may accept the supplemental return, but only in the following circumstances:

- i. The remote seller or marketplace facilitator provides a written justification for requesting approval of the supplemental return; and
- ii. The remote seller or marketplace facilitator agrees to submit to an audit upon request of the Commission.

#### SECTION 1540 – Extension of Time to File Tax Return

Upon written application of a remote seller or marketplace facilitator, stating the reasons therefor, the Commission may extend the time to file a sales tax return but only if the Commission finds each of the following:

1. For reasons beyond the remote seller's or marketplace facilitator's control, the remote seller or marketplace facilitator has been unable to maintain in a current condition the books and records that contain the information required to complete the return;
2. Such extension is a dire necessity for bookkeeping reasons and would avert undue hardship upon the remote seller or marketplace facilitator;
3. The remote seller or marketplace facilitator has a plan to cure the problem that caused the remote seller or marketplace facilitator to apply for an extension and the remote seller or marketplace facilitator agrees to proceed with diligence to cure the problem;
4. At the time of the application, the remote seller or marketplace facilitator is not delinquent in filing any other sales tax return, in remitting sales tax to the Commission or otherwise in violation of this chapter;
5. No such extension shall be made retroactively to cover existing delinquencies.

#### SECTION 1650 – Audits

- A. Any remote seller or marketplace facilitator who has registered with the Commission, who is required to collect and remit sales tax, or who is required to submit a sales tax return is subject to a discretionary sales tax audit at any time. The purpose of such an audit is to examine the business records of the remote seller or marketplace facilitator in order to determine whether appropriate amounts of sales tax revenue have been collected by the remote seller or marketplace facilitator and remitted to the Commission.
- B. The Commission is not bound to accept a sales tax return as correct. The Commission may make an independent investigation of all retail sales or transactions conducted within the State or member jurisdiction.
- C. The records that a remote seller or marketplace facilitator is required to maintain under this chapter shall be subject to inspection and copying by authorized employees or agents of the Commission for the purpose of auditing any return filed under this chapter, or to determine the remote seller's or marketplace facilitator's liability for sales tax where no return has been filed.
- D. In addition to the information required on returns, the Commission may request, and the remote seller or marketplace facilitator must furnish, any reasonable information deemed necessary for a correct computation of the tax.
- E. The Commission may adjust a return for a remote seller or marketplace facilitator if, after investigation or audit, the Commission determines that the figures included in the original return are incorrect, and that additional sales taxes are due; and the Commission adjusts the return within three (3) years of the original due date for the return.

E.F. If after investigation or audit, the Commission determines that the remote seller or marketplace facilitator over-collected sales taxes, the remote seller or marketplace

facilitator may request a refund with the submission of a detailed refund plan outlining the process by which the impacted customers will be refunded; the refund plan must be approved by the Commission before the refund will be issued to the remote seller or marketplace facilitator.

F.G. For the purpose of ascertaining the correctness of a return or the amount of taxes owed when a return has not been filed, the Commission may conduct investigations, hearings and audits and may examine any relevant books, papers, statements, memoranda, records, accounts or other writings of any remote seller or marketplace facilitator at any reasonable hour on the premises of the remote seller or marketplace facilitator and may require the attendance of any officer or employee of the remote seller or marketplace facilitator. Upon written demand by the Commission, the remote seller or marketplace facilitator shall present for examination, in the office of the Commission, such books, papers, statements, memoranda, records, accounts and other written material as may be set out in the demand unless the Commission and the person upon whom the demand is made agree to presentation of such materials at a different place.

G.H. The Commission may issue subpoenas to compel attendance or to require production of relevant books, papers, records or memoranda. If any remote seller or marketplace facilitator refuses to obey any such subpoena, the Commissioner may refer the matter to the Commission's attorney for an application to the superior court for an order requiring the remote seller or marketplace facilitator to comply therewith.

H.I. Any remote seller, marketplace facilitator, or person engaged in business who is unable or unwilling to submit their records to the Commission shall be required to pay the Commission for all necessary expenses incurred for the examination and inspection of their records maintained outside the Commission.

I.J. After the completion of a sales tax audit, the results of the audit will be sent to the business owner's address of record.

J.K. In the event the Commission, upon completion of an audit, discovers more than five hundred dollars (\$500) in additional sales tax due from a remote seller or marketplace facilitator resulting from a remote seller's or marketplace facilitator's failure to accurately report sales and taxes due thereupon, the remote seller or marketplace facilitator shall bear responsibility for the full cost of the audit. The audit fee assessment will be in addition to interest and penalties applicable to amounts deemed to be delinquent by the Commission at the time of the conclusion of the audit.

#### SECTION 1760 — ~~Audit or Estimated Tax p~~Protests

A. If the remote seller or marketplace facilitator wishes to dispute a finding of the Commission involving taxable sales, sales taxes, or penalties and interest~~the amount of the estimate, or the results of an examination or audit~~, the remote seller or marketplace facilitator must file a written protest with the ~~Commission~~Protest Review Committee, within thirty (30) calendar days of the date of the ~~written notice of the Commission's findings~~estimated tax or results of an audit or examination. The protest must set forth:

1. The remote seller's or marketplace facilitator's justification for reducing or increasing the ~~taxes, penalties or interest~~estimated tax amount due from the Commission's findings, including any missing sales tax returns for the periods estimated; or
2. The remote seller's or marketplace facilitator's reasons for challenging the

Commission's findings-examination or audit results.

- B. In processing the protest, the ~~Commission-Protest Review Committee~~ may hold an informal meeting or hearing with the remote seller or marketplace facilitator, either on its own or upon request of the remote seller or marketplace facilitator and may also require that the remote seller or marketplace facilitator submit to an audit, if one was not previously conducted or a more formal audit, if an estimation audit was previously performed.
- C. The ~~Commission-Protest Review Committee~~ shall make a final written determination on the remote seller's or marketplace facilitator's protest and mail a copy of the determination to the remote seller or marketplace facilitator.
- D. If a written protest is not filed within thirty (30) days of the date of the written notice of ~~estimated tax or the result of a review, audit or examination~~the Commission's findings, then the ~~estimated tax, review, audit or examination result~~findings shall be final, due and payable to the Commission.

SECTION 1870 – Penalties and Interest for Late Filing

- A. A late filing fee of twenty-five dollars (\$25) per month, or fraction thereof, shall be added to all late-filed sales tax reports, until a total of one-hundred dollars (\$100) has been reached. An incomplete return shall be treated as the filing of no return.
- B. Delinquent sales tax bear interest at the rate of fifteen percent (15%) per annum until paid.
- C. In addition, delinquent sales tax shall be subject to an additional penalty of 5% per month, or fraction thereof, until a total of 20% of delinquent tax has been reached. The penalty does not bear interest.
- D. Fees, penalties and interest shall be assessed and collected in the same manner as the tax is assessed and collected, and applied first to fees, penalties and interest, second to past due sales tax.
- E. The filing of an incomplete return, or the failure to remit all tax, shall be treated as the filing of no return.
- F. A penalty assessed under this section for the delinquent remittance of sales tax or failure to file a sales tax return may be waived by the Commission, upon written application of the remote seller or marketplace facilitator accompanied by a payment of all delinquent sales tax, interest and penalty otherwise owed by the remote seller or marketplace facilitator, within forty-five (45) calendar days after the date of delinquency. A remote seller or marketplace facilitator may not be granted more than one (1) waiver of penalty under this subsection in any one calendar year, in accordance with the Commission's penalty waiver policy. The Commission shall report such waivers of penalty to the member jurisdiction, in writing.

SECTION 1980 – Remote Reseller Certificate of Exemption

- A. A remote seller with no physical presence in a member jurisdiction purchasing goods or services for the express purpose of resale to buyer(s) located in that member jurisdiction shall apply for a resale certificate through the Commission.
- B. The Remote Reseller Certificate of Exemption will expire at the end of the calendar year it is issued.

### SECTION ~~1920~~ – Repayment Plans

- A. The Commission may agree to enter into a repayment plan with a delinquent remote seller or marketplace facilitator. No repayment plan shall be valid unless agreed to by both parties in writing.
- B. A remote seller or marketplace facilitator shall not be eligible to enter into a repayment plan with the Commission if the remote seller or marketplace facilitator has defaulted on a repayment plan in the previous two (2) calendar years.
- C. The repayment plan shall include a secured promissory note that substantially complies with the following terms:
  - i. The remote seller or marketplace facilitator agrees to pay a minimum of ten percent (10%) down payment on the tax, interest and penalty amount due. The down payment shall be applied first to penalty, then to accumulated interest, and then to the tax owed.
  - ii. The remote seller or marketplace facilitator agrees to pay the balance of the tax, penalty and interest owed in monthly installments over a period not to exceed two (2) years.
  - iii. Interest at a rate of fifteen percent (15%) per annum shall accrue on the principal sum due. Interest shall not apply to penalties owed or to interest accrued at the time the repayment plan is executed or accruing during the term of the repayment plan.
  - iv. If the remote seller or marketplace facilitator is a corporation or a limited liability entity, the remote seller or marketplace facilitator agrees to provide a personal guarantee of the obligations under the repayment plan.
  - v. The remote seller or marketplace facilitator agrees to pay all future tax bills in accordance with the provisions of this chapter.
  - vi. The remote seller or marketplace facilitator agrees to provide a security interest in the form of a sales tax lien for the entire unpaid balance of the promissory note to be recorded by the Commission at the time the repayment plan is signed. The remote seller or marketplace facilitator shall be responsible for the cost of recording the tax lien.
- D. If a remote seller or marketplace facilitator fails to pay two (2) or more payments in accordance with the terms of the repayment plan agreement, the remote seller or marketplace facilitator shall be in default and the entire amount owed at the time of default shall become immediately due. The Commission will send the remote seller or marketplace facilitator a notice of default. The Commission may immediately foreclose on the sales tax lien or take any other remedy available under the law.

### SECTION ~~2100~~ – Remote Seller or Marketplace Facilitator Record Retention

Remote sellers or marketplace facilitators shall keep and preserve suitable records of all sales made and such other books or accounts as may be necessary to determine the amount of tax which the remote seller or marketplace facilitator is obliged to collect. Remote sellers or marketplace facilitators shall preserve suitable records of sales for a period of three (3) years from the date of the return reporting such sales, and shall preserve for a period of three (3) years all documentation supporting exempted sales of goods or services and all such other books, invoices and records as may be necessary to accurately determine the amount of taxes which the remote seller or marketplace facilitator was obliged to collect under this chapter.

SECTION 2240 – Cessation or Transfer of Business

- A. A remote seller or marketplace facilitator who sells, leases, conveys, forfeits, assigns, gifts or otherwise transfers (collectively, a “transfer”) the majority of their business interest, including to a creditor or secured party, shall make a final sales tax return within thirty (30) days after the date of such conveyance.
- B. At least ten (10) business days before any such transfer is completed, the remote seller or marketplace facilitator shall send to the Commission, by approved communication (email confirmation, certified first-class mail, postage prepaid) a notice that the remote seller’s or marketplace facilitator’s interest is to be conveyed and shall include the name, address and telephone number of the person or entity to whom the interest is to be conveyed.
- C. Upon notice of transfer and disclosure of buyer, the Commission shall be authorized to disclose the status of the remote seller’s or marketplace facilitator’s sales tax account to the named buyer or assignee.
- D. Upon receipt of notice of a transfer, the Commission shall send the transferee a copy of this Code with this section highlighted.
- E. Neither the Commission’s failure to give the notice nor the transferee’s failure to receive the notice shall relieve the transferee of any obligations under this section.
- F. Following receipt of the notice, the Commission shall have sixty (60) days in which to perform a final sales tax audit and assess sales tax liability against the remote seller or marketplace facilitator. If the notice is not mailed at least ten (10) business days before the transfer is completed, the Commission shall have twelve (12) months from the date of the completion of the transfer or the Commission’s knowledge of the completion of the transfer within which to begin a final sales tax audit and assess sales tax liability against the remote seller or marketplace facilitator. The Commission may also initiate an estimated assessment if the requirements for such an assessment exist.
- G. A person acquiring any interest of a remote seller or marketplace facilitator in a business required to collect the tax under this chapter assumes the liability of the remote seller or marketplace facilitator for all taxes due the Commission, whether current or delinquent, whether known to the Commission or discovered later, and for all interest, penalties, costs and charges on such taxes.
- H. Before the effective date of the transfer, the transferee of a business shall obtain from the Commission an estimate of the delinquent sales tax, penalty and interest, if any, owed by the remote seller or marketplace facilitator as of the date of the transfer, and shall withhold that amount from the consideration payable for the transfer, until the remote seller or marketplace facilitator has produced a receipt from the Commission showing that all tax obligations imposed by this chapter have been paid. A transferee that fails to withhold the amount required under this subsection shall be liable to the Commission and member jurisdiction for the lesser of the amount of delinquent sales tax, penalty and interest due from the remote seller or marketplace facilitator as of the date of transfer, and the amount that the transferee was required to withhold.
- I. In this section, the term “transfer” includes the following:
  - 1. A change in voting control, or in more than fifty percent (50%) of the ownership interest in a remote seller or marketplace facilitator that is a corporation, limited liability company or partnership; or

2. A sale of all or substantially all the assets used in the business of the remote seller or marketplace facilitator; or
  3. The initiation of a lease, management agreement or other arrangement under which another person becomes entitled to the remote seller's or marketplace facilitator's gross receipts from sales, rentals or services.
- J. Subsection H of this section shall not apply to any person who acquires their ownership interest in the ongoing business as a result of the foreclosure of a lien that has priority over the Commission's sales tax lien.
- K. Upon termination, dissolution or abandonment of a business entity, any officer having control or supervision of sales tax funds collected, or who is charged with responsibility for the filing of returns or the payment of sales tax funds collected, shall be personally liable for any unpaid taxes, interest, administrative costs and penalties on those taxes if such person willfully fails to pay or cause to be paid any taxes due from the corporation. In addition, regardless of willfulness, each director, member, or general partner of the entity shall be jointly and severally liable for unpaid amounts. The person shall be liable only for taxes collected which became due during the period he or she had the control, supervision, responsibility or duty to act for the corporation. This section does not relieve the entity of other tax liabilities or otherwise impair other tax collection remedies afforded by law.
- L. A remote seller or marketplace facilitator who terminates the business without the benefit of a purchaser, successor or assign shall make a final tax return and settlement of tax obligations within thirty (30) days after such termination. If a final return and settlement are not received within thirty (30) days of the termination, the remote seller or marketplace facilitator shall pay a penalty of one hundred dollars (\$100), plus an additional penalty of twenty-five dollars (\$25) for each additional thirty- (30-) day period, or part of such a period, during which the final return and settlement have not been made, for a maximum of six (6) additional periods.

#### SECTION 2230 – Use of Information on Tax Returns

- A. Except as otherwise provided in this chapter, all returns, reports and information required to be filed with the Commission under this Code, and all information contained therein, shall be kept confidential and shall be subject to inspection only by:
1. Employees and agents of the Commission and member jurisdiction whose job responsibilities are directly related to such returns, reports and information;
  2. The person supplying such returns, reports and information; and
  3. Persons authorized in writing by the person supplying such returns, reports and information.
- B. The Commission will release information described in subsection A of this section pursuant to subpoena, order of a court or administrative agency of competent jurisdiction, and where otherwise required by law to do so.
- C. Notwithstanding subsection A of this section, the following information is available for public inspection:
- A. The name and address of sellers and marketplace facilitators;
  - B. Whether a business is registered to collect taxes under this chapter;
  - C. The name and address of businesses that are sixty (60) days or more delinquent in filing returns or in remitting sales tax, or both filing returns and remitting sales tax;

and, if so delinquent, the amount of estimated sales tax due, and the number of returns not filed.

- D. The Commission may provide the public statistical information related to sales tax collections, provided that no information identifiable to a particular remote seller or marketplace facilitator is disclosed.
- E. Nothing contained in this section shall be construed to prohibit the delivery to a person, or their duly authorized representative, of a copy of any return or report filed by them, nor to prohibit the publication of statistics so classified as to prevent the identification of particular buyers, remote sellers, or marketplace facilitators, nor to prohibit the furnishing of information on a reciprocal basis to other agencies or political subdivisions of the state or the United States concerned with the enforcement of tax laws.
- F. Nothing contained in this section shall be construed to prohibit the disclosure through enforcement action proceedings or by public inspection or publication of the name, estimated balance due, and current status of payments, and filings of any remote seller or marketplace facilitator or agent of any remote seller or marketplace facilitator required to collect sales taxes or file returns under this chapter, who fails to file any return and/or remit in full all sales taxes due within thirty (30) days after the required date for that business. Entry into any agreement whether pursuant to the provisions of this chapter or otherwise shall not act as any prohibition to disclosure of the records of that remote seller or marketplace facilitator as otherwise provided in this chapter.
- G. A prospective lessee or purchaser of any business or business interest may inquire as to the obligation or tax status of any business upon presenting to the Commission a release of tax information request signed by the authorized agent of the business.
- H. Except as otherwise provided herein, all returns referred to in this chapter, and all data taken therefrom, shall be kept secure from public inspection, and from all private inspection.

#### SECTION 2340 – Violations

- A. A remote seller or marketplace facilitator that fails to file a sales tax return or remit sales tax when due, in addition to any other liability imposed by this Code, shall pay to the Commission all costs incurred by the Commission to determine the amount of the remote seller's or marketplace facilitator's liability or to collect the sales tax, including, without limitation, reviewing and auditing the remote seller's or marketplace facilitator's business records, collection agency fees, and actual reasonable attorney's fees.
- B. A person who causes or permits a corporation of which the person is an officer or director, a limited liability company of which the person is a member or manager, or a partnership of which the person is a partner, to fail to collect sales tax or to remit sales tax to the Commission as required by this Code shall be liable to the Commission for the amount that should have been collected or remitted, plus any applicable interest and penalty.
- C. Notwithstanding any other provision of law, and whether or not the Commission initiates an audit or other tax collection procedure, the Commission may bring a declaratory judgment action against a remote seller or marketplace facilitator believed to meet the criteria to establish that the obligation to remit sales tax is applicable and valid under local, state and federal law. The action shall be brought in the judicial district of the member jurisdiction.
- D. The Commission may cause a sales tax lien to be filed and recorded against all real and

personal property of a remote seller or marketplace facilitator where the remote seller or marketplace facilitator has:

1. Failed to file sales tax returns for two (2) consecutive filing periods as required by the Code; or
  2. Failed within sixty (60) days of the end of the filing period from which taxes were due to either (a) remit all amounts due or (b) to enter into a secured payment agreement as provided in this Code.
  3. Prior to filing a sales tax lien, the Commission shall cause a written notice of intent to file to be mailed to the last known address of the delinquent remote seller or marketplace facilitator.
- E. In addition to other remedies discussed in this Code, the Commission may bring a civil action to:
1. Enjoin a violation of this Code. On application for injunctive relief and a finding of a violation or threatened violation, the superior court shall enjoin the violation.
  2. Collect delinquent sales tax, penalty, interest and costs of collection, either before or after estimating the amount of sales tax due.
  3. Foreclose a recorded sales tax lien as provided by law.
- F. All remedies hereunder are cumulative and are in addition to those existing at law or equity.

#### SECTION 2450 – Penalties for Violations

- A. In the event that a penalty provided below is different from the same penalty in a member jurisdiction's sales tax code, the penalty prescribed in the member jurisdiction's sales tax code will apply.
- B. A buyer, remote seller, or marketplace facilitator who knowingly or negligently submits false information in a document filed with the Commission pursuant to this Code is subject to a penalty of five hundred dollars (\$500).
- C. A remote seller or marketplace facilitator who knowingly or negligently falsifies or conceals information related to its business activities with the Commission or member jurisdiction is subject to a penalty of five hundred dollars (\$500).
- D. A person who knowingly or negligently provides false information when applying for a certificate of exemption is subject to a penalty of five hundred dollars (\$500).
- E. A remote seller or marketplace facilitator who fails or refuses to produce requested records or to allow inspection of their books and records shall pay to the Commission a penalty equal to three (3) times any deficiency found or estimated by the Commission with a minimum penalty of five hundred dollars (\$500).
- F. A remote seller or marketplace facilitator who falsifies or misrepresents any record filed with the Commission is guilty of an infraction and subject to a penalty of five hundred dollars (\$500) per record.
- G. Misuse of an exemption card is a violation and subject to a penalty of fifty dollars (\$50) per incident of misuse;
- H. Nothing in this chapter shall be construed as preventing the Commission from filing and maintaining an action at law to recover any taxes, penalties, interest and/or fees due from a remote seller or marketplace facilitator. The Commission may also recover attorney's fees in any action against a delinquent remote seller or marketplace facilitator.

### SECTION 2560 – Remittance of Tax; Remote Seller Held Harmless

- A. Any remote seller or marketplace facilitator that collects and remits sales tax to the Commission as provided by law may use an electronic database of state addresses that is certified by the Commission pursuant to subsection (C) of this section to determine the member jurisdictions to which tax is owed.
- B. Any remote seller or marketplace facilitator that uses the data contained in an electronic database certified by the Commission pursuant to subsection (C) of this section to determine the jurisdictions to which tax is owed shall be held harmless for any tax, charge, or fee liability to any member jurisdiction that otherwise would be due solely as a result of an error or omission in the database.
- C. Any electronic database provider may apply to the Commission to be certified for use by remote sellers or marketplace facilitators pursuant to this section. Such certification shall be valid for three years. In order to be certified, an electronic database provider shall have a database that satisfies the following criteria:
  1. The database shall designate each address in the state, including, to the extent practicable, any multiple postal address applicable to one location and the taxing jurisdictions that have the authority to impose a tax on purchases made by purchasers at each address in the state.
  2. The information contained in the electronic database shall be updated as necessary and maintained in an accurate condition. In order to keep the database accurate, the database provider shall provide a convenient method for member jurisdictions that may be affected by the use of the database to inform the provider of apparent errors in the database. The provider shall have a process in place to promptly correct any errors brought to the provider's attention.

### SECTION 2670 – Savings Clause

~~If any provision of Chapter \_\_, the Remote Seller Sales Tax Code, and Chapter \_\_, Sales Tax Code is determined by the Commission or an adjudicatory body of competent jurisdiction to discriminate against a remote seller in favor of a local seller with a physical presence in the taxing jurisdiction, the discriminatory provision shall continue in effect only to the extent such provision does not discriminate against a remote seller, and the comparable code provision applicable to a local seller will apply to a remote seller, and the remainder of Chapter \_\_ and Chapter \_\_ shall continue in full force and effect.~~

- A. If any provision of the Remote Seller Sales Tax Code and the member jurisdiction's sales tax code is determined by the Commission or an adjudicatory body of competent jurisdiction to discriminate against a remote seller in favor of a local seller with a physical presence in the member jurisdiction, the discriminatory provision shall continue in effect only to the extent such provision does not discriminate against a remote seller and the remainder of the Remote Seller Sales Tax Code and the member jurisdiction's sales tax code shall continue in full force and effect.

### SECTION 2780 – Definitions

Adoption of definitions does not compel an individual municipality to exempt certain defined items. Each municipality should specifically adopt definitions necessary for consistency to

implement both brick-and-mortar sales tax code and provisions related to remote sellers or marketplace facilitators. For definitions that have no applicability to brick-and-mortar sales tax code, municipality may choose either to include definitions in the definitional section of general sales tax ordinance or adopt the common definitions by reference.

**“Bundled transaction” means the retail sale of two or more products, except real property and services to real property, where (1) the products are otherwise distinct and identifiable, and (2) the products are sold for one non-itemized price. A “bundled transaction” does not include the sale of any products in which the “sales price” varies, or is negotiable, based on the selection by the purchaser of the products included in the transaction.**

**(A) “Distinct and identifiable products” does not include:**

**1. Packaging – such as containers, boxes, sacks, bags, and bottles – or other materials – such as wrapping, labels, tags, and instruction guides – that accompany the “retail sale” of the products and are incidental or immaterial to the “retail sale” thereof.**

**2. A product provided free of charge with the required purchase of another product. A product is “provided free of charge” if the “sales price” of the product purchased does not vary depending on the inclusion of the product “provided free of charge.”**

**(B) The term “one non-itemized price” does not include a price that is separately identified by product on binding sales or other supporting sales-related documentation made available to the customer in paper or electronic form including, but not limited to an invoice, bill of sale, receipt, contract, service agreement, lease agreement, periodic notice of rates and services, rate card, or price list.**

**(C) A transaction that otherwise meets the definition of a “bundled transaction” as defined above, is not a “bundled transaction” if it is:**

**(1) The “retail sale” of tangible personal property and a service where the tangible personal property is essential to the use of the service, and is provided exclusively in connection with the service, and the true object of the transaction is the service; or**

**(2) The “retail sale” of services where one service is provided that is essential to the use or receipt of a second service and the first service is provided exclusively in connection with the second service and the true object of the transaction is the second service; or**

**(3) A transaction that includes taxable products and nontaxable products and the “purchase price” or “sales price” of the taxable products is de minimis.**

**“Buyer” or “purchaser”** means a person to whom a sale of property or product is made or to whom a service is furnished.

**“Commission”** means the Alaska Remote Seller Sales Tax Commission established by Agreement between local government taxing jurisdictions within Alaska, and delegated tax collection authority.

**“Delivered electronically”** means delivered to the purchaser by means other than tangible storage media.

**“Delivery Charges”** means charges by the seller of personal property or services for preparation

and delivery to a location designated by the purchaser of personal property or services including, but not limited to, transportation, shipping, postage, handling, crating and packing.

**“Delivery network company”** means a business that facilitates, through the use of an Internet website or mobile application, the delivery of products or services.

**“Digital good”** means any product delivered electronically (whether downloaded, streamed or subscribed to). A digital good generally takes the form of a license to use or store in a digital or electronic format. Digital goods are generally intangible property for purposes of this chapter.

**“Digital service”** means any service delivered electronically that uses one or more software applications. Digital service includes any service that primarily involves the application of human effort by the seller, and the human effort originated after the customer requested the service, provided the service is delivered electronically.

**“Entity-based exemption”** means an exemption based on who purchases the product or who sells the product. An exemption that is available to all individuals shall not be considered an entity-based exemption.

**“Goods for resale”** means:

- A. the sale of goods by a manufacturer, wholesaler or distributor to a retail vendor; sales to a wholesale or retail dealer who deals in the property sold, for the purpose of resale by the dealer.
- B. Sales of personal property as raw material to a person engaged in manufacturing components for sale, where the property sold is consumed in the manufacturing process of, or becomes an ingredient or component part of, a product manufactured for sale by the manufacturer.
- C. Sale of personal property as construction material to a licensed building contractor where the property sold becomes part of the permanent structure.

**“Lease” or “rental”** means any transfer of possession or control of tangible personal property for a fixed or indeterminate term for consideration. A lease or rental may include future options to purchase or extend.

**“Local Sale”** means a sale by a seller with a physical presence in a taxing jurisdiction, where the point of delivery is a location within the same taxing jurisdiction.

**“Marketplace”** means a physical or electronic place, platform or forum, including a store, booth, internet website, catalog or dedicated sales software application, where products or services are offered for sale.

**“Marketplace facilitator”** means a person that contracts with ~~remote marketplace~~ sellers to facilitate for consideration, regardless of whether deducted as fees from the transaction, the sale of the ~~remote marketplace~~ seller’s property, product or services through a physical or electronic marketplace operated by the person, and engages:

- (a) Directly or indirectly, through one or more affiliated persons in any of the following:
- (i) Transmitting or otherwise communicating the offer or acceptance between the buyer and remote marketplace seller;
  - (ii) Owning or operating the infrastructure, electronic or physical, or technology that brings buyers and remote marketplace sellers together;
  - (iii) Providing a virtual currency that buyers are allowed or required to use to purchase products from the remote seller; or
  - (iv) Software development or research and development activities related to any of the activities described in (b) of this subsection, if such activities are directly related to a physical or electronic marketplace operated by the person or an affiliated person; and
- (b) In any of the following activities with respect to the seller's products:
- (i) Payment processing services;
  - (ii) Fulfillment or storage services;
  - (iii) Listing products for sale;
  - (iv) Setting prices;
  - (v) Branding sales as those of the marketplace facilitator;
  - (vi) Order taking;
  - (vii) Advertising or promotion; or
  - (viii) Providing customer service or accepting or assisting with returns or exchanges.

**“Marketplace seller”** means a person that makes retail sales through any physical or electronic marketplace that is operated by a marketplace facilitator.

**“Member Jurisdiction”** means a taxing jurisdiction that is a signatory of the Alaska Remote Seller Sales Tax Agreement, thereby members of the Commission, and who have adopted the Alaska Remote Seller Uniform Sales Tax Code.

**“Monthly”** means occurring once per calendar month.

**“Nonprofit organization”** means a business that has been granted tax-exempt status by the Internal Revenue Service.

**“Person”** means an individual, trust, estate, fiduciary, partnership, limited liability company, limited liability partnership, corporation, or any other legal entity.

**“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 or engages in activities

in this state that are significantly associated with the seller's ability to establish or maintain a market for its products in this state;

3. Provides services through any employee, agent, salesman, or other representative 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 establishes a 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.

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

- A. When the product is not received or paid for by the purchaser at a business location of a remote seller in a Member Jurisdiction, the sale is considered delivered to the location where receipt by the purchaser (or the purchaser's recipient, designated as such by the purchaser) occurs, including the location indicated by instructions for delivery as supplied by the purchaser (or recipient) and as known to the seller.
- B. When the product is received or paid for by a purchaser who is physically present at a business location of a Remote Seller in a Member Jurisdiction the sale is considered to have been made in the Member Jurisdiction where the purchaser is present even if delivery of the product takes place in another Member Jurisdiction. Such sales are reported and tax remitted directly to the Member Jurisdiction not to the Commission.
- 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.

**“Product-based exemptions”** means an exemption based on the description of the product and not based on who purchases the product or how the purchaser intends to use the product.

**“Professional services”** means services performed by architects, attorneys-at-law, certified public accountants, dentists, engineers, land surveyors, surgeons, veterinarians, and practitioners of the healing arts (the arts and sciences dealing with the prevention, diagnosis, treatment and cure or alleviation of human physical or mental ailments, conditions, diseases, pain or infirmities) and such occupations that require a professional license under Alaska Statute.

**“Property”** and **“product”** and **“good”** means both tangible property, an item that can be seen, weighed, measured, felt, or touched, or that is in any other manner perceptible to the senses; and intangible property, anything that is not physical in nature (i.e.; intellectual property, brand recognition, goodwill, trade, copyright and patents).

**“Quarter”** means trimonthly periods of a calendar year; January-March, April-June, July-September, and October-December.

**“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.

The terms “receive” and “receipt” do not include temporary possession by a shipping company on behalf of the purchaser.

**“Remote sales”** means sales of goods, ~~or~~ services or bundled transactions by a remote seller or marketplace facilitator.

**“Remote seller”** means a seller or marketplace facilitator making sales of goods, ~~or~~ services or bundled transactions for delivery within the State of Alaska without having a physical presence in the member jurisdiction in which delivery is being made.

**“Resale of services”** means sales of intermediate services to a business where the charge for which will be passed directly by that business to a specific buyer.

**“Sale” or “retail sale”** means any transfer of property or product or any provision of service(s) for consideration for any purpose other than for resale.

**“Sales price” or “purchase price”** means the total amount of consideration, including cash, credit, property, products, and services, for which property, products, ~~or~~ services or bundled transactions are sold, leased, or rented, valued in money, whether received in money or otherwise, without any deduction for the following:

- A. The seller’s cost of the property or product sold;
- B. The cost of materials used, labor or service cost, interest, losses, all costs of transportation to the seller, all taxes imposed on the seller, and any other expense of the seller;
- C. Charges by the seller for any services necessary to complete the sale, other than delivery and installation charges;
- D. Delivery charges;
- E. Installation charges; and
- F. Credit for any trade-in, as determined by state law.

**“Seller”** means a person making sales of property, products, or services, or a marketplace facilitator facilitating sales on behalf of a seller.

**“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.
- F.G. Digital services

“**Tax cap**” means a maximum taxable transaction.

“**Taxing jurisdiction**” means a local government in Alaska that has a sales tax.

“**Transferred electronically**” means obtained by the purchaser by means other than tangible storage media.

“**Travel Agency Services**” means arranging or booking for a commission, fee or other consideration, vacation or travel packages, rental car, tours or other travel reservations or accommodations, tickets for domestic or foreign travel by air, ship, rail, bus or other medium of transportation, or hotel or other lodging accommodations.

#### SECTION 280 – Supplemental Definitions

For purposes of this Chapter, the Commission may promulgate Supplemental Definitions that are incorporated into this Remote Seller Sales Tax Code, provided they are not in conflict with or contrary to definitions set forth in the general sales tax ordinance of the member jurisdiction. Supplemental Definitions are available at [www.arsstc.org](http://www.arsstc.org). Provisions of the Supplemental Definitions that are amended, deleted, or added prior to or after the effective date of the latest amendment to this chapter shall be applicable for purposes of this chapter on the effective date provided for such amendments, deletions, or additions, including retroactive provisions.



**To: ARSSTC Board of Directors**

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

**Date: April 17, 2024**

**Re: GovOS Fee Timeline**

The Board has previously stated its desire to be involved in future contract negotiations with GovOS, specifically when renegotiating contract fees under the terms of the current contract.

AML staff have contacted GovOS to confirm the timeline involved in fee renegotiation. The confirmed timeline is as follows:

- Either party can negotiate at any point during the term after the first 5 years
- If pricing negotiation does not occur after the five-year mark, then renewal pricing must be negotiated by the parties no later than 6 months prior to the expiration of the term (June 30, 2029)
- Negotiations can begin at any point after December 1, 2024 (30 days of notice from 11/1/2024)