



**Alaska Remote Seller Sales Tax Commission**  
**Board of Directors Meeting**  
**April 16, 2025 10:00 am – 12:00 pm**  
*Virtual via Zoom*

Board of Director Attendees:

- **Libby Bakalar**, City of Bethel
- **Scott Bloom**, City of Kenai
- **Brandi Harbaugh**, Kenai Peninsula Borough
- **Ruth Kostik**, City & Borough of Juneau
- **Lana Metcalf**, City of Soldotna
- **Cassee Olin**, City of Wasilla
- **Ben Sadler**, City of Gustavus

1. Call to order
2. Approval of the Agenda
3. Approval of Minutes
  - a. 2.19.25 Regular Board Meeting
4. Public participation
5. Official Business
  - a. FY24 Financials / Audit Prep
  - b. FY25 YTD / Projections
  - c. FY26 Proposed Budget
    - i. FY26 Budget Highlights
    - ii. Finance Committee Recommendation
    - iii. AML Overhead Rate Information *(to be included in packet addendum)*
    - iv. GovOS Fee Proposal *(to be included in packet addendum)*
  - d. AML / ARSSTC Service Agreement Renewal
  - e. Remote Services – Industry Specific Guidance Documents
    - i. Accountants / Advertising / Appraisal / Architect & Engineering / Legal / Real Estate Broker
6. Comments
7. Adjournment



**Alaska Remote Seller Sales Tax Commission**  
**Board of Directors Meeting Minutes**  
**February 19, 2025 10:00 am – 12:00 pm**  
*Virtual via Zoom*

Board of Director Attendees:

- **Absent - Libby Bakalar**, City of Bethel
- **Present - Scott Bloom**, City of Kenai
- **Present - Brandi Harbaugh**, Kenai Peninsula Borough
- **Present - Ruth Kostik**, City & Borough of Juneau
- **Present - Lana Metcalf**, City of Soldotna
- **Present - Cassee Olin**, City of Wasilla
- **Present - Ben Sadler**, City of Gustavus

1. Call to order
  - a. Call to order at 10:00 am
2. Approval of the Agenda
  - a. Motion to approve agenda by Scott Bloom; Seconded by Cassee Olin – No objection
3. Approval of Minutes
  - a. 12.11.24 Annual Meeting
  - b. Motion to approve by Ruth Kostik; Seconded by Cassee Olin – No objection
4. Public participation
  - a. No public participation
5. Official Business
  - a. **Election of Board Officers**
    - i. President: Ruth Kostik self-nominated;
      1. Motion to approve by Scott Bloom; Seconded by Cassee Olin – no objection
    - ii. Vice-President: Cassee Olin nominated by Brandi Harbaugh;
      1. Motion to approve by Ruth Kostik; Seconded by Lana Metcalf – no objection
    - iii. Secretary: Libby Bakalar nominated by Ruth Kostik;
      1. Motion to approve by Brandi Harbaugh; Seconded by Scott Bloom – no objection
    - iv. Treasurer: Lana Metcalf nominated by Brandi Harbaugh;
      1. Motion to approve by Brandi Harbaugh; Seconded by Ruth Kostik – no objection
  - b. **Update on FY24 / FY25 Financials**

AML hired an outside accounting firm in fall of 2024 to help restructure financial statements, streamline monthly entries and complete FY24 reconciliation. They are making good progress and staff are hopeful to bring results to Finance Committee in March or April. Clinton Singletary reviewed financials and noted that program



has not yet paid out on the accounting firm invoice or tapped into GovOS improvements allocated funds. Will also be requesting another auditor position soon.

c. GovOS Fee Negotiation Update

AML staff and Scott Bloom met with GovOS representatives in December 2024. GovOS presented a rate reduction of approximately 0.5% compared with current annual fees. Proposal would be a fixed annual fee with an annual percentage increase. Our preference is to stay with a percentage-based fee. Met again in January 2025, GovOS did not update proposal. Staff are still waiting for an updated proposal, that is a closer match to our preferences.

Ben Sadler asked about alternative service providers. Clinton Singletary briefly discussed original RFP responses in November 2019. Clinton noted there have been many changes to sales tax nationally since then and there could be other possible service providers available now. Current GovOS contract expires after 10 years.

6. Comments

- Scott Bloom / Brandi Harbaugh: Thank you to new officers
- Ruth Kostik / Cassee Olin: Thanks to Brandi for her prior service as President
- Ben Sadler: Looking forward to working on the Board.

7. Adjournment

- a. Adjourned at 10:40am



**To: ARSSTC Board of Directors**

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

**Date: April 16, 2025**

**Re: FY24 Financials / Audit Update**

As discussed at the last Board meeting in February, AML has been working with a 3<sup>rd</sup> party accounting firm to restructure the financial reports and prepare the FY24 reconciliation for the FY24 audit.

Progress has been steady, and we are currently working through a few clean-up items before finalizing the reconciliation and financial statements. The FY24 audit is planned to be completed by the end of April; initial data has already been provided to the auditor, the FY24 modifications are the last step before the audit can be completed.

Presented in the packet is a preliminary updated FY24 Profit & Loss and FY24 Balance Sheet. The bulk of the substantial changes are in the balance sheet. There are additional line items for account balance activity, payments in transit and other categories to handle some of our monthly reconciling oddities.

Overall, we are pleased with the changes and believe these updates, including some updated reconciling processes recommended by the accountant will better allow AML staff to stay current with the financial reporting.

We expect the FY24 audit findings will be available for presentation to the Board at the June 18<sup>th</sup> Board meeting.

**Alaska Remote Sellers Sales Commission**  
**Profit and Loss by Month**  
 July 2023 - June 2024

	Jul 2023	Aug 2023	Sep 2023	Oct 2023	Nov 2023	Dec 2023	Jan 2024	Feb 2024	Mar 2024	Apr 2024	May 2024	Jun 2024	Total
<b>Income</b>													
4000 Commission Fee Income	46,590.54	49,616.00	47,146.31	52,455.81	55,113.03	50,962.79	43,800.33	41,620.05	49,063.19	54,447.76	56,056.88	62,946.63	609,819.32
4100 Late Fees	12,700.00	5,625.00	10,475.00	7,100.00	11,675.00	8,800.00	17,025.00	13,575.00	8,675.00	6,475.00	9,300.00	12,550.00	123,975.00
4200 Reprocessing Fees	325.00	50.00	100.00	100.00	75.00	100.00	150.00	300.00	225.00	150.00	175.00	150.00	1,900.00
4300 Credit Card Fees	101.11	215.65	177.41	102.06	301.46	119.09	121.64	107.19	116.65	263.24	288.05	156.86	2,070.41
4400 Other Income	0.02												0.02
6000 Interest Earned	5,942.15	6,439.56	7,241.33	4,724.09	4,948.95	6,676.78	6,656.51	8,465.72	7,323.37	5,215.37	4,107.26	6,630.16	74,371.25
<b>Total Income</b>	<b>65,658.82</b>	<b>61,946.21</b>	<b>65,140.05</b>	<b>64,481.96</b>	<b>72,113.44</b>	<b>66,658.66</b>	<b>67,753.48</b>	<b>64,067.96</b>	<b>65,403.21</b>	<b>66,551.37</b>	<b>69,927.19</b>	<b>82,433.65</b>	<b>812,136.00</b>
<b>Gross Profit</b>	<b>65,658.82</b>	<b>61,946.21</b>	<b>65,140.05</b>	<b>64,481.96</b>	<b>72,113.44</b>	<b>66,658.66</b>	<b>67,753.48</b>	<b>64,067.96</b>	<b>65,403.21</b>	<b>66,551.37</b>	<b>69,927.19</b>	<b>82,433.65</b>	<b>812,136.00</b>
<b>Expenses</b>													
5000 AML Operating Exp								3,149.60					3,149.60
5001 Munirevs Enhancement Invoices		525.00											525.00
5002 Governance/Travel			2,598.75										2,598.75
5003 Legal	-	3,049.00	329.00	728.50	-	493.50	164.50	282.00	1,034.00	1,269.00	3,125.00	1,588.50	12,063.00
5004 Personnel Exp													-
5004A Salaries	32,719.23	32,742.17	27,745.91	32,795.34	32,266.15	29,228.02	33,749.22	33,796.31	31,594.00	31,529.54	32,534.95	31,376.60	382,077.44
5004B Payroll Taxes	3,604.31	3,626.51	2,153.96	2,231.73	2,549.03	2,377.90	2,854.80	2,859.86	2,665.52	2,533.70	2,617.27	2,489.33	32,563.92
5004C Health Insurance	5,701.19	8,655.14	8,062.40	5,634.82	7,707.06	7,113.92	7,700.97	7,743.11	7,934.23	7,645.88	7,820.90	8,760.43	90,480.05
5004D Nationwide Retirement	1,171.95	1,329.79	1,387.31	1,432.17	1,360.01	1,275.48	1,564.33	1,552.35	1,580.81	1,576.48	1,626.76	1,568.84	17,426.28
<b>Total 5004 Personnel Exp</b>	<b>43,196.68</b>	<b>46,353.61</b>	<b>39,349.58</b>	<b>42,094.06</b>	<b>43,882.25</b>	<b>39,995.32</b>	<b>45,869.32</b>	<b>45,951.63</b>	<b>43,774.56</b>	<b>43,285.60</b>	<b>44,599.88</b>	<b>44,195.20</b>	<b>522,547.69</b>
5005 Insurance													-
5005B Cyber	359.08	359.08	359.08	359.08	359.08	359.08							2,154.48
5005C SLIP	600.10	600.10	600.10	600.10	669.12	669.12							3,738.64
<b>Total 5005 Insurance</b>	<b>959.18</b>	<b>959.18</b>	<b>959.18</b>	<b>959.18</b>	<b>1,028.20</b>	<b>1,028.20</b>							<b>5,893.12</b>
5007 8% Overhead Expense	3,601.45	4,136.12	3,484.12	4,357.07	3,687.23	3,539.34	3,880.35	4,133.96	3,717.51	3,869.06	3,997.60	3,830.87	46,234.68
<b>Total 5000 AML Operating Exp</b>	<b>47,757.31</b>	<b>55,022.91</b>	<b>46,720.63</b>	<b>48,138.81</b>	<b>48,597.68</b>	<b>45,056.36</b>	<b>49,914.17</b>	<b>53,517.19</b>	<b>48,526.07</b>	<b>48,423.66</b>	<b>51,722.48</b>	<b>49,614.57</b>	<b>593,011.84</b>
5008 Bank Fees	37.04		105.06	96.37	109.53	104.79	87.82	53.66	12.01	80.39	144.57	122.05	953.29
5009 Merchant Services Fees	1,312.30	1,378.53	1,090.46	1,199.10	1,311.52	1,251.00	1,534.48	1,478.99	1,179.78	1,261.74	1,245.18	1,508.98	15,752.06
5040 Merchant Balances per MlnuRev	(15,331.53)												(15,331.53)
5060 Other Business Expenses	3,246.74	8,042.13	8,017.99	647.66	706.73	6,137.33	3,544.00	3,063.48	3,449.87	4,591.47	15,909.74	1,368.66	58,725.80
5065 Office Supplies & Software			183.72	220.00						1,105.00	105.00	105.00	1,718.72
Other Miscellaneous Expense		0.04		(0.03)	0.03					200.00	0.54	(0.01)	200.57
<b>Total Expenses</b>	<b>37,021.86</b>	<b>64,443.61</b>	<b>56,117.86</b>	<b>50,301.91</b>	<b>50,725.49</b>	<b>52,549.48</b>	<b>55,080.47</b>	<b>58,113.32</b>	<b>53,167.73</b>	<b>55,662.26</b>	<b>69,127.51</b>	<b>52,719.25</b>	<b>655,030.75</b>
<b>Net Operating Income</b>	<b>28,636.96</b>	<b>(2,497.40)</b>	<b>9,022.19</b>	<b>14,180.05</b>	<b>21,387.95</b>	<b>14,109.18</b>	<b>12,673.01</b>	<b>5,954.64</b>	<b>12,235.48</b>	<b>10,889.11</b>	<b>799.68</b>	<b>29,714.40</b>	<b>157,105.25</b>
<b>Other Income</b>													
4005 Net Sales Tax collected from MUNIREvs	2,070,691.34	2,205,155.05	1,899,565.38	2,168,173.34	2,278,004.51	1,903,742.15	1,636,185.24	1,554,740.58	1,832,781.86	2,073,407.62	2,201,166.35	2,471,704.63	24,295,318.05
4005A GASB Contra Net Sales Tax Collected	(2,070,691.34)	(2,205,155.05)	(1,899,565.38)	(2,168,173.34)	(2,278,004.51)	(1,903,742.15)	(1,636,185.24)	(1,554,740.58)	(1,832,781.86)	(2,073,407.62)	(2,201,166.35)	(2,471,704.63)	(24,295,318.05)
<b>Total 4005 Net Sales Tax collected from MUNIR</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Other Income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Other Expenses</b>													
5010 Member Tax Revenue Expense	1,837,738.59	1,957,075.07	1,899,565.38	2,168,173.34	2,278,004.51	1,903,742.15	1,636,185.24	1,554,740.58	1,832,781.86	2,073,407.62	2,201,166.35	2,471,704.63	23,814,285.32
5011 GASB Contra Member Tax Expense	(1,837,738.59)	(1,957,075.07)	(1,899,565.38)	(2,168,173.34)	(2,278,004.51)	(1,903,742.15)	(1,636,185.24)	(1,554,740.58)	(1,832,781.86)	(2,073,407.62)	(2,201,166.35)	(2,471,704.63)	(23,814,285.32)
<b>Total 5010 Member Tax Revenue Expense</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

<b>5020 GovOS Expense</b>	168,595.74	183,695.86	137,062.63	93,800.16	98,573.83	277,177.17	236,705.92	224,656.99	264,692.01	262,224.93	212,853.54	224,975.12	2,385,013.90
<b>5020A GASB Contra GovOS Expense</b>	(168,595.74)	(183,695.86)	(137,062.63)	(93,800.16)	(98,573.83)	(277,177.17)	(236,705.92)	(224,656.99)	(264,692.01)	(262,224.93)	(212,853.54)	(224,975.12)	(2,385,013.90)
<b>Total 5020 GovOS Expense</b>	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>5030 TTR Fee Expense</b>	21,013.21	22,810.26	19,608.49	17,587.51	18,482.62	39,266.78	33,533.32	31,826.37	37,498.06	34,411.23	37,249.35	39,370.66	352,657.86
<b>5030A GASB Contra TTR Fee Expense</b>	(21,013.21)	(22,810.26)	(19,608.49)	(17,587.51)	(18,482.62)	(39,266.78)	(33,533.32)	(31,826.37)	(37,498.06)	(34,411.23)	(37,249.35)	(39,370.66)	(352,657.86)
<b>Total 5030 TTR Fee Expense</b>	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Other Expenses</b>	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Net Other Income</b>	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Net Income</b>	<b>28,636.96</b>	<b>(2,497.40)</b>	<b>9,022.19</b>	<b>14,180.05</b>	<b>21,387.95</b>	<b>14,109.18</b>	<b>12,673.01</b>	<b>5,954.64</b>	<b>12,235.48</b>	<b>10,889.11</b>	<b>799.68</b>	<b>29,714.40</b>	<b>157,105.25</b>

### Alaska Remote Sellers Sales Commission Balance Sheet As of June 30, 2024

	Jul 2023	Aug 2023	Sep 2023	Oct 2023	Nov 2023	Dec 2023	Jan 2024	Feb 2024	Mar 2024	Apr 2024	May 2024	Jun 2024
<b>ASSETS</b>												
<b>Current Assets</b>												
<b>Bank Accounts</b>												
1000 AMLIP	1,461,115.64	1,450,742.13	1,820,051.17	1,929,857.98	1,430,039.83	1,653,109.12	1,683,724.06	810,089.52	1,403,131.87	1,524,502.24	1,428,327.71	1,519,607.24
1005 ARSSTC Depository #3470	100,000.00	100,000.00	86,457.37	151,487.57	100,000.00	100,000.00	100,000.00	100,000.00	100,000.00	100,000.00	100,000.00	100,616.00
1010 ARSSTC Disbursement #7048	1,001,026.35	710.13	2,811.48	-11,825.96	-13,247.01	2,451.76	5,829.46	14,256.22	13,539.02	11,086.34	38,696.59	37,065.56
1015 Northrim Sweep Account	38,052.06	355,207.15	625.60	52.18	380,326.90	417,351.10	490,472.86	860,397.43	181,119.41	440,706.79	652,087.95	457,771.22
<b>Total Bank Accounts</b>	<b>\$ 2,600,194.05</b>	<b>\$ 1,906,659.41</b>	<b>\$ 1,909,945.62</b>	<b>\$ 2,069,571.77</b>	<b>\$ 1,897,119.72</b>	<b>\$ 2,172,911.98</b>	<b>\$ 2,280,026.38</b>	<b>\$ 1,784,743.17</b>	<b>\$ 1,697,790.30</b>	<b>\$ 2,076,295.37</b>	<b>\$ 2,219,112.25</b>	<b>\$ 2,115,060.02</b>
<b>Other Current Assets</b>												
1020 Prepaid Insurance	3,354.77	2,395.59	1,436.41	8,506.65	7,478.45	6,450.25	6,450.25	6,450.25	6,450.25	6,450.25	6,450.25	6,450.25
1105 Sales Tax Receivable from Prior EOM	2,095,195.04	2,265,850.36	2,208,385.15	2,345,004.14	2,464,345.69	2,309,809.61	1,972,549.44	1,872,141.66	2,205,766.82	2,457,945.27	2,660,669.04	2,812,188.47
1106 Deposits in Transfer	128,998.43	277,898.22	303,684.68	79,162.49	479,236.87	350,308.48	81,765.15	273,566.60	291,085.46	264,337.22	336,488.62	569,305.27
1110 Prepaid	0.00	-54,522.35	-435.16	-3,326.63	-441.45	-7,864.74	-5,420.41	-1,106.96	-15,088.21	-45,384.64	-3,721.06	-3,586.67
1115 Misc. Receivable		0.00	0.00	0.00	0.00	0.00	4,428.84	654.16	-6,150.83	-150.83	-150.83	-150.83
1120 Account Balances - Net AR	13,562.66	-32,569.00	-38,067.36	22,140.59	28,384.76	-2,102.42	21,452.85	26,180.25	9,108.15	-655.26	-128,811.69	-1,606.83
1201 Deposits in Transfer - Splits	-3,815.59	-2,223.53	565.40	-983.38	-3,695.57	-4,623.14	-2,011.10	-674.05	-3,478.90	-1,090.07	-2,638.75	-16,285.83
1207 Deposits in Transit - Unknown	25.00	25.00	25.00	25.00	25.00	25.00	25.00	25.00	25.00	25.00	25.00	25.00
<b>Total Other Current Assets</b>	<b>\$ 2,237,320.31</b>	<b>\$ 2,456,854.29</b>	<b>\$ 2,475,594.12</b>	<b>\$ 2,450,528.86</b>	<b>\$ 2,975,333.75</b>	<b>\$ 2,652,003.04</b>	<b>\$ 2,079,240.02</b>	<b>\$ 2,177,236.91</b>	<b>\$ 2,487,717.74</b>	<b>\$ 2,681,476.94</b>	<b>\$ 2,868,310.58</b>	<b>\$ 3,366,338.83</b>
<b>Total Current Assets</b>	<b>\$ 4,837,514.36</b>	<b>\$ 4,363,513.70</b>	<b>\$ 4,385,539.74</b>	<b>\$ 4,520,100.63</b>	<b>\$ 4,872,453.47</b>	<b>\$ 4,824,915.02</b>	<b>\$ 4,359,266.40</b>	<b>\$ 3,961,980.08</b>	<b>\$ 4,185,508.04</b>	<b>\$ 4,757,772.31</b>	<b>\$ 5,087,422.83</b>	<b>\$ 5,481,398.85</b>
<b>TOTAL ASSETS</b>	<b>\$ 4,837,514.36</b>	<b>\$ 4,363,513.70</b>	<b>\$ 4,385,539.74</b>	<b>\$ 4,520,100.63</b>	<b>\$ 4,872,453.47</b>	<b>\$ 4,824,915.02</b>	<b>\$ 4,359,266.40</b>	<b>\$ 3,961,980.08</b>	<b>\$ 4,185,508.04</b>	<b>\$ 4,757,772.31</b>	<b>\$ 5,087,422.83</b>	<b>\$ 5,481,398.85</b>
<b>LIABILITIES AND EQUITY</b>												
<b>Liabilities</b>												
<b>Current Liabilities</b>												
<b>Accounts Payable</b>												
2000 Accounts Payable (A/P)	4,196,626.40	3,859,663.38	4,070,042.73	4,391,226.56	4,722,191.45	4,653,341.77	4,175,535.15	3,774,556.74	3,982,914.50	4,544,289.66	4,869,939.48	5,235,029.60
<b>Total Accounts Payable</b>	<b>\$ 4,196,626.40</b>	<b>\$ 3,859,663.38</b>	<b>\$ 4,070,042.73</b>	<b>\$ 4,391,226.56</b>	<b>\$ 4,722,191.45</b>	<b>\$ 4,653,341.77</b>	<b>\$ 4,175,535.15</b>	<b>\$ 3,774,556.74</b>	<b>\$ 3,982,914.50</b>	<b>\$ 4,544,289.66</b>	<b>\$ 4,869,939.48</b>	<b>\$ 5,235,029.60</b>
<b>Other Current Liabilities</b>												
2005 Due to AML	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2010 Due to AML - TTR Fee	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2015 GovOS Fee Payable	168,830.85	352,526.71	183,930.97	235.11	235.11	235.11	235.11	235.11	235.11	235.11	235.11	235.11
2020 TTR Fee Payable	21,007.70	43,817.96	22,804.75	-5.51	-5.51	5,927.94	5,412.93	3,190.97	6,125.69	6,125.69	9,326.71	14,649.04
2030 Account Balances	2,714.35	2,714.35	2,714.35	2,714.35	2,714.35	2,714.35	2,714.35	2,714.35	2,714.35	2,714.35	2,714.35	2,714.35
2040 Other Current Liabilities	340,000.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2045 Sales tax payable	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2050 Suspense	0.43	0.43	0.43	0.43	0.43	0.43	0.43	0.43	0.43	0.43	0.43	0.43
2051 Tax Refunds Payable	2,065.53	1,019.17	-6,747.38	-1,044.25	-1,044.25	224.35	224.35	183.76	183.76	183.76	183.76	-5,967.07
2060 Unearned Income	1,896.44	1,896.44	1,896.44	1,896.44	1,896.44	1,896.44	1,896.44	1,896.44	1,896.44	1,896.44	1,896.44	1,896.44
<b>Total Other Current Liabilities</b>	<b>\$ 536,515.30</b>	<b>\$ 401,975.06</b>	<b>\$ 204,599.56</b>	<b>\$ 3,796.57</b>	<b>\$ 3,796.57</b>	<b>\$ 10,998.62</b>	<b>\$ 10,483.61</b>	<b>\$ 8,221.06</b>	<b>\$ 11,155.78</b>	<b>\$ 11,155.78</b>	<b>\$ 14,356.80</b>	<b>\$ 13,528.30</b>
<b>Total Current Liabilities</b>	<b>\$ 4,733,141.70</b>	<b>\$ 4,261,638.44</b>	<b>\$ 4,274,642.29</b>	<b>\$ 4,395,023.13</b>	<b>\$ 4,725,988.02</b>	<b>\$ 4,664,340.39</b>	<b>\$ 4,186,018.76</b>	<b>\$ 3,782,777.80</b>	<b>\$ 3,994,070.28</b>	<b>\$ 4,555,445.44</b>	<b>\$ 4,884,296.28</b>	<b>\$ 5,248,557.90</b>
<b>Total Liabilities</b>	<b>\$ 4,733,141.70</b>	<b>\$ 4,261,638.44</b>	<b>\$ 4,274,642.29</b>	<b>\$ 4,395,023.13</b>	<b>\$ 4,725,988.02</b>	<b>\$ 4,664,340.39</b>	<b>\$ 4,186,018.76</b>	<b>\$ 3,782,777.80</b>	<b>\$ 3,994,070.28</b>	<b>\$ 4,555,445.44</b>	<b>\$ 4,884,296.28</b>	<b>\$ 5,248,557.90</b>
<b>Equity</b>												
3000 Retained Earnings	75,735.70	75,735.70	75,735.70	75,735.70	75,735.70	75,735.70	75,735.70	75,735.70	75,735.70	75,735.70	75,735.70	75,735.70
Net Income	28,636.96	26,139.56	35,161.75	49,341.80	70,729.75	84,838.93	97,511.94	103,466.58	115,702.06	126,591.17	127,390.85	157,105.25
<b>Total Equity</b>	<b>\$ 104,372.66</b>	<b>\$ 101,875.26</b>	<b>\$ 110,897.45</b>	<b>\$ 125,077.50</b>	<b>\$ 146,465.45</b>	<b>\$ 160,574.63</b>	<b>\$ 173,247.64</b>	<b>\$ 179,202.28</b>	<b>\$ 191,437.76</b>	<b>\$ 202,326.87</b>	<b>\$ 203,126.55</b>	<b>\$ 232,840.95</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$ 4,837,514.36</b>	<b>\$ 4,363,513.70</b>	<b>\$ 4,385,539.74</b>	<b>\$ 4,520,100.63</b>	<b>\$ 4,872,453.47</b>	<b>\$ 4,824,915.02</b>	<b>\$ 4,359,266.40</b>	<b>\$ 3,961,980.08</b>	<b>\$ 4,185,508.04</b>	<b>\$ 4,757,772.31</b>	<b>\$ 5,087,422.83</b>	<b>\$ 5,481,398.85</b>



**To: ARSSTC Board of Directors**

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

**Date: April 16, 2025**

**Re: FY25 Budget Projections**

Following is a brief summary of the FY25 budget projections, compared to the original approved FY25 budget.

**Revenue Projections**

- FY25 revenue is projected to reach \$29 million compared to \$27 million as originally budgeted.
- Gross Profit is projected \$22k higher than budgeted.

**Expenses**

- FY25 Total Expenses are projected to be \$2k less than originally budgeted.

**Net Operating Income**

- Net Operating Income is projected to be a loss of \$22,495, compared to original projected loss of \$46,893.
- Interest Income is expected to be substantial due to AML's continued use of a higher interest AMLIP account for remote seller revenues; projecting \$46k more than original budget.

**Fund Balance**

- FY25 Fund Balance is projected to be just over the maximum level outlined in the Fund Balance Policy, by about \$7k.



**ARSSTC FY25 Budget**

	<b>Approved FY25</b>	<b>Projected FY25</b>
<b>Income</b>		
<b>4000 Commission Fee Income</b>	\$ 622,607	\$ 649,706
<b>4005 Net Sales Tax collected from MUNIREvs</b>	\$ 27,048,794	\$ 28,226,095
4005A GASB Contra Net Sales Tax Collected	\$ (27,048,794)	\$ (28,226,095)
Total 4005 Net Sales Tax collected from MUNIREvs	\$ -	
4100 Late Fees	\$ 100,000	\$ 120,000
4200 Reprocessing Fees	\$ 1,800	\$ 2,200
<b>4300 Credit Card Fees</b>	\$ 1,800	\$ 2,000
4400 Other Income	\$ 25,000	\$ -
Total Income	<u>\$ 751,207</u>	<u>\$ 773,906</u>
Gross Profit	\$ 751,207	\$ 773,906
<b>Expenses</b>		
<b>5000 AML Operating Expenses</b>		
<b>5001 Munirevs Enhancement Invoices</b>	\$ 110,000	\$ 57,600
5002 Governance/Travel	\$ 8,000	\$ 7,200
5003 Legal	\$ 25,000	\$ 8,000
5004 Personnel Expenses		
5004A Salaries	\$ 400,000	\$ 410,000
5004B Payroll Taxes	\$ 35,000	\$ 32,000
5004C Health Insurance	\$ 98,000	\$ 100,500
<b>5004D Nationwide Retirement</b>	\$ 21,000	\$ 20,500
<b>Total 5004 Personnel Expenses</b>	<u>\$ 554,000</u>	<u>\$ 563,000</u>
<b>5005 Insurance</b>		
5005B Cyber	\$ 5,000	\$ -
5005C SLIP	\$ 7,000	\$ 8,600
Total 5005 Insurance	<u>\$ 12,000</u>	<u>\$ 8,600</u>
5006 Audit Services	\$ 11,000	\$ 12,700
<b>Accounting Services</b>		<u>\$ 50,000</u>
5007 8% Overhead Expense	<u>\$ 57,600</u>	<u>\$ 57,600</u>
<b>Total 5000 AML Operating Expenses</b>	<u>\$ 777,600</u>	<u>\$ 764,700</u>
<b>5008 Bank Fees</b>	\$ 1,000	\$ 1,400
5009 Merchant Services Fees	\$ 16,500	\$ 18,000

5010 Member Tax Revenue Expense	\$ 24,336,794	\$ 25,508,015
<b>5011 GASB Contra Member Tax Expense</b>	<b>\$ (24,336,794)</b>	<b>\$ (25,508,015)</b>
<b>Total 5010 Member Tax Revenue Expense</b>	<b>\$ -</b>	
5020 MUNirevs Expense	\$ 2,312,000	\$ 2,312,000
5020A GASB Contra MUNirevs Expense	\$ (2,312,000)	\$ (2,312,000)
Total 5020 MUNirevs Expense	\$ -	
5030 TTR Fee Expense	\$ 400,000	\$ 406,080
5030A GASB Contra TTR Fee Expense	\$ (400,000)	\$ (406,080)
Total 5030 TTR Fee Expense	\$ -	
5060 Other Business Expenses	\$ 500	\$ 500
Bulk Mailouts / Postage	\$ -	\$ 6,000
Office Supplies & Software	\$ 2,500	\$ 5,800
Total Expenses	\$ 798,100	\$ 796,400
<b>Net Operating Income</b>	<b>\$ (46,893)</b>	<b>\$ (22,495)</b>
<b>Other Income</b>		
6000 Interest Earned	\$ 50,000	\$ 96,000
<b>Total Other Income</b>	<b>\$ 50,000</b>	<b>\$ 96,000</b>
<b>Net Other Income</b>	<b>\$ 50,000</b>	<b>\$ 96,000</b>
<b>Net Income</b>	<b>\$ 3,107</b>	<b>\$ 73,506</b>
<b>Beginning General Fund Balance (FY24 unaudited)</b>	<b>\$ 237,298</b>	<b>\$ 232,840</b>
<b>Change to General Fund Balance</b>	<b>\$ 3,107</b>	<b>\$ 73,506</b>
<b>Ending General Fund Balance</b>	<b>\$ 240,405</b>	<b>\$ 306,346</b>
<b><i>General Fund Detail</i></b>		
<hr/>		
<b>Unassigned General Fund</b>	<b>\$ 140,405</b>	<b>\$ 206,346</b>
<b>Legal Fund Balance</b>	<b>\$ 100,000</b>	<b>\$ 100,000</b>
<b>Minimum Fund Balance - 20% of annual expenditures</b>	<b>\$ 159,620</b>	<b>\$ 159,280</b>
<b>Maximum Fund Balance - 25% of annual expenditures</b>	<b>\$ 199,525</b>	<b>\$ 199,100</b>



**To: ARSSTC Board of Directors**

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

**Date: April 16, 2025**

**Re: FY26 Budget Proposal**

On April 8<sup>th</sup>, the ARSSTC Finance Committee met to review the proposed FY26 Budget. After a thorough review, the Finance Committee did not recommend any edits to the proposal and supported multiple of the proposals.

### **Revenue Projections**

- FY26 revenue is projected to reach \$31.5 million.
- Conservative projections for the remainder of FY25 show revenues for the fiscal year amounting to \$29 million.
- Anticipate slight revenue growth for FY26, with increase mainly attributed to 1) Audit & compliance efforts, 2) Continued higher cost of goods and 3) continued membership gains from smaller communities.
- Overall FY26 Gross Profit for the Commission projected to be \$978,900 which is about \$200k greater than FY25 current projections.
  - Primary cause for increase is a proposed increase to the Commission Fee to 2.5%, up from 2.25%.

### **Expenses**

- FY26 Total Expenses are projected to be \$137k greater than FY25 current projections.
- The primary increase is related to staffing, with the planned addition of another auditor position.
- AML is also requesting an increase to the Overhead Expense from 8% to 10%.
- Added a new line item for bulk mailouts & related postage charges which became necessary in FY25.

### **Net Operating Income**

- Net Operating Income is projected to be \$44,560, compared to FY25's projected income of \$73,506.
- Interest Income is expected to be substantial due to AML's continued use of a higher interest AMLIP account for remote seller revenues.

### **Member Jurisdiction Fees**

- FY26 proposal recommends a slight increase to the Commission Fee % up to 2.5%.
- This increase is coupled with the proposed GovOS Fee reduction.
- The combination of these two fee changes will result in members paying an overall net rate of just over 11% - the lowest effective rate to date for members.

### **Fund Balance**

- FY26 Fund Balance is projected to be just over the maximum level outlined in the Fund Balance Policy.
- The Finance Committee recommended the Commission Fee be adjusted mid-year as needed to accommodate the Fund Balance Policy.



**To: ARSSTC Board of Directors**

**From: Lana Metcalf, ARSSTC Treasurer / Finance Chair**

**Date: April 16, 2025**

**Re: FY26 Budget Proposal**

The ARSSTC Finance Committee met on April 8, 2025 to review the Commission's FY25 year-to-date budget to actuals and FY26 proposed budget.

The Finance Committee was overall supportive of the proposed budget, including the following specific elements:

- Projected tax revenues of \$31.5 million
- Increasing funding for personnel to add an additional auditor position
- Increasing Commission Fee to 2.50% (up from 2.25%)

The Committee was undecided on the requested increase to the AML overhead rate from 8% to 10%.

Recognizing that the proposed budget leads to a fund balance that is in excess of the amounts allowed under the Fund Balance Policy, the Committee recommends a mid-FY26 review of financials to decide if a reduction to the Commission Fee is warranted for the remainder of FY26.

The Finance Committee is planning to meet regularly throughout the year to review the ARSSTC financials and will make recommendations to the Board as appropriate.

	<b>Proposed FY26</b>
<b>Income</b>	
4000 Commission Fee Income	\$ 784,900
4100 Late Fees	\$ 100,000
4200 Reprocessing Fees	\$ 2,000
4300 Credit Card Fees	\$ 2,000
4400 Other Income	\$ -
6000 Interest Earned	\$ 90,000
<b>Total Income</b>	<b>\$ 978,900</b>
<b>Gross Profit</b>	<b>\$ 978,900</b>
<b>Expenses</b>	
5000 AML Operating Exp	
5001 Munirevs Enhancement Invoices	\$ 77,400
5002 Governance/Travel	\$ 9,000
5003 Legal	\$ 25,000
<b>5004 Personnel Exp</b>	
5004A Salaries	\$ 500,000
5004B Payroll Taxes	\$ 44,000
5004C Health Insurance	\$ 125,000
5004D Nationwide Retirement	\$ 25,000
<b>Total 5004 Personnel Exp</b>	<b>\$ 694,000</b>
5005 Insurance	
5005B Cyber	\$ -
5005C SLIP	\$ 9,000
<b>Total 5005 Insurance</b>	<b>\$ 9,000</b>
5007 10% Overhead Expense	\$ 81,440
<b>Total 5000 AML Operating Exp</b>	<b>\$ 895,840</b>
5008 Bank Fees	\$ 1,500
5009 Merchant Services Fees	\$ 18,000
5040 Merchant Balances per MuniRev	
Bulk Mailouts / Postage	\$ 10,000
5060 Other Business Expenses	\$ 500
5065 Office Supplies & Software	\$ 7,500
Other Miscellaneous Expense	\$ 1,000
<b>Total Expenses</b>	<b>\$ 934,340</b>
<b>Net Operating Income</b>	<b>\$ 44,560</b>
<b>Other Income</b>	
4005 Net Sales Tax collected from MUNIRevs	\$ 31,396,000
4005A GASB Contra Net Sales Tax Collected	\$ (31,396,000)
<b>Total 4005 Net Sales Tax collected from MUNIRevs</b>	<b>\$ -</b>
Total Other Income	\$ -
<b>Other Expenses</b>	
5010 Member Tax Revenue Expense	\$ 27,883,458
5011 GASB Contra Member Tax Expense	\$ (27,883,458)
<b>Total 5010 Member Tax Revenue Expense</b>	<b>\$ -</b>
5020 GovOS Expense	\$ 2,283,750

5020A GASB Contra GovOS Expense	\$ (2,283,750)
<b>Total 5020 GovOS Expense</b>	\$ -
5030 TTR Fee Expense	\$ 443,893
5030A GASB Contra TTR Fee Expense	\$ (443,893)
<b>Total 5030 TTR Fee Expense</b>	\$ -
Total Other Expenses	\$ -
Net Other Income	\$ -
<b>Net Income</b>	\$ 44,560
<b>Beginning General Fund Balance</b>	\$ 307,846
<b>Change to General Fund Balance</b>	\$ 44,560
<b>Ending General Fund Balance</b>	\$ 352,406
<b><i>General Fund Detail</i></b>	
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<b>Unassigned General Fund</b>	\$ 252,406
<b>Legal Fund Balance</b>	\$ 100,000
<b>Minimum Fund Balance - 20% of annual expenditures</b>	\$ 186,868
<b>Maximum Fund Balance - 25% of annual expenditures</b>	\$ 233,585



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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 1<sup>st</sup> day of July 2024<sup>45</sup> (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”):

- A. Support Commission Board, Subcommittee, and Member meetings, activities, and communications, including the following tasks:
  - i. Make meeting arrangements, and provide for notice in conformance with Commission Bylaws
  - ii. Provide agenda support
  - iii. Prepare meeting minutes
  - iv. Provide compliance oversight
- B. Support member meetings, activities, and communications, including the following tasks:
  - i. Maintain Commission member list
  - ii. Administer annual member meeting
  - iii. Conduct annual rate, boundary, and member Code review
  - iv. Send monthly emails with updates on compliance, reporting, and software development
  - v. Establish a Commission website with information available to members, taxpayers, and prospective members
  - vi. 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.
- C. Enter into and manage software contracts necessary for collection, remittance, and reporting, and all other services as required by the Commission:
  - i. 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.
  - ii. The Commission shall be notified at least 120 days prior to any amendment, extension or expiration of the applicable contract(s).

- iii. The Commission and AML shall work together, cooperatively for their mutual best interest in negotiations with third party contractor(s). The Commission will have the option to participate in contract negotiations, including any rate and fee negotiations.
- iv. The Commission may, at its discretion, delegate a member or members of the Board to participate in contract negotiations on behalf of the Commission after timely notification by AML as required under Subsection ii.
- v. Once a draft agreement is reached in contract negotiations, AML shall submit notice to the Board requesting the Board hold a special meeting within the next 15 calendar days to consider the draft agreement.
- vi. Contracts will be approved by the Board for execution by AML; unless, the Board fails to hold a regular or special meeting within 15 calendar days after notice by AML, in which case, the member or members delegated by the Commission to negotiate on behalf of the Commission shall have authority to approve applicable contracts on behalf of the Board.
  - a. GovOS Support – as required by contract attached as Exhibit A
  - b. ATR Support – as required by contract attached as Exhibit B
- D. Coordinate Commission decision-making and operational activities through AML’s Executive Director
  - i. Communicate staffing roles and responsibilities
- E. Manage day-to-day operations of the Commission, including the following tasks:
  - i. Conduct outreach to online retailers and national contacts
  - ii. Conduct outreach to Alaska businesses
  - iii. Establish and manage separate accounting.
    - a. Reconcile accounts on a daily basis
    - b. Remit net revenue to members on an agreed-upon and consistent date
    - c. Report – review in partnership with members
  - iv. Follow the policies and procedures as set out by the board
  - v. Manage and respond to legal or other questions from or directed to the Commission
  - vi. Seller Compliance – review in partnership with members
  - vii. Contract for a compliance audit and prepare required materials for audit
    - a. Make available the auditor to present to the board, and provide to the board the audit and oversight documents
  - viii. 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
  - ix. 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 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, 2025~~6~~. 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 contract fees, which may be reviewed and amended after five years after the effective date of the 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 overhead expenses upon approval by the board or designee. The overhead expenses rate will be set at ~~8~~10% 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]

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: \_\_\_\_\_



## **Industry Guidance for Remote Sellers**

### ***Accounting Services***

ARSSTC Member jurisdictions generally consider accounting services as subject to municipal sales tax.

The ARSSTC applies the “True Object Test” when determining if a transaction is the sale of a good or the sale of a service. This test is generally used by taxing jurisdictions when determining if a “mixed transaction” containing both good(s) & service(s) should be subject to sales tax.

Since ARSSTC member jurisdictions impose broad taxation on both goods and services, the True Object Test is not used to determine taxability. Rather, the test allows the ARSSTC to determine the True Object of a mixed transaction, for purposes of identifying the point of delivery.

There are three questions that need to be taken into consideration by accounting service providers.

1. Are the accounting services physically performed at a location within the State of Alaska?
2. What is the point of delivery for the accounting services?
3. Are there sales tax exemptions that could be applicable on sales of accounting services?

#### **Location of Accounting Services**

If the accounting services are performed at the practitioner’s office within the State of Alaska, the practitioner is deemed to have physical presence within the State of Alaska, as well as within the local municipality where their office is located.

Similarly, if a practitioner travels to the client’s location to perform the accounting services, and that location is within the State of Alaska, the practitioner is deemed to have physical presence within the State of Alaska, and within the local municipality where the services were performed.

The creation of physical presence in a local municipality means the practitioner has a registration requirement with that municipality.

#### **Point of Delivery Discussion / Background**

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

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

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



### **Point of Delivery specific to Accounting Services**

Accounting services typically involve the performance of various services that result in the preparation of a tax filing, tax return, or other financial document. For purposes of determining the point of delivery, the document that is produced by the accounting service(s) should be treated as the True Object.

- If the client receives the filing / return / document at the office of the accounting practitioner, the point of delivery is the practitioner's office.
- If the client receives the filing / return / document at the client's address as known to the accounting practitioner, the point of delivery is the client's address.
- If the client receives the filing / return / document electronically, or a delivery address is not known to the practitioner, the point of delivery is the client's billing address.

### **Filing & Remittance Requirements**

Any sales tax due should be calculated based on the point of delivery of the transaction. The entity where the sales tax should be remitted is dependent on the practitioner's physical presence or lack thereof in the point of delivery municipality.

-If the point of delivery is in an ARSSTC member jurisdiction, and the service provider does not have physical presence in that local municipality, the service is a remote sale. Remote sales must be reported through the ARSSTC.

-If the point of delivery is in a jurisdiction where the seller has established physical presence, then the service is not a remote sale. The sale should be reported directly with the local municipality.

### **Sales Tax Exemptions on Accounting Services**

There are a wide range of exemption categories allowed by local municipalities across Alaska. The following are the most common exemption categories that could apply to accounting service providers.

- Sales to non-profit organizations
- Sales to government entities (Federal, state and local governments)
- Tax cap on single transaction / Tax cap on single service
- Sales to Senior Citizens / Elders

Keep in mind that each municipality has specific requirements for their allowed sales tax exemptions. Please contact the municipality directly for specific interpretations on their allowed sales tax exemptions.

### **Examples**

The following examples are intended to reflect some common transactions that may be encountered by service providers. For simplicity purposes, it is assumed in these examples that a service provider conducting remote sales has met the economic nexus threshold required for collection and remittance of remote seller sales taxes.

*Example #1.* CPA in Anchorage is hired by client based in Bethel to prepare corporate federal tax returns. CPA does not travel to Bethel as part of the return preparation process. The income tax return(s) are sent to the client for digital signature before they are filed by the CPA. Final copies of the returns were emailed to the client.





Determination: This would be considered a remote sale into Bethel due to the point of delivery in Bethel and the CPA not having physical presence in Bethel. The CPA should collect & remit Bethel sales tax to the ARSSTC as a remote seller.

Jurisdiction's Tax to be Collected: Bethel

Reporting Requirement: ARSSTC

Possible Additional Reporting/Collection Requirements: none

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*Example #2.* Accounting firm based in Wasilla is hired by a business client based in Palmer to conduct an annual audit of the client's financial records. Client provides copies of all necessary documents to firm via electronic means. Accounting firm conducts initial meeting with client at firm's office in Wasilla. Audit findings are provided electronically via email to client.

Determination: This would be considered a remote sale into Palmer due to the point of delivery in Palmer and the accounting firm not having physical presence in Palmer. The firm should collect / remit Palmer sales tax to the ARSSTC as a remote seller.

Since the accounting firm does have physical presence in Wasilla, Wasilla may also require local sales tax on the audit services. The firm should confirm with Wasilla what the local requirements may be.

Jurisdiction's Tax to be Collected: Palmer

Reporting Requirement: ARSSTC

Possible Additional Reporting/Collection Requirements: Wasilla



## Industry Guidance for Remote Sellers

### **Advertising Services**

There are two general categories of advertising services that will be discussed in more detail below.

- Category 1 – The publishing (either digitally or physically) of content provided by the buyer of the advertising service.
- Category 2 – The development, preparation or design of either 1) a digital audio / visual advertisement or 2) an electronic document for use in print media, with subsequent publishing of content.

For either of these categories, ARSSTC Member jurisdictions generally consider advertising services as subject to municipal sales tax.

The ARSSTC applies the “True Object Test” when determining if a transaction is the sale of a good or the sale of a service. This test is generally used by taxing jurisdictions when determining if a “mixed transaction” containing both good(s) & service(s) should be subject to sales tax.

Since ARSSTC member jurisdictions impose broad taxation on both goods and services, the True Object Test is not used to determine taxability. Rather, the test allows the ARSSTC to determine the True Object of a mixed transaction, for purposes of identifying the point of delivery.

There are three questions that need to be taken into consideration by advertising service providers.

1. Are the advertising services physically performed at a location within the State of Alaska?
2. What is the point of delivery for the advertising services?
3. Are there sales tax exemptions that could be applicable on sales of advertising services?

#### **Location of Advertising Services**

For Category 1 advertising services, if the seller has a place of business within the State of Alaska, the seller is deemed to have physical presence within the State of Alaska, as well as within the local municipality where the place of business is located.

For Category 2 advertising services that are performed at the seller’s place of business within the State of Alaska, the seller is deemed to have physical presence within the State of Alaska, as well as within the local municipality where the place of business is located.

The creation of physical presence in a local municipality means the practitioner has a registration requirement with that municipality.

#### **Point of Delivery Discussion / Background**

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



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

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

### **Point of Delivery specific to Advertising Services**

As discussed previously, advertising services generally fall into one of two general categories. Point of Delivery for each of these categories will be discussed separately.

#### **Category 1 Advertising Services – Point of Delivery**

This category of advertising services are generally performed solely in an electronic manner, i.e. the content that the customer provides to the seller is in a digital format, with the advertising service itself occurring in an electronic / digital manner.

Due to the electronic / digital nature of this category of advertising services, the seller should use the customer’s billing address as the point of delivery in accordance with paragraph D of the definition of “Point of Delivery” found in Section 280 of the Uniform Remote Seller Sales Tax Code.

#### **Category 2 Advertising Services – Point of Delivery**

This category differs from Category 1 in that the advertiser / seller also performs some level of development or design work, in addition to publishing the finished digital advertisement.

While there are more “physical” elements in this category of advertising services, the True Object Test should be used to determine point of delivery. The True Object of the rendered service, a digital copy of the ad itself, is typically delivered to the customer electronically. As a result, the point of delivery would be the purchaser’s billing address, in accordance with paragraph D of the definition of “Point of Delivery” found in Section 280 of the Uniform Remote Seller Sales Tax Code.

### **Filing & Remittance Requirements**

Any sales tax due should be calculated based on the point of delivery of the transaction. The entity where the sales tax should be remitted is dependent on the service provider’s physical presence or lack thereof in the point of delivery municipality.

-If the point of delivery is in an ARSSTC member jurisdiction, and the service provider does not have physical presence in that local municipality, the service is a remote sale. Remote sales must be reported through the ARSSTC.

-If the point of delivery is in a jurisdiction where the seller has established physical presence, then the service is not a remote sale. The sale should be reported directly with the local municipality.

### **Sales Tax Exemptions on Advertising Services**



There are a wide range of exemption categories allowed by local municipalities across Alaska. The following are the most common exemption categories that could apply to advertising service providers.

- Sales to non-profit organizations
- Sales to government entities (Federal, state and local governments)
- Tax cap on single transaction / Tax cap on single service
- Sales for Resale

Keep in mind that each municipality has specific requirements for their allowed sales tax exemptions. Please contact the municipality directly for specific interpretations on their allowed sales tax exemptions.

### **Examples**

The following examples are intended to reflect some common transactions that may be encountered by service providers. For simplicity purposes, it is assumed in these examples that a service provider conducting remote sales has met the economic nexus threshold required for collection and remittance of remote seller sales taxes.

Example #1. Business located in Ketchikan places a digital ad on a social media platform. Social media platform publishes digital ad based on the criteria selected by the Ketchikan business. The social media platform does not have physical presence in Ketchikan or elsewhere in Alaska.

Determination: This would be considered a remote sale into Ketchikan due to the point of delivery (the Ketchikan business' billing address) being in Ketchikan and the social media platform not having physical presence in Ketchikan. The social media platform should collect Ketchikan sales tax and report / remit to the ARSSTC as a remote seller.

Jurisdiction's Tax to be Collected: Ketchikan

Reporting Requirement: ARSSTC

Possible Additional Reporting/Collection Requirements: none

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Example #2. Wasilla-based business contacts newspaper in Anchorage to place advertisement in local paper. The Anchorage newspaper sends final copy of ad to customer via email for approval. The Anchorage newspaper does not have physical presence in Wasilla.

Determination: This would be considered a remote sale into Wasilla due to the point of delivery (the Wasilla customer's billing address) and the newspaper not having physical presence in Wasilla. The newspaper should collect Wasilla sales tax and report / remit to the ATSSYC as a remote seller.

Jurisdiction's Tax to be Collected: Wasilla

Reporting Requirement: ARSSTC

Possible Additional Reporting/Collection Requirements: none



## **Industry Guidance for Remote Sellers**

### ***Real Estate Appraisal Services***

ARSSTC Member jurisdictions generally consider real estate appraisal services as subject to municipal sales tax.

The ARSSTC applies the “True Object Test” when determining if a transaction is the sale of a good or the sale of a service. This test is generally used by taxing jurisdictions when determining if a “mixed transaction” containing both good(s) & service(s) should be subject to sales tax.

Since ARSSTC member jurisdictions impose broad taxation on both goods and services, the True Object Test is not used to determine taxability. Rather, the test allows the ARSSTC to determine the True Object of a mixed transaction, for purposes of identifying the point of delivery.

There are three questions that need to be taken into consideration by real estate appraisers.

1. Are the real estate appraisal services physically performed at a location within the State of Alaska?
2. What is the point of delivery for the real estate appraisal services?
3. Are there sales tax exemptions that could be applicable on sales of real estate appraisal services?

#### **Location of Appraisal Services**

Real estate appraisal services are generally conducted by the appraiser in person, at the location of the subject property. The appraiser may also have an office that is located in either the same jurisdiction as the subject property, or in a separate jurisdiction.

The appraiser / appraisal company is deemed to have physical presence in both the local municipality where the subject property is located, as well as the local municipality where the appraiser may maintain an office.

The creation of physical presence in a local municipality means the appraiser / appraisal company has a registration requirement with that municipality.

#### **Point of Delivery Discussion / Background**

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

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

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



### **Point of Delivery specific to Appraisal Services**

Appraisal services involve the performance of a specific service that results in the preparation of an appraisal report. For purposes of determining the point of delivery, the appraisal report produced by the appraiser should be treated as the True Object.

Appraisal companies generally do not have a wide range of clients. There are circumstances where an individual may hire an appraiser, but appraisal companies are typically hired by lending institutions as a part of the sale / transfer of real property.

Following are scenarios that can be used to determine what the point of delivery should be for appraisal services:

- If the client physically receives the appraisal report at the office of the appraisal company, the point of delivery is the appraisal company.
- If the client physically receives the appraisal report at the client's address as known to the appraisal company, the point of delivery is the client's address.
- If the client receives the appraisal report electronically, or a delivery address is not otherwise known to the appraisal company, the point of delivery is the client's billing address.

### **Filing & Remittance Requirements**

Any sales tax due should be calculated based on the point of delivery of the transaction. The entity where the sales tax should be remitted is dependent on the service provider's physical presence or lack thereof in the point of delivery municipality.

-If the point of delivery is in an ARSSTC member jurisdiction, and the service provider does not have physical presence in that local municipality, the service is a remote sale. Remote sales must be reported through the ARSSTC.

-If the point of delivery is in a jurisdiction where the seller has established physical presence, then the service is not a remote sale. The sale should be reported directly with the local municipality.

### **Sales Tax Exemptions on Real Estate Appraisal Services**

There are a wide range of exemption categories allowed by local municipalities across Alaska. The following are the most common exemption categories that could apply to real estate appraisal services.

- Sales to non-profit organizations
- Sales to government entities (Federal, state and local governments)
- Tax cap on single transaction / Tax cap on single service
- Sales for Resale

Keep in mind that each municipality has specific requirements for their allowed sales tax exemptions. Please contact the municipality directly for specific interpretations on their allowed sales tax exemptions.

### **Examples**

The following examples are intended to reflect some common transactions that may be encountered by service providers. For simplicity purposes, it is assumed in these examples that a service provider conducting remote sales has met the economic nexus threshold required for collection and remittance of remote seller sales taxes.



Example #1. Mortgage company orders appraisal for property in Wasilla. Appraiser's office is located in Anchorage. Appraiser travels to property location to perform appraisal. Appraiser emails final appraisal report to mortgage company whose billing address is in Juneau.

Determination: This would be considered a remote sale into Juneau, due to the Juneau point of delivery and the appraiser not having physical presence in Juneau.

The appraiser has physical presence in Wasilla, due to physically performing the appraisal in Wasilla. Local Wasilla registration and sales tax collection may also be due on the transaction since the appraiser created physical presence in Wasilla. The appraiser should confirm with Wasilla what the local requirements may be.

Jurisdiction's Tax to be Collected: Juneau

Reporting Requirement: ARSSTC

Possible Additional Reporting/Collection Requirements: City of Wasilla

Example #2. Mortgage company orders appraisal for property in Soldotna. Appraiser's office is located in Kenai. Appraiser travels to property location to perform appraisal. Appraiser emails final appraisal report to mortgage company whose billing address is in Anchorage.

Determination: This would be considered a remote sale into Anchorage, due to the Anchorage billing address being point of delivery and the appraiser not having physical presence in Anchorage. No Anchorage sales tax would be due since Anchorage does not have a local sales tax.

Appraiser has physical presence in Kenai Peninsula Borough, due to its office located in Kenai and the physical performance of services in Soldotna.

Since the appraiser has physical presence in KPB and physically performed the appraisal service in KPB, Kenai Peninsula Borough may also require local sales tax on the transaction. The appraiser should confirm with KPB what the local requirements may be.

Jurisdiction's Tax to be Collected: None – Anchorage doesn't have sales tax

Reporting Requirement: None – Anchorage doesn't have sales tax

Possible Additional Reporting/Collection Requirements: Kenai Peninsula Borough



## **Industry Guidance for Remote Sellers**

### ***Architect and Engineering Services***

ARSSTC Member jurisdictions generally consider architectural, design and engineering services as subject to municipal sales tax.

The ARSSTC applies the “True Object Test” when determining if a transaction is the sale of a good or the sale of a service. This test is generally used by taxing jurisdictions when determining if a “mixed transaction” containing both good(s) & service(s) should be subject to sales tax.

Since ARSSTC member jurisdictions impose broad taxation on both goods and services, the True Object Test is not used to determine taxability. Rather, the test allows the ARSSTC to determine the True Object of a mixed transaction, for purposes of identifying the point of delivery.

There are three questions that need to be taken into consideration by architectural / design / engineering service providers.

1. Are the architectural / design / engineering services physically performed at a location within the State of Alaska?
2. What is the point of delivery for the architectural / design / engineering services?
3. Are there sales tax exemptions that could be applicable on sales of architectural / design / engineering services?

#### **Location of Architectural / Design / Engineering Services**

If the services are performed at the seller’s office within the State of Alaska, the practitioner is deemed to have physical presence within the State of Alaska, as well as within the local municipality where their office is located.

Similarly, if the service provider travels to a location of the client or a job site to perform the needed services, and that location is within the State of Alaska, the service provider is deemed to have physical presence within the State of Alaska, and within the local municipality where the services are performed.

The creation of physical presence in a local municipality means the service provider has a registration requirement with that municipality.

#### **Point of Delivery Discussion / Background**

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

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





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

### **Point of Delivery specific to Architectural / Design / Engineering Services**

These services typically involve the performance of various acts that result in the preparation of a set of designs, report, engineering analysis study or project management. For purposes of determining the point of delivery, the document that is produced by these service(s) should be treated as the True Object.

- If the client receives the design / report / study in physical form at the office of the accounting practitioner, the point of delivery is the practitioner's office.
- If the client receives the architectural / design / engineering in physical form at the client's address as known to the service provider, the point of delivery is the client's address.
- If the client receives the architectural / design / engineering electronically, or a delivery address is not known to the service provider, the point of delivery is the client's billing address.

### **Filing & Remittance Requirements**

Any sales tax due should be calculated based on the point of delivery of the transaction. The entity where the sales tax should be remitted is dependent on the service provider's physical presence or lack thereof in the point of delivery municipality.

-If the point of delivery is in an ARSSTC member jurisdiction, and the service provider does not have physical presence in that local municipality, the service is a remote sale. Remote sales must be reported through the ARSSTC.

-If the point of delivery is in a jurisdiction where the seller has established physical presence, then the service is not a remote sale. The sale should be reported directly with the local municipality.

### **Sales Tax Exemptions on Architectural / Design / Engineering Services**

There are a wide range of exemption categories allowed by local municipalities across Alaska. The following are the most common exemption categories that could apply to these service providers.

- Sales to non-profit organizations
- Sales to government entities (Federal, state and local governments)
- Tax cap on single transaction / Tax cap on single service

Keep in mind that each municipality has specific requirements for their allowed sales tax exemptions. Please contact the municipality directly for specific interpretations on their allowed sales tax exemptions.

### **Examples**

The following examples are intended to reflect some common transactions that may be encountered by service providers. For simplicity purposes, it is assumed in these examples that a service provider conducting remote sales has met the economic nexus threshold required for collection and remittance of remote seller sales taxes.



Example #1. Architect located in Anchorage is hired to design building plans for a project to be located in Kotzebue. The architect does not travel to Kotzebue during the development of the plans. The final plans are emailed to the customer, who has a billing address in Kotzebue.

Determination: This would be considered a remote sale into Kotzebue due to the point of delivery being in Kotzebue and the architect not having physical presence in Kotzebue. The architect should collect Kotzebue's local sales tax and report / remit to the ARSSTC as a remote seller.

Jurisdiction's Tax to be Collected: Kotzebue  
 Reporting Requirement: ARSSTC  
 Possible Additional Reporting/Collection Requirements: none

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Example #2. Engineering firm located in Juneau is hired to provide project management services for a project that is located in Gustavus. The engineering firm's customer is based in Haines. The engineering firm travels to Gustavus multiple times throughout the course of the project.

Determination: Even though the firm's customer is located in Haines, the customer is making first use of the firm's services at the job site in Gustavus. As a result, the point of delivery for the project management services is in Gustavus. This would be considered a physical presence sale in Gustavus due to the point of delivery being in Gustavus and the engineering firm having physical presence in Gustavus. The engineering firm should collect and remit Gustavus sales tax directly to Gustavus.

Since the engineering firm also has physical presence in Juneau, Juneau may also require local sales tax on the project management services. The firm should confirm with Juneau what the local requirements may be.

Jurisdiction's Tax to be Collected: Gustavus  
 Reporting Requirement: Gustavus  
 Possible Additional Reporting/Collection Requirements: Juneau



## **Industry Guidance for Remote Sellers**

### ***Legal and Attorney Services***

ARSSTC Member jurisdictions generally consider legal and attorney services as subject to municipal sales tax.

The ARSSTC applies the “True Object Test” when determining if a transaction is the sale of a good or the sale of a service. This test is generally used by taxing jurisdictions when determining if a “mixed transaction” containing both good(s) & service(s) should be subject to sales tax.

Since ARSSTC member jurisdictions impose broad taxation on both goods and services, the True Object Test is not used to determine taxability. Rather, the test allows the ARSSTC to determine the True Object of a mixed transaction, for purposes of identifying the point of delivery.

There are three questions that need to be taken into consideration by legal and attorney service providers.

1. Are the legal and attorney services physically performed at a location within the State of Alaska?
2. What is the point of delivery for the legal and attorney services?
3. Are there sales tax exemptions that could be applicable on sales of legal and attorney services?

#### **Location of Legal / Attorney Services**

If the services are performed at the attorney’s office within the State of Alaska, the practitioner is deemed to have physical presence within the State of Alaska, as well as within the local municipality where their office is located.

Similarly, if the attorney travels to a location of the client to perform the needed services, and that location is within the State of Alaska, the service provider is deemed to have physical presence within the State of Alaska, and within the local municipality where the services are performed.

The creation of physical presence in a local municipality means the service provider has a registration requirement with that municipality.

#### **Point of Delivery Discussion / Background**

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

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

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



Due to the nature of how many legal services work, it is likely that multiple possible points of delivery will exist for a single legal matter. To simplify determining point of delivery, it is appropriate for the attorney's office to determine a single point of delivery to use over the entire legal matter. This single point of delivery should be determined based on what appears will be the prevalent service performed over the course of the matter.

### **Point of Delivery specific to Legal / Attorney Services**

These services typically involve the performance of various acts including but not limited to: preparation of a written legal opinion, legal representation in court, drafting legal documents such as contracts, wills, estate planning documents.

For purposes of determining a single point of delivery, the attorney should first determine what the overriding service is, and if there is any physical "True Object" that could be used to add clarity.

If there is a document that could be considered the True Object of the legal matter:

- If the client receives the "True Object" in physical form at the attorney's office, the point of delivery is the attorney's office.
- If the client receives the "True Object" in physical form at the client's address as known to the attorney's office, the point of delivery is the client's address.
- If the client receives the "True Object" electronically, or a delivery address is not known to the attorney's office, the point of delivery is the client's billing address.

If the legal matter does not clearly have a "True Object" that is a result of the services performed, the attorney should examine the legal matter to determine what the primary service performed will actually be. This primary service and its associated point of delivery should be used for determining any sales tax that may be due on the legal matter.

### **Filing & Remittance Requirements**

Any sales tax due should be calculated based on the point of delivery of the transaction. The entity where the sales tax should be remitted is dependent on the service provider's physical presence or lack thereof in the point of delivery municipality.

-If the point of delivery is in an ARSSTC member jurisdiction, and the service provider does not have physical presence in that local municipality, the service is a remote sale. Remote sales must be reported through the ARSSTC.

-If the point of delivery is in a jurisdiction where the seller has established physical presence, then the service is not a remote sale. The sale should be reported directly with the local municipality.

### **Sales Tax Exemptions on Legal / Attorney Services**

There are a wide range of exemption categories allowed by local municipalities across Alaska. The following are the most common exemption categories that could apply to legal and attorney services.

- Sales to non-profit organizations
- Sales to government entities (Federal, state and local governments)
- Tax cap on single transaction / Tax cap on single service
- Sales to Senior Citizens / Elders



Keep in mind that each municipality has specific requirements for their allowed sales tax exemptions. Please contact the municipality directly for specific interpretations on their allowed sales tax exemptions.

### **Examples**

The following examples are intended to reflect some common transactions that may be encountered by service providers. For simplicity purposes, it is assumed in these examples that a service provider conducting remote sales has met the economic nexus threshold required for collection and remittance of remote seller sales taxes.

Example #1. Juneau attorney is hired to prepare a will for a client located in Sitka. Attorney does not travel to Sitka during the process. The final will is physically mailed to client in Sitka for signature witnessing and notarization.

Determination: This would be considered a remote sale into Sitka due to the point of delivery in Sitka and the attorney not having physical presence in Sitka. The attorney should collect / remit Sitka sales tax to the ARSSTC as a remote seller. The client's billing address in Sitka should be used as the point of delivery since the customer did not receive the final document at the office of the attorney.

Since the attorney does have physical presence in Juneau, Juneau may also require local sales tax on the will preparation service. The attorney should confirm with Juneau what the local requirements may be.

Jurisdiction's Tax to be Collected: Sitka

Reporting Requirement: ARSSTC

Possible Additional Reporting/Collection Requirements: Juneau

Example #2. A Wasilla-based attorney is hired to represent a client in court. Client is based in Cordova, but the legal proceedings will occur in Anchorage. Attorney will represent client in court in Anchorage. For court purposes, in person attendance is considered the same as telephonic or other electronic communication methods.

Determination: This would be considered a physical presence sale in Anchorage due to the point of delivery (where the client receives the service) in Anchorage and the attorney having physical presence in Anchorage. However, since Anchorage has no local sales tax, the Wasilla attorney has no tax collection requirement for Anchorage.

Since the attorney also has physical presence in Wasilla, Wasilla may also require local sales tax on the legal services. The attorney should confirm with Wasilla what the local requirements may be.

Jurisdiction's Tax to be Collected: None – Anchorage has no sales tax

Reporting Requirement: None – Anchorage has no sales tax

Possible Additional Reporting/Collection Requirements: Wasilla



## **Industry Guidance for Remote Sellers**

### ***Real Estate Brokerage Services***

ARSSTC Member jurisdictions generally consider real estate brokerage services as subject to municipal sales tax. These services typically are charged in the form of commissions, either buyer's agent commissions or seller's agent commissions.

There are three questions that need to be taken into consideration by real estate brokerages.

1. Are the real estate brokerage services physically performed at a location within the State of Alaska?
2. What is the point of delivery for the real estate brokerage services?
3. Are there sales tax exemptions that could be applicable to sales of real estate brokerage services?

#### **Location of Real Estate Brokerage Services**

The actual real estate brokerage services that are performed can vary, both in what the service actually is, but also in terms of the subject property. A seller's agent will be focused on properties being listed for individual clients, whereas a buyer's agent assists their client with viewing likely multiple properties before the final subject property is located.

Real estate brokerage services are generally conducted both in person, either at the location of various properties or at the agent's office. The agent's office may be located in either the same jurisdiction as the subject property, or in a separate jurisdiction.

The real estate brokerage is deemed to have physical presence in both the local municipality where the subject property is located (*assuming the agent physically visited that property*), as well as the local municipality where the agent's office is located.

The creation of physical presence in a local municipality means the real estate brokerage has a registration requirement with that municipality.

#### **Point of Delivery Discussion / Background**

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

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

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



### **Point of Delivery specific to Real Estate Brokerage Services**

Real estate brokerage services involve the performance of a variety of services that results in the sale or purchase of real property. For purposes of determining the point of delivery, the subject property that is being sold / purchased is deemed to be the location where the respective clients “make first use of services” provided by their agent.

### **Filing & Remittance Requirements**

Any sales tax due should be calculated based on the point of delivery of the transaction. The entity where the sales tax should be remitted is dependent on the service provider’s physical presence or lack thereof in the point of delivery municipality.

-If the point of delivery is in an ARSSTC member jurisdiction, and the service provider does not have physical presence in that local municipality, the service is a remote sale. Remote sales must be reported through the ARSSTC.

-If the point of delivery is in a jurisdiction where the seller has established physical presence, then the service is not a remote sale. The sale should be reported directly with the local municipality.

### **Sales Tax Exemptions on Real Estate Brokerage Services**

There are a wide range of exemption categories allowed by local municipalities across Alaska. The following are the most common exemption categories that could apply to real estate brokerage services.

- Sales to non-profit organizations
- Tax cap on single transaction / Tax cap on single service
- Sales to Senior Citizens
- Sales to Government Entities

Keep in mind that each municipality has specific requirements for their allowed sales tax exemptions. Please contact the municipality directly for specific interpretations on their allowed sales tax exemptions.

### **Examples**

The following examples are intended to reflect some common transactions that may be encountered by service providers. For simplicity purposes, it is assumed in these examples that a service provider conducting remote sales has met the economic nexus threshold required for collection and remittance of remote seller sales taxes.

Example #1. Property up for sale is located in Juneau. Listing agent’s office is located in Juneau. Buyer’s agent is also located in Juneau.

Determination: This would be considered a physical presence sale in Juneau, due to point of delivery in Juneau and both listing agent and buyer’s agent having physical presence in Juneau. Juneau sales tax would be due and should be reported & remitted directly to Juneau.

Jurisdiction’s Tax to be Collected: Juneau

Reporting Requirement: Juneau

Possible Additional Reporting/Collection Requirements: none



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**Example #2.** Property for sale is located in Thorne Bay. Listing agent is located in Thorne Bay. Buyer's agent is located in Ketchikan and does not physically travel to Thorne Bay during the property sale.

Determination: The commissions charged by the listing agent would be considered a physical presence sale in Thorne Bay due to the point of delivery being in the same jurisdiction where the listing agent has physical presence. The listing agent has physical presence in Thorne Bay due to the agent being physically located in Thorne Bay. The listing agent should collect Thorne Bay sales tax on its commission and report / remit directly to Thorne Bay.

The commissions charged by the buyer's agent would be considered a remote service into Thorne Bay due to the point of delivery being in Thorne Bay and the buyer's agent not having physical presence in Thorne Bay. The buyer's agent should collect Thorne Bay sales tax and report / remit to the ARSSTC as a remote sale.

Ketchikan may also require local sales tax on the buyer's agent commissions since the buyer's agent has physical presence in Ketchikan and physically performed services in Ketchikan. The buyer's agent should confirm with Ketchikan what the local requirements may be.

#### Listing Agent Requirements

Jurisdiction's Tax to be Collected: Thorne Bay

Reporting Requirement: Thorne Bay

Possible Additional Reporting/Collection Requirements: none

#### Buyer's Agent Requirements

Jurisdiction's Tax to be Collected: Thorne Bay

Reporting Requirement: ARSSTC

Possible Additional Reporting/Collection Requirements: Ketchikan Gateway Borough