



# Alaska Remote Seller Sales Tax Commission (ARSSTC)

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## Overview of the ARSSTC

*MTC Nexus Committee*

*August 1, 2022*





# *Wayfair* & The ARSSTC

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## Background

- *South Dakota vs Wayfair* opened the door for substantial economic nexus to be an additional determining factor in whether a remote seller had to collect a state's sales tax.
- The Supreme Court noted several factors in *Wayfair* that were considered essential in a state's ability to require sales tax collection under the concept of economic nexus.



# *Wayfair* & The ARSSTC

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## Background

- One of the key principles of allowing economic nexus was the requirement that collection of the sales tax not create an undue burden on interstate commerce.
- The Court further suggested that streamlined, statewide, single-level administration, with a clearly defined economic nexus threshold, would meet this test.
- With Alaska lacking a statewide sales tax, it therefore lacked a key *Wayfair* element of statewide single-level administration.



# *Wayfair* & The ARSSTC

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## Background

- In November 2019, an intergovernmental agreement was signed by 15 municipalities across Alaska, establishing the Alaska Remote Seller Sales Tax Commission (ARSSTC).
- The Alaska Uniform Remote Seller Sales Tax Code (Uniform Code) was later adopted in January 2020.
  - The Uniform Code established the uniform definitions, filing & collection standards, and audit/enforcement rules for remote sellers.
- The ARSSTC and the Uniform Code allowed municipalities to meet the single-level administration standard set in *South Dakota vs Wayfair*.
- The first sales tax returns from remote sellers were filed in April 2020.



# *How does it work?*

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## **Governance**

- The Commission is governed by a Board of Directors, comprised of representatives from seven member municipalities.
- The Board of Directors established a regular working group called the Policy Committee to work through administrative and interpretation challenges and issues.
- Any amendments to the Uniform Code or the Intergovernmental Agreement must be approved by the Board, then ratified by each member municipality.



# *How does it work?*

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## Uniform Code Highlights

- The Commission adopted an economic nexus threshold of \$100k gross sales or 200 individual transactions, statewide.
  - Registration requirement if nexus is met in prior or current calendar year.
- Single registration with the Commission satisfies registration requirement with current and future member municipalities.
- Single sales tax return is filed electronically through the Commission along with a single remittance.
  - Remote sales are reported by municipality, with one total remittance.
  - The Commission remits taxes collected to each member municipality monthly.



# *How does it work?*

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## **Member Municipalities**

- To participate in the Commission, a municipality must first pass a Membership Resolution in which it agrees to the membership terms in the Intergovernmental Agreement.
- The member municipality must then adopt the Uniform Code by ordinance.
- Member municipalities keep their existing sales tax rate and sales tax exemptions.
- Once a municipality has adopted the Uniform Code, their local sales tax must be collected by remote sellers 30 days after Uniform Code adoption.



# *How does it work?*

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## **Member Municipalities**

- Only 33% of Alaska's population resides in a municipality with a general retail sales tax.
- To date, 43 municipalities have fully joined the Commission (out of 100+ taxing jurisdictions).
  - This represents 85% of the population located in a taxing jurisdiction.
- The remaining 60+ municipalities are small, remote communities across the state.





# *How does it work?*

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## **Member Municipalities**

- Remote / rural communities are already dealing with significant cost of living.
  - Most rural communities have limited buying options in town.
  - Rely heavily on shipped goods, with substantial shipping costs.
- The possible additional revenue doesn't always outweigh the additional burden on residents.
- Sales tax revenues from remote sales range from 2% to 10% of revenues from local businesses.



# *Program Growth*

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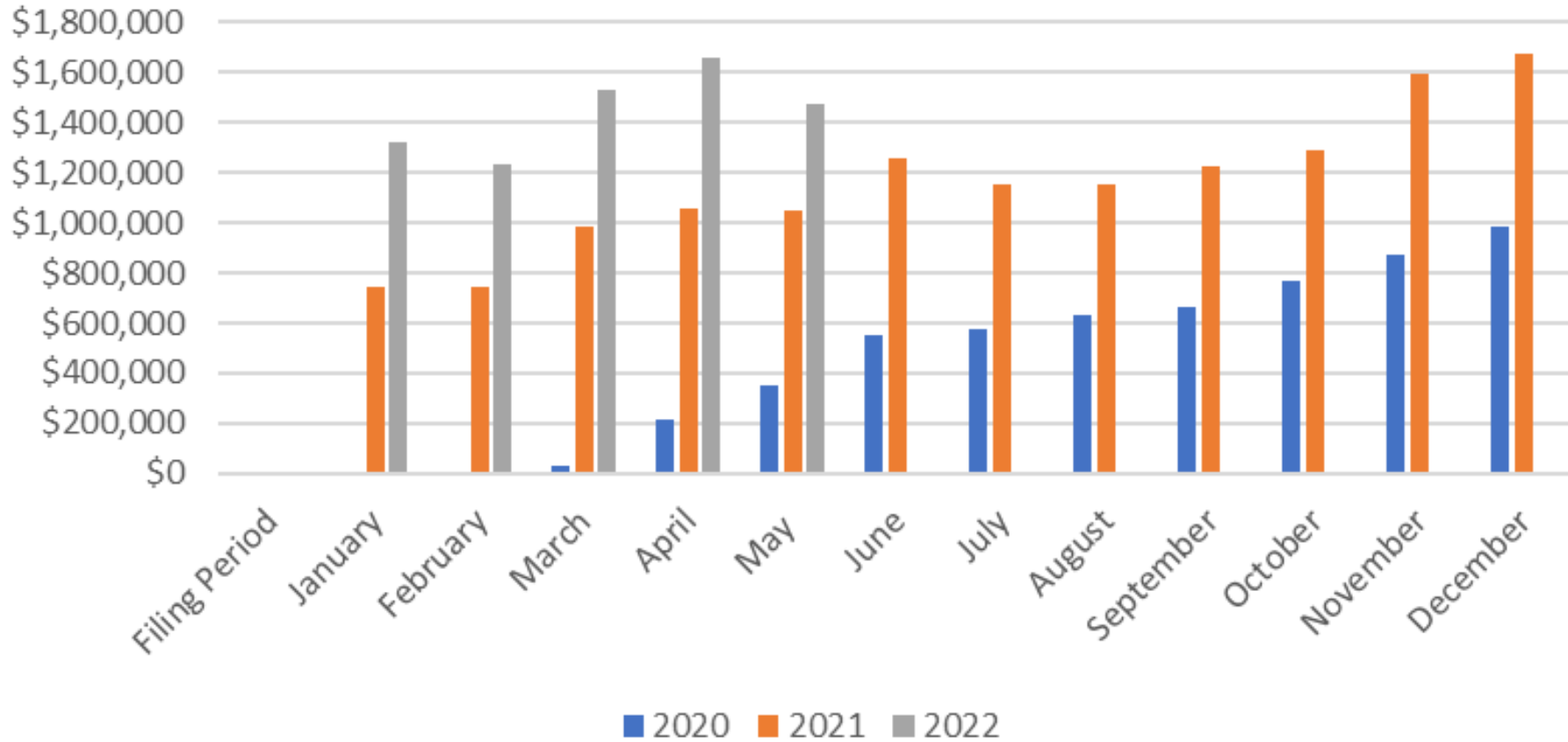
## History/Trends

- Since April 2020, there has been steady growth in local sales tax revenues from remote sales.
- Growth is due primarily to two factors:
  - 1) Growth in remote seller registrations
  - 2) Growth in ARSSTC member municipalities.
- FY20 Revenues: \$599k
- FY21 Revenues: \$10.3 million
- FY22 Revenues: \$15.3 million (*11 months*)



**ALASKA REMOTE SELLER  
SALES TAX COMMISSION**

### ARSSTC Revenues by Filing Period





# *Program Growth*

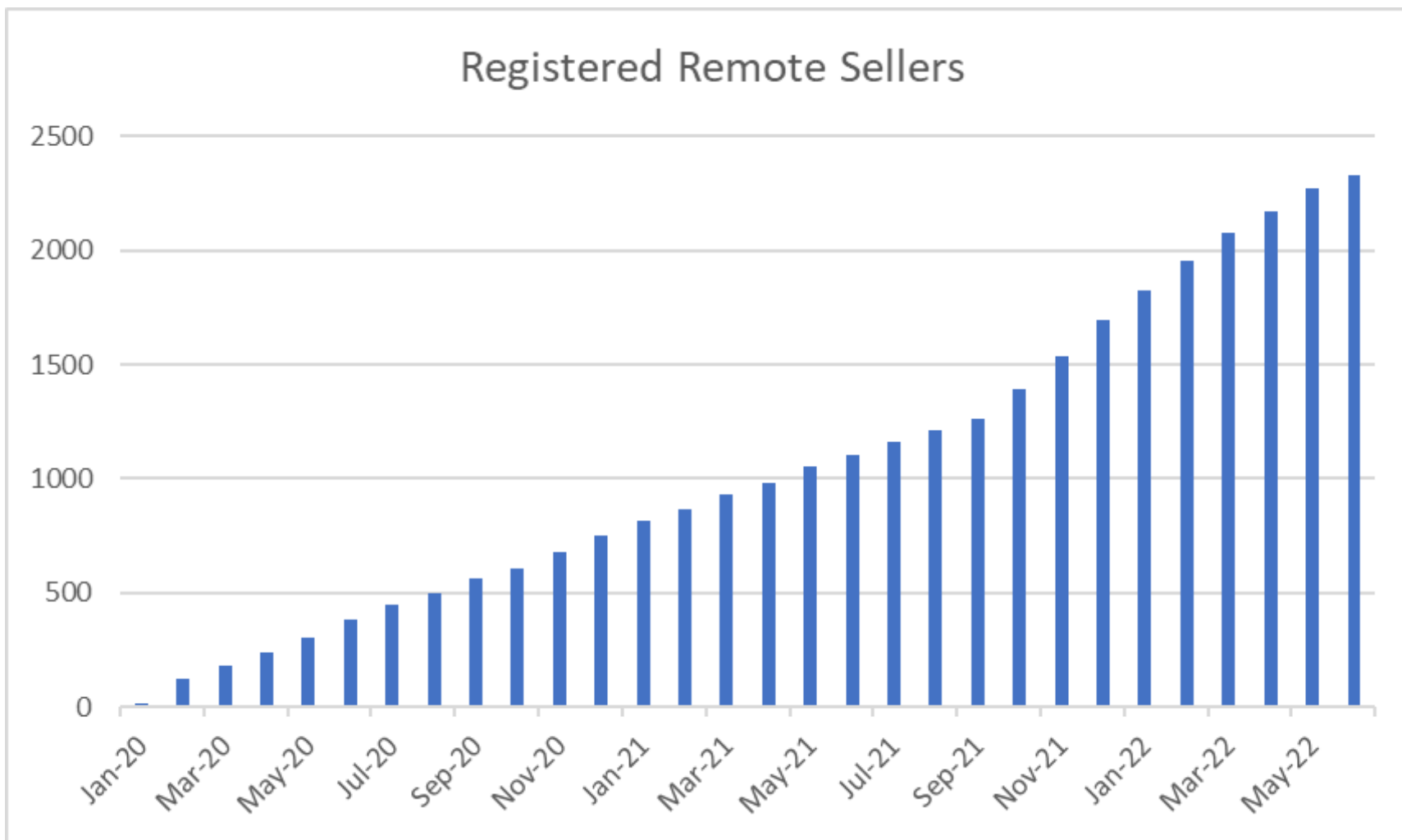
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## **Remote Seller Registration**

- The Commission started right at the beginning of the COVID pandemic which complicated our outreach efforts.
- Since the formation of the Commission was not a state-level action, it flew under the radar of many research groups.
- The growth in registrations has primarily happened due to our interactions with several 3<sup>rd</sup> party tax companies and targeted outreach to top online sellers.
- Currently, there are just over 2,500 remote sellers registered with the ARSSTC.



**ALASKA REMOTE SELLER  
SALES TAX COMMISSION**





# *Administration*

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## **Compliance Efforts**

- Registration compliance and forced-registrations.
- Filing compliance – pursuing remote sellers who registered but have not submitted filings, or only ever report zero sales.
- Audit program – rolling out a formal audit program, focusing initially on reported exempt sales.
  - Commission acts as sole audit authority but works in conjunction with individual municipality contacts as needed.
- Developing Voluntary Disclosure Program, pending ARSSTC Board of Director approval.



# *Administration*

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## Challenges

- Point of delivery – shipping into and across AK is frequently complicated, commonly involving multiple 3<sup>rd</sup> party shippers.
- ZIP code-based taxation – Typical ZIP code-based tax rate calculations are not generally accurate across AK.
  - Most ZIP codes cover areas larger than the jurisdiction boundaries.
  - ZIP+4s are infrequently used across Alaska.
  - Address based taxation is most accurate for Alaska.



# Contact

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