

Online Sales Tax Press Release

The Alaska Municipal League is committed to a responsible and responsive approach to implementation of online sales tax collection and remittance in Alaska. That means that our work thus far has focused on research that informs any next steps that municipalities choose to take, consistent with the interests of residents.

AML's understanding of the *Wayfair* case is that while physical nexus is not necessary, collection of an online sales tax must not become burdensome to interstate commerce. The implications, again from our understanding, are that Alaska's municipalities must work together toward a single-level, statewide administration of online sales tax collection and administration. In order to do this, the 105 taxing jurisdictions will agree to common definitions, map out caps and exemptions, and establish sales tax boundaries using GIS. All of this is necessary for responsible implementation. Separately, in cases where physical sales are codified, municipalities will need to change their tax codes to include online sales.

Online retailers who act before this is in place risk faulty and potentially litigious implementation. Amazon, among others, has begun collecting local sales tax across the state. Yes, they must register with that municipality. Yes, they should follow the rate, caps and exemptions of that municipality. And yes, they should remit to that municipality. But the system isn't set up yet for this to go smoothly across the state, and especially for Amazon to comply with sales tax boundaries that aren't well-defined.

AML recommends that municipalities:

- Contact your municipal attorney to ensure that your current tax code is consistent with online sales
 - If it isn't, the choices will be to contact online retailers to ask that they stop collecting, or to update your code
 - If it is, and potentially either way, consider issuing a public statement that informs your residents
- If you are concerned that the actions of online retailers negatively impact residents, the most direct response might be to request that until such time as that municipality is ready, the online retailer should not be collecting the tax
- If you don't have a municipal attorney, we can help you find one (please contact Shawn Myers at shawn@akml.org)
- Explore ability for residents to register online as tax exempt
- Consider updating your tax code to allow for online sales, either to remedy physical sales only in the definition, or to outline specifically the addition
- Develop a mechanism to help online retailers through this process. If they don't comply with caps or exemptions, consider developing a method by which you can process sales tax refunds
 - This will be difficult for the majority of municipalities, however, and the better option would be for the online retailer to process refunds
 - Amazon may want the taxing jurisdiction to issue an exemption certificate to different types of buyers (nonprofit or senior citizen), but this is more difficult for exemptions based on what is being purchased
- Track remittance and let us know if there are delays or if payment does not occur

We know that Alaska residents might be confused by these changes, but AML is working toward a more careful implementation in the year to come. The reality is that online retailers are voluntarily complying with *Wayfair* for their own internal corporate reasons, and that local governments to a large degree are not compelling online sales tax collection until such time as it can be done carefully and successfully.

Alaskans can contact their local government for answers or use AML as a resource. To the extent that this is a messy process for the next few months, we encourage patience. The trend nationally will be to comply with *Wayfair*, and online retailers have begun. Local governments are trying to catch up and ensure that residents' concerns are addressed along the way.

See below for what to watch for from Amazon:

- As of January 1st, they started collecting tax on items sold By Amazon.com, and Amazon Warehouse;
- Many items at Amazon are sold by third party vendors, and those are not currently being taxed.
- Another way to know whether your purchase is from Amazon, or a third party vendor, you can search by 'Seller' on the left-hand menu, or click 'See More' at the bottom of the Sellers list.