



ALASKA
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Tax Trends:
Marketplace
Facilitators

By:
Clinton
Singletary



Tax Trends: Marketplace Facilitators

Tax Trends: Marketplace Facilitators

This session will address the following topics:

1. What is a marketplace facilitator?
 - General definition / business model
2. Types of marketplace facilitators
 - Discuss common marketplace examples
 - Deeper dive into specific types of marketplaces
3. Municipal Sales Tax Implications
 - Typical processes and compliance approaches
4. Physical Presence Considerations
 - Implications of marketplaces & physical presence

What is a marketplace facilitator?

- In general, a marketplace is a business that contracts with other 3rd party “sellers” to facilitate the sale of the seller’s property or services.
- The marketplace controls and maintains the platform on which the 3rd party seller’s goods or services are sold to the end consumer.
- The marketplace acts as the payment processor, accepting payment from the end user, then passing on to the 3rd party seller.
- The typical marketplace operates online, not through storefronts.

Types of Marketplaces

- Online Marketplaces selling goods:
 - Amazon, eBay, Etsy, Walmart
- Short-Term Rental Marketplaces:
 - Airbnb, VRBO, Booking.com
- Service-Focused Marketplaces:
 - Restaurant or Grocery delivery – GrubHub, DoorDash, Uber Eats, Instacart
- Travel Marketplaces:
 - All in one sites - Orbitz, Expedia, Travelocity, Kayak
 - Tour Marketplaces – Viator, Tripadvisor, Tour Explorer
 - Vehicle Rental Marketplaces – Turo.com

Only the first of these are currently taxed through the Alaska Remote Seller Sales Tax Commission



Deeper Dive: Specific Marketplaces

Goods-focused Marketplaces

Well-known examples: Amazon.com, eBay.com, Etsy.com, Walmart.com

Local Processes

- Local presence of individuals or businesses selling through marketplace does not create physical presence.
 - The local sellers are considered “marketplace sellers”
- Any local business selling through one of the marketplaces should obtain local business license.
- Marketplace responsible for sales tax collection on sales of “marketplace seller’s” inventory.

Taxability Improvements

- Primary improvement is community membership in ARSSTC.
- Without community membership in ARSSTC, marketplace is not required to collect local sales taxes.

Short-Term Rental (STR) Marketplaces

Well-known examples: AirBnb, VRBO

Local Processes / Issues

- Communities generally hold local property owners responsible for local business license and tax collection.
- Achieving high levels of compliance from property owners is challenging for municipalities.

Compliance Trends

- Collection agreements with STR marketplaces
- STR compliance software
- Stricter licensing standards
- Enacting marketplace collection requirements in municipal code

Short-Term Rental Marketplaces

Recommended compliance steps

- Adopt marketplace facilitator collection language in local code.
 - Need to define marketplace facilitator, specifying focus on short-term rentals
 - Ensure tax imposition code section has language requiring collection of taxes by marketplace.
- This approach is growing in popularity across the country, mainly w/ state level bed taxes.
- Having multiple larger communities in Alaska take this approach would greatly assist smaller communities.
- AML can assist with code drafting & review

Service-Focused Marketplaces

Well-known examples: Instacart, DoorDash, GrubHub, Uber Eats

Commonly referred to as “Delivery Network Companies”

Local Impacts

- Physical delivery of goods requires sales tax collection on delivery fees and products.
- Communities have required local registration by delivery drivers and marketplaces.
 - Some have required local sales tax collection by delivery drivers.
 - Problematic to enforce as drivers don't control app/website to make tax collection happen.

National Trends

- Varies widely – most states don't tax services.
- Taxation of food varies as well across states.
- States are adding clarity that these marketplaces are responsible for collection and remittance of applicable taxes.

Service-Focused Marketplaces

Taxation Challenges

- Cross-jurisdictional deliveries
- Registration & collection by delivery marketplaces
- Local licensing of delivery drivers

Taxation Improvements

- Define “delivery network company”
 - ARSSTC has developed a definition based on other states models
- Update tax imposition section of local code to require collection by delivery marketplaces
- Add clarity on how tax rate on delivery transaction should be determined.
 - To help address cross-jurisdictional deliveries
 - Addressed by way of defining point of delivery

Travel Marketplaces

Local Taxation Challenges

- Local taxes not actually being collected
 - Travel marketplaces typically charge an estimated taxes and fees amount to the customer, not actual accurate taxes that are due
- Full sales price not being taxed
 - Businesses such as hotels that sell on these marketplaces don't control tax collection
- How commissions are treated
 - Marketplaces typically charge a commission or markup, along with other fees
 - Some fees are specific to customer, others to the listing business
- Taxation of bundled transactions
 - For example, flights + hotel + rental car through same platform

Travel Marketplaces

Local Taxation Solutions

- Local taxes not actually being collected
 - Define “online travel agencies” and “vehicle rental platform” then clarify code to hold them responsible for collection
- Full sales price not being taxed
 - Add clarity specific to these marketplaces that the full sales price is subject to tax same as sales by other businesses
- How commissions & fees are treated
 - Review existing commission exemptions in code to ensure they match intent
 - A commission exemption does not impact taxation of full sales price
 - Commissions and fees could be considered a remote sale, subject to sales tax

Travel Marketplaces

Local Taxation Solutions *continued*

- Taxation of bundled transactions
 - Bundled transactions can be overall challenging to tax.
 - Unless the bundle can be separated, the whole bundle is generally taxed.
 - What rate should be used if the bundle is not separated?
- Lack of awareness by marketplace of local taxes
 - No statewide tax adds to this
 - Any local code updates will need to be communicated heavily
 - Municipality should be ready to pursue legal action as necessary to enforce

Closing Thoughts

- Jurisdictions across the country are trying to address these issues.
- No single uniform approach, but several similar approaches across states.
- Achieving compliance won't happen overnight.

THANK YOU



Strengthening Local Governments