

# ADMINISTRATIVE GUIDELINES GOODS AND SERVICES SOLD OUT OF BOROUGH

## Procedure 403

CBJ 69.05.040(3) grants exemption on the following transactions:

*Sales of goods and/or the performance of services and associated shipping and handling charges resulting from orders received from outside the City and Borough where goods and/or services are received by the buyer outside the City and Borough after seller ships the goods and/or delivers the service by mail, electronic transfer, or common carrier. Shipment and/or delivery outside the City and Borough must be verified by postal or shipping documents. If the shipment and/or delivery is by electronic means, shipment and/or delivery must be verified by the buyer's "billed to" address. Common carrier means a commercial enterprise that holds itself out to the public as offering to transport freight for a fee without refusal.*

This exemption is intended to only exempt sales where an order for goods and/or services is received from outside CBJ and the goods and/or services are shipped by the seller to a location outside CBJ via mail or common carrier. For products and services, delivered or transferred electronically, point of delivery is the billing address of the buyer or consumer. This exemption also applies to shipping & handling fees that the seller charges the buyer.

For a transaction to qualify for exemption under CBJ 69.05.040(3), each of the following criteria must be met:

1. The goods and/or service must be ordered from a location outside of the city and borough,
2. The **seller** must ship or deliver the goods and/or service to a location outside of the city and borough via mail, common carrier\*, or electronic transfer,
3. The point of delivery outside the city and borough must be verified by postal or shipping documents that are retained by the seller. If delivered electronically, point of delivery must be verified by the buyer's billing address.

\*For purposes of this exemption, a common carrier is a commercial enterprise whose primary business activity is the transportation of goods for a fee.

Received by the buyer means, for the purposes of **point of delivery** under CBJ 69.05.020:

- (1) Taking possession of personal property or goods;
- (2) Making first use of services;
- (3) Taking possession or making first use of digital goods, whichever comes first.

The term "received" does not include temporary possession by a shipping company on behalf of the buyer or consumer.

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## ***Supporting Documentation Requirements***

Sellers are required to document the following for each exempted transaction:

- Placement of order from outside CBJ – Examples of acceptable documentation include:
  - Telephone order log or similar documentation
  - Copy of written order form submitted by mail or fax
  - Email(s) from customer
  - Order summary from website

- Postal / Shipping documents – Examples of acceptable documentation include:
  - Postal receipt showing delivery address or tracking number.
  - Receipt from common carrier showing delivery address or tracking number.
  - Bill of lading or other shipping documentation issued to seller showing shipping / delivery address.
- Electronic Delivery documents – Examples of acceptable documentation include:
  - Invoice to the customer with an out of Borough billing address
  - Order summary from website explicitly stating point of delivery

**IMPORTANT:** Failure to document both the placement of the order and the necessary postal or shipping documents will result in the exemption being denied during the course of an audit or other inquiry by the CBJ Sales Tax Office.

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### ***Additional Information***

Do not use this exemption to report services where the seller travels outside CBJ to perform the service, or leased / rental equipment that is physically located outside CBJ. Those types of transactions, occurring entirely outside CBJ, are considered to be “not subject to” CBJ Sales Tax and should be excluded from the reported gross sales.

**Please note:** If parts of a sale, service or rental, or a combination of these, occur both inside and outside the City and Borough, CBJ sales tax should be applied to the price of the entire transaction; unless the invoice separates and prices the various parts of the transaction in accordance with their location. This separation by location is only applicable if each part of the transaction is a sale, service, or rental that is regularly offered on a separate basis by the seller.

- The taxability of a sale of goods will be determined by the point of delivery of the tangible personal property.
- The taxability of a service will be determined by the location where the service performed is **received**.
- The taxability of a rental made will be determined by the place where the rental property is located.

If you are unsure whether a transaction qualifies for the goods and services ordered and delivered outside the borough sales tax exemption, please contact the CBJ Sales Tax Office for further guidance.