

ADMINISTRATIVE GUIDELINES GOODS SOLD OUT OF BOROUGH

Procedure 403

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

Sales of goods and associated shipping and handling charges resulting from orders received from outside the city and borough where delivery is made outside the city and borough. Delivery outside the city and borough must be verified by postal documents or shipping documents.

This exemption is intended to only exempt sales of goods and associated shipping & handling charges where the seller maintains ownership / control of the goods up to the point of delivery at a location outside the city and borough.

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

1. The goods must be ordered from a location outside of the city and borough,
2. The ordered goods must be delivered to a location outside the city and borough by:
 - The seller personally delivering the goods to a location outside the city and borough **or**,
 - The seller placing the goods in the mail addressed to a location outside the city and borough **or**,
 - The seller procuring a common or contract carrier to deliver the goods to a location outside the city and borough.
3. The place of delivery outside the city and borough must be verified by postal or shipping documents that are retained by the seller.

This exemption **is not** intended to exempt purchases of goods ordered from a location outside of the city and borough where the buyer or the buyer's designee or shipping agent takes possession of the goods within CBJ, even if the goods are subsequently transported outside CBJ.

Example Transaction #1 – Order for goods and associated shipping & handling charges are exempt from sales tax

Buyer located outside CBJ orders goods from seller's website. Buyer provides shipping address located outside CBJ. Seller packages item and places it in the mail to buyer's shipping address.

Example Transaction #2 – Order for goods and associated shipping charges are exempt from sales tax

Buyer located outside CBJ calls a CBJ merchant and orders a piece of construction equipment. Seller provides shipment and delivery of equipment to the buyer outside CBJ by procuring the services of a freight transportation company. Seller charges the buyer for the shipment and delivery fees.

Example Transaction #3 – Order for goods is taxable

Buyer located outside CBJ emails a CBJ merchant and places an order for building materials. Buyer procures the services of a third-party carrier to pick-up the building materials from the CBJ seller. The third-party carrier then ships the building materials outside CBJ to the buyer and charges the buyer for the shipment and delivery fees.

This sale of goods is taxable because the buyer is taking possession / control of the goods in CBJ by procuring the services of the third-party carrier. Seller did not procure the shipping services or generate shipping charges or documents necessary to show transaction qualifies for exemption.

Example Transaction #4 – Order for goods is taxable

Buyer located outside CBJ calls a CBJ merchant and places an order for automotive parts. At buyer's request, seller delivers the automotive parts to an air-freight facility in CBJ. Buyer procures the shipping services from the air-freight company and pays the air-freight company directly for the shipping and delivery fees.

This sale of goods is taxable because the buyer is taking possession / control of the goods in CBJ by procuring the shipping services of the air-freight company. Seller did not procure the shipping services or generate shipping charges or documents necessary to show transaction qualifies for exemption.

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
 - Email(s) from customer
 - Order info 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 from contract carrier showing shipping / delivery address.

Failure to document both the placement of the order and the appropriate 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.

Additional Information

This exemption should not be used to report services performed outside CBJ or leased / rental equipment that is physically located outside CBJ. Those types of transactions occurring outside CBJ are considered to be “not subject to” CBJ Sales Tax and should be excluded from the reported gross sales.

This exemption also does not apply to services performed in Juneau for customers that are located outside CBJ. Services performed in Juneau are subject to sales tax regardless of the customer's physical location.

Please note: When the primary purpose of a transaction is the performance of a service, the transaction is considered to be a sale of services, even if a tangible good is produced as a result of the service being performed. Service providers performing services within CBJ on behalf of purchasers outside CBJ may not exempt these services from the sales tax under CBJ 69.05.040(3), even if the tangible good resulting from the service is delivered outside CBJ. For example, in the course of performing a service, a research analyst may gather documents, evaluate the information, and prepare a report. The purpose of the transaction is the preparation of the report, a service. Delivery of the report to a location outside of CBJ is irrelevant if the service was performed within CBJ.

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