Methodology Document Content

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1.0 Purpose

This document describes the methodology we apply to calculate U.S. sales and use taxes for sellers using Amazon's tax calculation services on the AWS Marketplace.

2.0 Overview

Our tax calculation services calculate US sales and use taxes for all eligible states, the District of Columbia, and certain related local tax jurisdictions based on seller-determined calculation settings and any related information we request. Our services do not calculate federal, state, or local product-based excise or similar gross receipt taxes. They do calculate some taxes that are labeled as excise or gross receipt taxes, but that are commonly acknowledged to be sales and use taxes (for example, in New Mexico and Hawaii).

We use a third party system, Vertex, for tax calculations that are part of our tax calculation services.

Our services include support for these tax calculations and related functions:

- Sales and use tax rates (including monthly updates)
- Sales and use tax area ID assignment (jurisdiction identification)
- Sales and use tax jurisdiction determination (sourcing)
- The ability to select a seller-defined default product tax code
- The ability to specify a custom rate for each state
- The ability to specify tax calculation obligations for orders at the state, county, city, and district level for all eligible states, counties, cities and districts
- Readily available product tax codes, such as software as a service that allow sellers to designate the taxability of their offers
- Item level tax calculation details

Information about Taxes in Seller Reports

For sellers who use our tax calculation services, the following reports are available to provide tax calculation information to report and assist with the remittance of taxes to the appropriate taxing authorities:

- Sales Tax Report
Our tax calculation services use three components to make tax calculations:

- Tax calculation settings selected by the seller
- Tax calculation rules applied by Vertex
- Methodologies applied by Amazon (e.g., to allocate order-level promotions to individual items in an order, currency rounding, jurisdiction charge allocation, etc.)

### 2.1 Excluded States

Certain states are not eligible for tax calculation services because state law requires AWS Marketplace to collect and remit applicable sales tax on taxable sales made by sellers in the state. Our tax calculation services will exclude such states, and, where legally obligated, AWS Marketplace will collect and remit applicable sales tax for taxable sales made in the excluded state(s). We will report the collection activity in the excluded state(s) through our seller reports.

### 3.0 Determining Tax Jurisdiction and Tax Type

The Vertex system uses information on two transaction-related locations to determine tax jurisdiction and tax types for AWS Marketplace subscriptions and usage (i.e., sales versus use tax). These transaction-related locations are:

- Order acceptance/bill from addresses
- Destination address

#### 3.1 Order acceptance/Bill From address

Orders are deemed to be accepted/billed from Amazon's servers in the City of Chantilly, Fairfax County, VA.

**Destination address:**

For AWS Marketplace sales, the destination address is based on customer supplied addresses, consisting of city, state and zip code. If the customer has multiple addresses, such as a payment method address and a contact address, we will apply a selection hierarchy to determine the destination address.

A given city/state/zip code combination, may match more than one tax location recognized by the Vertex system. Some combinations generate multiple locations (for example because of city/state/zip code combinations that cross county lines, or special local district/transit/stadium tax jurisdictions that do not follow city or county lines). In these cases, Amazon's tax calculation services calculate taxes based on the tax location our system determines to have the highest confidence level as matching the customer-supplied city, state and zip code.

#### 3.2 Tax location and tax type

Based on the two transaction-related locations described above, the tax location and tax type for digital orders that are taxable (as determined by the combination of product taxability rules and seller-specified tax calculation settings) are determined as follows:

**A. Orders with a Virginia Bill-to Address:** Orders are taxed as sales tax transactions at the sales tax rate determined by our system. Orders are sourced to the location of our servers - the City of Chantilly, Fairfax County, VA.

**B. Orders where the Bill To Address is outside of Virginia:** For products that are taxable (as determined by the combination of product taxability rules and seller-specified tax calculation settings), orders will be taxed as use tax transactions (at the use tax rate determined by our system), and will be sourced to the bill-to-address determined by our system.

**General Note Applying to Bill-to Address:** According to the US Postal Service, the APO/FPO address format is used only for overseas military addresses. Therefore, orders with APO/FPO bill-to-addresses
are generally considered sales in foreign commerce which are exempt from US sales and use taxes, and they are not processed by our tax calculation services.

4.0 Determining Tax Calculation Selling Price ("Tax Price")

Our tax calculation services use a tax calculation selling price ("tax price") based on the item price set by the seller.

4.1 Promotions: When a promotion applies to an item, the tax price of the item will equal the item price set by the seller minus the amount of the promotion.

5.0 Assigning a Product Tax Code (PTC)

A PTC must be assigned to each offer. As a systems default, the Always Nontaxable PTC (A_GEN_NOTAX) is assigned to each offer. If you wish to change the systems default and assign custom PTCs, you can do so by either setting seller-defined default assignments or by setting offer level assignments. A seller-defined default assignment is used to choose a single PTC that will apply to multiple offers. An offer level assignment applies on an individual offer basis and can also be used to choose a PTC that is different from your seller-defined default PTC.

Note: If you leave AWS Marketplace, please be advised that the PTCs assigned to your listings will be automatically deactivated. If you return to the AWS Marketplace you will need to reconfigure your tax calculation settings, including PTCs.

6.0 Customer-Based Exemptions and Special Rules

Except as described in Sections 6.1, our tax calculation services generally do not enable granting real-time customer-based exemptions or application of any other special customer-based rules during the checkout process. Most customer-based exemptions and all special customer-based exemptions can only be addressed by a refund of taxes charged. To learn more about customer-based and special customer-based exemptions, see Sections 6.1 and 6.2 below. To learn more about the post-order refund process, see Sections 6.3 and 6.4 below.

6.1 Customer-Based Exemptions:

AWS Marketplace Sellers participating in the Amazon Tax Exemption Program (ATEP) are able to grant real-time customer-based tax exemptions for exempt transactions submitted by customers participating in ATEP. All other customer-based exemptions can only be addressed by a refund of taxes charged. For more information about ATEP, please see How ATEP Works.

Examples of possible customer-based exemptions: Charitable organizations, US Government, state and local governments, resellers, direct payment holders, direct payment holders, or educational institutions.

6.2 Special Customer Based Exemptions:

Special customer-based exemptions can only be addressed by a refund of taxes charged.

Examples of possible special customer-based tax exemptions: Senior citizens or enterprise zones

6.3 Post-Transaction Tax Refunds

As part of your participation in the seller program, when a customer seeks a post-transaction tax refund, Amazon will request the customer provide a certificate of exemption or other supporting documentation for each impacted seller on an order. Upon receipt, Amazon will evaluate the documentation and will
issue a tax-only refund if we determine the supporting documentation meets our requirements for establishing that the requested refund is warranted. These refunds will appear in your Sales Tax Report.

7.0 Product-Based Exemptions and Special Rules

Our tax calculation services do not enable granting product exemptions or any other special product rules that are contingent on the intended use of the purchased product, the type/identity of the customer, or the purchase of other products ("qualified exemptions").

8.0 Caps, Thresholds and Max Taxes

The tax calculation engine we use will apply standard caps, thresholds, and max taxes at the single item level and not at the order/invoice level.

9.0 Estimated Tax

Taxes shown before the transaction is completed use the tax rules and rates in effect in real time. However, the sales tax actually charged to the customer will be based on the tax rules and rates in effect at the time which the transaction is completed.

Please note, many factors can change between the order checkout date and the final transaction date, and as a result the estimated tax amount may differ from the amounts actually charged. For example, tax rules or rates may change and this could lead to an increase or decrease in taxes charged.

10.0 Refunds

Amazon tax services will calculate tax refunds related to customer refunds. Tax refund details will be included in the seller’s sales tax reports.

Please note that the tax calculation engine will not calculate refunds of taxes on adjustments designated as goodwill.

11.0 Sales and Use Tax Rate Maintenance

Sales and use tax rates are regularly maintained and updated by Amazon’s third party provider, Vertex.

12.0 Tax Hierarchy Decision

Our systems do not allow for the calculation of local level taxes without choosing to calculate the state level tax. Generally, the tax calculate obligations (nexus) selected by an AWS Marketplace seller are referenced first during a tax calculation.

However, in some cases when a threshold, special rate, or override applies at a local level (county, city, and/or district), a tax charge may occur despite a seller indicating to not calculate tax at that local level. This would occur when the seller specifies to calculate tax at the state level but not at a given local level where a threshold, special rate, or override applies for the product tax code at that local level. The tax charge occurs due to a conflict in the product exception hierarchy our systems use. When a threshold, special rate, or override is hit, our tax calculation services begin calculating tax without checking the local nexus preferences of the seller.
Additionally, in some cases where the tax rate of one local level overrides the tax rate of another local level, a tax charge may not occur despite a seller indicating to calculate tax at that local level. This would occur when the seller specifies to calculate tax at the local level in a jurisdiction whose rate is being overridden but not at the local level that overrode the rate. For example, for the taxing jurisdictions of the State of Louisiana, the Parrish of Orleans, and the City of New Orleans, both the Parrish of Orleans and the city of New Orleans have local level rates. However, the New Orleans city rate overrides the Orleans Parrish rate when the taxing jurisdiction is within the New Orleans city limits. Therefore, if a seller specifies a tax calculation obligation at the state level and county (Parrish) levels in Louisiana but not at the city level in Louisiana, the Orleans Parrish tax will be overridden to 0% for calculations when the customer is deemed to be located within the city limits of New Orleans. As a result, only the state level tax will be calculated although the seller has also specified a calculation obligation at the county level.

Please review the above terms. You will be asked to accept these terms later, at the end of the set-up process.