



Streamlined Sales Tax Project (SSTP) Update Federation of Tax Administrators' Annual Meeting

June 17, 2003

Streamlined Sales Tax Project

- Background
- Key features
- Critical unresolved issues
- State legislative status
- What's next?



Streamlined Sales Tax Project Background

- **What is SSTP?**
 - Modernize sales and use tax
 - Affects all taxpayers and all commerce
- **Why is modernization important?**
 - Reduce complexity especially for multistate taxpayers
 - Increase voluntary compliance
- **How will it be accomplished?**
 - Simplification and uniformity
 - Use of technology



Streamlined Sales Tax Project Background

- **Who is involved?**
 - Government
 - Business; COST; NRF
 - NGA, NCSL, and others
- **What are other potential outcomes?**
 - Improved compliance and additional revenues for government
 - Level playing field for retailers



Streamlined Sales Tax Project Participating States (41) (30 States in December 2000)

Alabama	Maryland	Pennsylvania
Arizona	Massachusetts	Rhode Island
Arkansas	Michigan	South Carolina
Connecticut	Minnesota	South Dakota
District of Columbia	Mississippi	Tennessee
Florida	Missouri	Texas
Illinois	Nebraska	Utah
Indiana	Nevada	Vermont
Iowa	New Jersey	Virginia
Kansas	New York	Washington
Kentucky	North Carolina	West Virginia
Louisiana	North Dakota	Wisconsin
Maine	Ohio	Wyoming
Maryland	Oklahoma	



Streamlined Sales Tax System Model Legislation

- **Model Act**
 - Authority to enter agreement
 - Various versions
- **Interstate Agreement**
 - Conforming legislation
 - Contract between states
 - Details of tax administration
 - Governance model



Streamlined Sales Tax Implementing States

- **Purpose**
 - Finalize provisions of interstate agreement to simplify and modernize
- **Membership**
 - Passage of Uniform or Simplified Sales and Use Tax Administration Act
 - Currently 36 states and D.C.
- **Process**
 - Review and act on recommendations of SSTP
 - Assign new work to SSTP



SSTIS Agreement Key Features

- **State level administration of local sales and use taxes**
- **Simplified exemption processing**
- **Rate simplification**
 - Allows one general state rate per state and a second rate on food and drugs; could be zero
 - Allows single local rate per jurisdiction
- **No caps and thresholds after 12-31-05**



SSTIS Agreement Key Features

- **Common state and local bases within a state after 12-31-05**
- **Common base for local jurisdictions**
- **Uniform sourcing: destination based**
 - Telecommunications
 - Lease or rental of property
 - Direct mail



SSTIS Agreement Key Features

- **Menu of uniform definitions**
 - Food and food ingredients
 - Prepared food
 - Candy
 - Soft drinks
 - Dietary supplement
 - Clothing
 - Lease or rental
 - Tangible personal property



SSTIS Agreement Key Features

- **Menu of uniform definitions**
 - Drugs
 - Durable Medical Equipment
 - Computer Software
 - Prewritten Computer Software
 - Delivered Electronically
 - Load and Leave
- **Uniform treatment of bank holidays**
- **Sales tax holidays (For limited defined products and within guidelines)**



SSTIS Agreement Key Features

- **Uniform return (ELF)**
- **Uniform rules for recovery of bad debts**
- **One rounding rule after 12-31-05**
- **Common customer refund procedures**
- **Direct pay permits**



SSTIS Agreement Key Features

- Tax collection and remittance models
- Central registration system
- State data base matching rate to local jurisdiction
- Data base of boundary information for local jurisdictions



SSTIS Agreement Key Features

- Limited scope audits and certification standards
- No nexus attribution for voluntary collection
- States cannot hold retailers liable if state-provided information is incorrect (rates, boundaries, zip + 4 assignment)



SSTIS Agreement Key Features

- **Tax Collection and Remittance Models**
 - Model 1: Certified Service Provider (CSP)
 - Model 2: Certified Automated System (CAS)
 - Model 3: Proprietary system as a Certified Automated System
 - Model 4: Traditional Collection Systems



SSTIS Agreement -- Administration & Governance

- **Effective Date of Agreement**
 - Effective when at least 10 states with 20% of population found in compliance with Agreement
 - Effective on first day of calendar quarter at least 60 days after 10th state found in compliance
 - Not effective before 7-1-03



SSTIS Agreement -- Administration & Governance

- **Approval of Initial States**
 - Co-chairs of SSTIS will convene a meeting
 - Each state files petition for membership and certification of compliance
 - Affirmative vote of 3/4 of petitioning states for a state to be found in compliance
 - Petitioning state cannot vote on its own petition
 - Public input on state compliance



SSTIS Agreement -- Administration & Governance

- **Approval of Additional States**
 - State files petition for membership and certificate of compliance
 - Affirmative vote of 3/4 of governing board that state is in compliance
 - Public input on state compliance



SSTIS Agreement -- Administration & Governance

- **Annual Recertification**
 - Statement of compliance or non-compliance with Agreement
 - August 1 of each year
 - Changes in statutes, regulations or other authorities that affect compliance
 - Actions to be taken by state to get in compliance



SSTIS Agreement -- Administration & Governance

- **Definition of Compliance**
 - A state is in compliance with the Agreement if the effect of the state's laws, rules, regulations, and policies is substantially compliant with each of the requirements set forth in the Agreement



SSTIS Agreement -- Administration & Governance

- **Governing Board**
 - Each state has one vote
 - All actions require majority vote except for state entry, state sanction, and Agreement amendments (3/4 vote)
 - Meet at least annually
 - Public input



SSTIS Agreement -- Administration & Governance

- **Governing Board**
 - Responding to questions about Agreement
 - Preparing technology certification requirements
 - Coordinating joint audits
 - Issuing requests for proposals
 - Maintaining records



SSTIS Agreement -- Administration & Governance

- **Sanction of Member States**
 - Expulsion
 - Other penalties as determined by governing board
- **Advisory Councils**
 - State and Local Advisory Council
 - Business and Taxpayer Advisory Council



SSTIS Agreement -- Administration & Governance

- **Amendments to Agreement**
- **Interpretations of Agreement**
- **Definition requests**
- **Issue resolution process**



SSTIS Agreement - Critical Issues

- **Bundling**
- **Digital property**
- **Rates/jurisdiction data base**
- **Uniform audit standards and procedures**



SSTIS Agreement - Critical Issues

- **Taxability matrix guidelines**
- **Tax holiday definitions/guidelines**
- **Certificate of compliance**
- **Issue resolution process: judicial review**



SSTIS Agreement - Critical Issues

- Seller compensation/joint collection cost study
- CSP - Request for Proposal
- Telecommunications definitions
- Services sourcing rules



SSTIS Agreement - State Conformity

- Arkansas
- Indiana
- Kansas
- Kentucky
- Nebraska
- North Dakota
- South Dakota
- Utah
- West Virginia
- Wyoming



SSTIS Agreement - State Conformity Close

- Minnesota
- Nevada
- North Carolina
- Oklahoma
- Texas
- Vermont
- Washington



SSTIS Agreement - Federal Legislative Activity

- Expiration of Internet Tax Freedom Act in November 2003
- Business activity tax simplification act
- Sales and use tax fairness act



