

Streamlined Sales Tax Certification Committee

Rules and Procedures

FTA Technology Conference
August 15, 2006

SST Certification Committee

- Presenters
 - Gary Centlivre (KS) – Certification Process
 - David Thompson (TN) – Testing Central
 - Ed Phillips (OH) – Site Administration/Audit

SST Certification Committee Rules and Procedures

■ Certification Timeline

- November, 2004 Request for Proposal issued for prospective certified service providers
- February, 2005 CSP Evaluation Committee (ad hoc) was formed with representation from 19 states
- March, 2006 Executive Committee approves President's appointment of a Certification Committee as a standing committee of the Governing Board
- April, 2006 Certification Committee gives recommendations for certification

SST Certification Committee Rules and Procedures

- Article V – Governing Board rules and procedures of the Certification Committee
 - Formalized and defined the responsibilities of the Committee
 - Established the process and timeline for future certification
 - Detailed the acceptance requirements for CSP's and Model 2 automated systems
 - Instituted state membership requirements
 - Created "Testing Central"

SST Certification Committee Rules and Procedures

- Responsibilities of the Certification Committee
 - Advise the Governing Board on matters pertaining to the evaluation, testing, certification and recertification of service providers and automated systems
 - Consider and respond to matters referred by the Governing Board and its committees regarding evaluation, testing, certification and recertification
 - Recommend items to the Governing Board for consideration

SST Certification Committee Rules and Procedures

- Overview of Future Certification Process for CSP's
 - April 1 of odd years, the Governing Board issues a request to service providers for certification
 - CSP candidates will complete a self evaluation assessment from documentation provided by the Committee
 - The Committee screens the candidates based on the assessment and conducts further evaluation and site reviews
 - Testing Central manages testing between the candidates and member states
 - Based on Committee recommendation, contracts are negotiated and signed on July 1 of the following year

SST Certification Committee Rules and Procedures

- Reference Documents for Acceptance Requirements
 - SST Testing Process for Certification of Service Providers; Appendix E, Article V
 - SST CSP Site Administration; Appendix F, Article V
 - Certification Standards; Appendix G, Article V
 - Streamlined Sales and Use Tax Agreement

SST Certification Committee Rules and Procedures

- Overview of Recertification Process for Existing CSP's
 - Testing Central conducts continuous review of the operational performance of the CSP
 - Six months before expiration of contracts, the Certification Committee begins performance review of the CSP's
 - After 90 day review period, the Committee makes recommendations for renewal of contract

SST Certification Committee Rules and Procedures

- Overview of Certification of Model 2 Automated Systems
 - System provider may conduct a self-evaluation at any time with information provided by the Committee
 - Provider submits results of self-evaluation and makes application to begin the certification process
 - Certification Committee reviews results and recommends system for further evaluation and testing
 - Testing Central manages the testing between the applicant and the member states
 - Upon successful completion of testing, the Committee recommends the system as acceptable for Certification

SST Certification Committee Rules and Procedures

- Acceptance Requirements for Automated Systems
 - Determines the applicable state and local sales and use tax for a transaction
 - Determines whether or not an item is exempt
 - Calculates the amount of tax to be remitted for each taxpayer for a reporting period
 - Can generate reports and returns as required by the Governing Board
 - Meet requirements in Section 501(C) of the SSUTA and any others set by the GB

SST Certification Committee Rules and Procedures

- Additional Acceptance Criteria for Model 2 CAS
 - The software program shall be a discrete set of tools for sale or licensing to sellers that is capable of being operated by sellers, certified by the Governing Board, and functions as a system. The seller is responsible for the maintenance of the seller's data, the security of the system, and remitting the taxes collected.
 - The SER and IR are included as required reports.
 - Applicant shall execute test decks successfully and provide results to Member States.
 - All other criteria provided in Article V, Rule 501.6

SST Certification Committee Rules and Procedures

- State Membership and Meetings
 - Each Member State or Associate Member State shall designate at least one representative who is a state employee to represent that state on the Certification Committee.
 - Participating States may also designate a state employee for representation.
 - Committee shall meet as often as necessary to fulfill it's mission. Regular meetings are held the month prior to each quarter.

SST Certification Committee Rules and Procedures

- Testing Central
 - An administrative process under Governing Board staff supervision to manage and document communication between Member States, CSP's, CSP candidates, CAS providers and/or Model 2 CAS applicants regarding testing and changes.
 - Each Member State will designate at least one person to work with Testing Central.

SST Certification Committee Testing Central

- Testing Central.....the beginning.
 - Devised during the CSP certification process by the CSP Evaluation Committee.
 - Tracking progress of CSP and states during the certification process.

SST Certification Committee Testing Central

- Responsibility of Testing Central
 - Communication between States and CSPs/CASs and potential CSPs/CASs
 - Maintain status and log of CSP/CAS system changes

SST Certification Committee Testing Central

- Maintain up to date contact lists for CSPs/CASs and states
- Compile and maintain test decks from each state for regression testing, new state initial test, and CSP/CAS initial self test.

SST Certification Committee Testing Central

- Provide information and reports for auditors, states, and SST board.
- Provide assistance to new states joining SST.
- Provide information for potential CSPs/CASs

SST Certification Committee Testing Central

- Develop forms and procedures pertaining to Testing Central to be used by states and CSPs/CASs.
- Maintain Access database to track CSP/CAS program changes and state testing.

SST Certification Committee Testing Central

- Testing Central - Currently
 - Maintained by David Thompson – Tennessee and Gary Centlivre – Kansas
 - Databases, Spreadsheets, Forms, Documents and E-mail maintained on a server at the Tennessee Department of Revenue

SST Certification Committee Testing Central

- Testing Central – Future
 - Make most of the functions of Testing Central web based or automatic.
 - Testing Central will be maintained on a server located at the SST site.

SST Certification Committee Testing Central

- **Contacting Testing Central**
 - **David Thompson**
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 - **Gary Centlivre**
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 - **Testing Central**
E-Mail Testing.Central@state.tn.us

SST Certification Committee Rules and Procedures

- **Testing Central 's (TC) Impact on the Audit Process**
 - The documented dates regarding notifications, system implementation and applicable effective dates for rate and law changes, etc. are critical to the audit process
 - The data being recorded will enable SST auditors to determine if the required system changes were made by the CSPs in a timely manner
 - The SST auditors should be able to decipher from TC information logged when hold harmless provisions apply as opposed to those resulting in a CSP's tax liability

SST Certification Committee Rules and Procedures

- Explanation of the Information Report (IR)
 - Section 501.6(B)(2)(a) of Article V requires that a CAS must be able to generate an IR compliant with the TIGERS standards
 - Chapter 8 of the TIGERS standards states: the IR provides more detailed information on deductions, vendor compensation, and location detail
 - The IR data falls into one of these four categories: product based exemption information, entity based, other exemptions and other elements
 - A state can request this data no more frequently than every 6 months

SST Certification Committee Rules and Procedures

- Information Report's (IR) Impact on Audits
 - This report is useful for auditors by providing more detail on deductions to verify if they are appropriate
 - The product based information provided would possibly result in use tax purchase audit leads
 - The entity based information could help auditors discover entities that are improperly claiming that they are tax exempt organizations

SST Certification Committee Rules and Procedures

- Explanation of the CSP Administrative Site
 - Appendix F of Article V outlines this process
 - This web-based site must be established by a CSP for use by the Governing Board and SST States
 - Through this site, each SST state's administrator can view data for his or her state only
 - Access to the SST CSP administrative site must be through a secure process which uses both a PIN and password

SST Certification Committee Rules and Procedures

- Data for SSUTA Governing Board's CSP administrator
 - Must provide both current and historical data
 - Data must be available on-line and in report format for viewing, printing and downloading in a CSV file
 - This data should be available by CSP, by state and in the aggregate
 - Totals for the following are required: number of transactions, amount of taxable sales, amount of tax, number of exempt transactions, amount of exempt sales, and CSP's compensation amount

SST Certification Committee Rules and Procedures

- Data for SSUTA State's CSP administrator
 - Must provide both current and historical data
 - Data must be available on-line and in report format for viewing, printing and downloading in a CSV file
 - Totals for the following are required: number of transactions, amount of taxable sales, amount of tax, number of exempt transactions, and amount of exempt sales.
 - Other data required includes: top 100 sellers (retailers) based on gross sales, CSP's compensation amount, Address lookup found, 5-digit zip code fallback, and 9-digit zip code lookup

SST Certification Committee Rules and Procedures

- Data for each SST State's Audit Work Site
 - Must provide both current and historical data
 - Data must be available on-line and in report format for viewing, printing and downloading in a CSV file
 - This data should include the following information claimed on an exemption form: purchaser's ID number, purchaser's business type, and the purchaser's exemption reason type
 - Other data required includes: seller's SSTID and name, record number (transaction ID), purchaser's name (if purchase is exempt), complete delivery address, total dollar amount of purchases (covers a given period where the purchaser claimed exemption from tax), and description of the item sold (information from SKU or description from seller)

SST Certification Committee Rules and Procedures

- Site Administration's Impact on Audits
 - This information should be useful for the audit selection process
 - The data should provide a simple measurement tool that can provide useful statistics of SST activity
 - It can provide states with use tax audit leads for those purchasers claiming exemptions that they are not entitled to
 - This can reduce the amount of work that states would devote to capturing similar data for audit analysis purposes