




## Overview of the Streamlined Sales Tax Project & Agreement SSTP Technology Training

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## Streamlined Sales Tax Project

- Background
- Key features
- Unresolved issues
- State and federal 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
  - Level the playing field for retailers



## Streamlined Sales Tax Project Background

- **How will it be accomplished?**
  - Tax law simplification and uniformity
  - Uniform administrative procedures
  - Use of technology
- **Who is involved?**
  - Government
  - Business; Cost; NRF
  - NGA, NCSL, and others



## Streamlined Sales Tax Project Participating States (42) (30 States in December 2000)

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



## Streamlined Sales Tax Project What It Doesn't Do!

- **Require expansion of the tax base**
- **Make government larger**
- **Reduce tax competition**
- **Forfeit state sovereignty**
- **Create a national sales tax**
- **Create an evil cartel**



## Streamlined Sales Tax Project What It Doesn't Do!

- **Impede technological development**
- **Violate consumer privacy**
- **Discriminate against the elderly & handicapped**
- **Violate the constitution**



## Streamlined Sales Tax Project Model Legislation

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



## Streamlined Sales Tax 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**

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## Streamlined Sales Tax Agreement Key Features

- **Common state and local bases within a state after 12-31-05**
- **Common base for local jurisdictions**
- **Uniform sourcing: destination based**

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## Streamlined Sales Tax 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



## Streamlined Sales Tax Agreement Key Features

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



## Streamlined Sales Tax Agreement Key Features

- **Uniform return (ELF)**
- **One rounding rule after 12-31-05**
- **Common customer refund procedures**
- **State funding of technology**

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## Streamlined Sales Tax Agreement Technology

- **Model 1 - Certified Service Provider (CSP)**
- **Model 2 - Certified Automated System (CAS)**
- **Model 3 - Certification of In-house (Proprietary) System**
- **Continue with system "as is"**

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## Streamlined Sales Tax Agreement Technology

- Central registration system
- Electronic funds transfer
- Database matching rate to local jurisdiction
- Database of boundary information for local jurisdictions

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## Streamlined Sales Tax Agreement Technology

- Taxability matrix
- Amnesty record keeping
- Compensation record keeping

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## Streamlined Sales Tax Agreement Key Features

- Limited scope audits and certification standards
- Joint audits
- States cannot hold retailers liable if state-provided information is incorrect (rates, boundaries, zip + 4 assignment)

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## Streamlined Sales Tax Agreement What's in it for Small Business?

- Clear, bright-line definitions
- Simplified exemption process
- Simplified return
- Level playing field

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## Streamlined Sales Tax 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

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## Streamlined Sales Tax 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

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## Streamlined Sales Tax 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

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## Streamlined Sales Tax 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

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## Streamlined Sales Tax 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

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## Streamlined Sales Tax 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

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## Streamlined Sales Tax Agreement Administration & Governance

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

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## Streamlined Sales Tax 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

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## Streamlined Sales Tax Agreement Administration & Governance

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

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## Streamlined Sales Tax Agreement Unresolved Issues

- Tax treatment of bundled property or services
- Definition of digital equivalent of tangible personal property
- Rates/jurisdiction data base
- Uniform audit standards and procedures

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## Streamlined Sales Tax Agreement Unresolved Issues

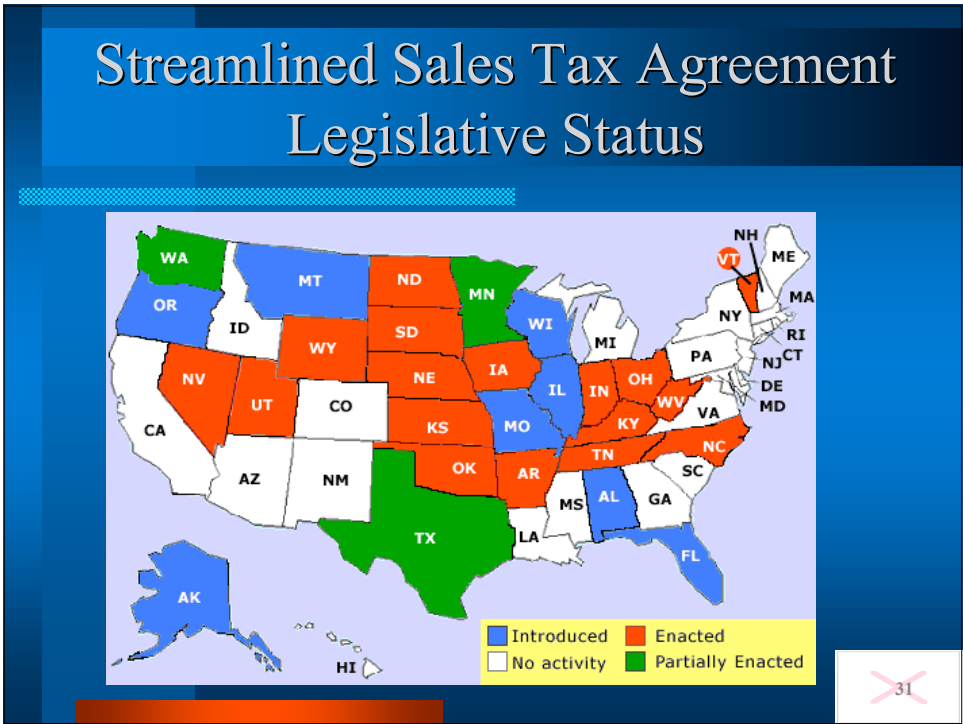
- Taxability matrix guidelines
- Tax holiday definitions
- On-line registration
- Seller compensation/joint collection cost study
- CSP - Request for Proposal
- Issue resolution process: judicial review

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## Streamlined Sales Tax Agreement Amnesty for Voluntary Registration

- Sellers who voluntarily register to collect tax receive amnesty against liability for prior sales regardless of nexus
- Only available after Agreement becomes effective
- Not available to any seller that has received an audit notice from a state

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- ### Streamlined Sales Tax Agreement State Conformity (20.84% of population)
- Arkansas
  - Iowa
  - Indiana
  - Kansas
  - Kentucky
  - Nebraska
  - Nevada
  - North Carolina
  - North Dakota
  - Ohio
  - Oklahoma
  - South Dakota
  - Tennessee
  - Utah
  - Vermont
  - West Virginia
  - Wyoming
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## Streamlined Sales Tax Agreement State Conformity Close (11.5% of population)

- **Minnesota**
- **Texas**
- **Washington**

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## Streamlined Sales Tax Agreement Federal Legislative Activity

- **Expiration of Internet Tax Freedom Act in November 2003**
- **Sales and use tax fairness act (H.R. 3184 and S. 1736)**
- **Business activity tax simplification act**

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## Streamlined Sales Tax Agreement Federal Legislation

- **What would H.R. 3184 and S. 1736 do?**
  - ✓ **Override Quill Corp. v. North Dakota, with respect to those states that adopt the SSTA**
  - ✓ **Implement a governance mechanism for the SSTA**
  - ✓ **Provide for reasonable compensation for remote vendors collecting sales and use tax under the SSTA**

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# Questions?

[www.streamlinedsalestax.org](http://www.streamlinedsalestax.org)

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