Streamlined Sales Tax Project

FTA Revenue Estimating
and Tax Research Conference

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Streamlined Sales Tax Discussion
Agenda

- Background of Project
- State Legislative Status
- Streamlined Sales Tax Implementing States
- SSTIS Action on SSTP Recommendations
- What’s Ahead?
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
  – Congressional sale on remote sales

Key Strategies

● Simplification
● Uniformity
● Shift responsibilities to States
● Use of Technology
Streamlined Sales Tax System
Model Legislation

- **Model Act**
  - Authority to enter agreement
  - Conforming legislation

- **Interstate Agreement**
  - Contract between states
  - Details of tax administration
  - Governance model
Streamlined Sales Tax Project
Legislative Status

- Legislation introduced in 37 states
- Act and Agreement provisions enacted in 4 states -
  - Wyoming
  - Minnesota
  - North Carolina
  - South Dakota

Act enacted in 34 states –
- Wyoming, Kentucky, Utah, Arkansas,
  - North Dakota, Indiana, Maryland, Oklahoma,
  - Louisiana, Tennessee, Nebraska, Nevada,
  - Florida, Texas, Minnesota, Rhode Island,
  - Illinois, North Carolina, Wisconsin, Michigan,
  - New Jersey, South Dakota, Maine, West
  - Virginia, Ohio, Washington, Virginia, Alabama,
  - Kansas, Iowa, Arizona, Missouri, Vermont,
  - and South Carolina

- Enacted in District of Columbia
Streamlined Sales Tax
Implementing States

- **Purpose**
  - Finalize provisions of interstate agreement to simplify and modernize

- **Process**
  - Review and act on recommendations of SSTP

- **Membership**
  - Passage of Uniform or Simplified Sales and Use Tax Administration Act
  - Currently 34 states and D.C.

**SSTIS Action on SSTP Proposals**

- State tax administration of local sales and use taxes (Adopted)
- Base Simplification (Adopted)
- Simplified exemption processing (Adopted)
- Uniform sourcing (Adopted)
  - Telecommunications Sourcing (Adopted)
- Single registration (Adopted)
SSTIS Action on SSTP Proposals

- Menu of uniform definitions (Adopted)
  - Food
  - Prepared Food
  - Candy
  - Soft Drinks
  - Clothing

SSTIS Action on SSTP Proposals

- Menu of uniform definitions (Adopted)
  - Lease
  - Tangible Personal Property
  - Drugs
  - Medical Equipment
  - Software
  - Delivered Electronically
  - Load and Leave
SSTIS Action on SSTP Proposals

- Limitation on State rates per state (Revised - allow second rate on food and drugs)
- Single local rate per jurisdiction (Adopted)
- Limitations on caps and thresholds (Adopted)
- Uniform treatment of bank holidays (Adopted)

SSTIS Action on SSTP Proposals

- Sales Tax Holidays (Revised to allow for limited defined products)
- Limited scope audits and certification standards (Adopted)
- No nexus attribution for voluntary collection (Adopted)
- Simplified filing - uniform form (ELF) (Adopted)
- Electronic funds transfer for remittances (Adopted)
SSTIS Action on SSTP Proposals

- State data base matching rate to jurisdiction (Adopted)
- States cannot hold retailers liable if state-provided information is incorrect (rates, boundaries, zip+4 assignment) (Adopted)
- Tax Collection and Remittance Models (Adopted)
- Governance (Adopted)

What’s Ahead for the Streamlined Sales Tax Effort?

- Legislative Action and Education
  - Final Vote on Agreement (November?)
  - State Legislation complying with Agreement
- Federal Legislative effort
  - Expiration of Internet Tax Freedom Act in November 2003
  - Business Activity Tax Nexus
  - Cost of Collection Study
What’s Ahead for the Streamlined Sales Tax Project?

- More Definitions (Digital Goods)
- Implementation
  - Data Bases
  - Audit standards and procedures
  - Exemption administration
  - Uniform forms
  - Uniform exemption certificate
  - Central registration process

What’s Ahead for the Streamlined Sales Tax Project?

- Technology Issues
  - Tax Collection Models
  - Pilot Project (Model 1)
  - Certification Standards (Model 2)
  - Address/Rate Database
  - Central Registration System
Streamlined Sales Tax System

- SSTIS Adopts Model Provisions for Uniformity
- States Pass Model Legislation
- States Enter into Agreement (10 States - 20%)
- Federal Legislation?

Questions?