

Streamlined Sales Tax Project

SEATA

Streamlined Sales Tax Project Update

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Charles D. Collins, SSTP Co-Chair

www.streamlinedsalestax.org

Streamlined Sales Tax Project Agenda

- ✍ **Background of Project**
- ✍ **Legislative Status**
- ✍ **Streamlined Sales Tax Implementing States**
- ✍ **Recommendations**
- ✍ **What's Ahead?**



Streamlined Sales Tax Project Background

✍ What is SSTP?

- Project to modernize sales and use tax
- Affects all taxpayers and all commerce (bricks and mortar and remote)

✍ Why is modernization important?

- Reduce complexity of tax structure, 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?

- State Government
- Input from Local Government, Business, and Public
- NGA, NCSL, and others

✍ Why are groups involved?

- Manufacturers, Telcos
 - Simplified procedures and practices
 - Reduced compliance burden
- Retailers
 - Simplified procedures and practices
 - Reduced compliance burden
 - Movement toward level playing field



Streamlined Sales Tax Project Background

Why are groups involved?

– Government

- Reduced administration problems
- Improved compliance
- Movement toward level playing field
- Voluntary compliance from remote vendors



Streamlined Sales Tax Project Background

Project Organization

- Two Co-Chairs
- Steering Committee
 - Members: Kentucky, Missouri, New Jersey, North Carolina, Pennsylvania, South Dakota, Texas, Utah, and Wisconsin
- Work Groups and Sub-Groups (Government and Business)
- Project Meetings
- Public Hearings



Streamlined Sales Tax Project

Participating States (32-37)

Alabama

Arizona

Arkansas

District of Columbia

Florida

Illinois

Indiana

Iowa

Kansas

Kentucky

Louisiana

Maine

Maryland

Michigan

Minnesota

Mississippi

Missouri

Nebraska

Nevada

New Jersey

North Carolina

North Dakota

Ohio

Oklahoma

Pennsylvania

Rhode Island

South Carolina

South Dakota

Tennessee

Texas

Utah

Vermont

Virginia

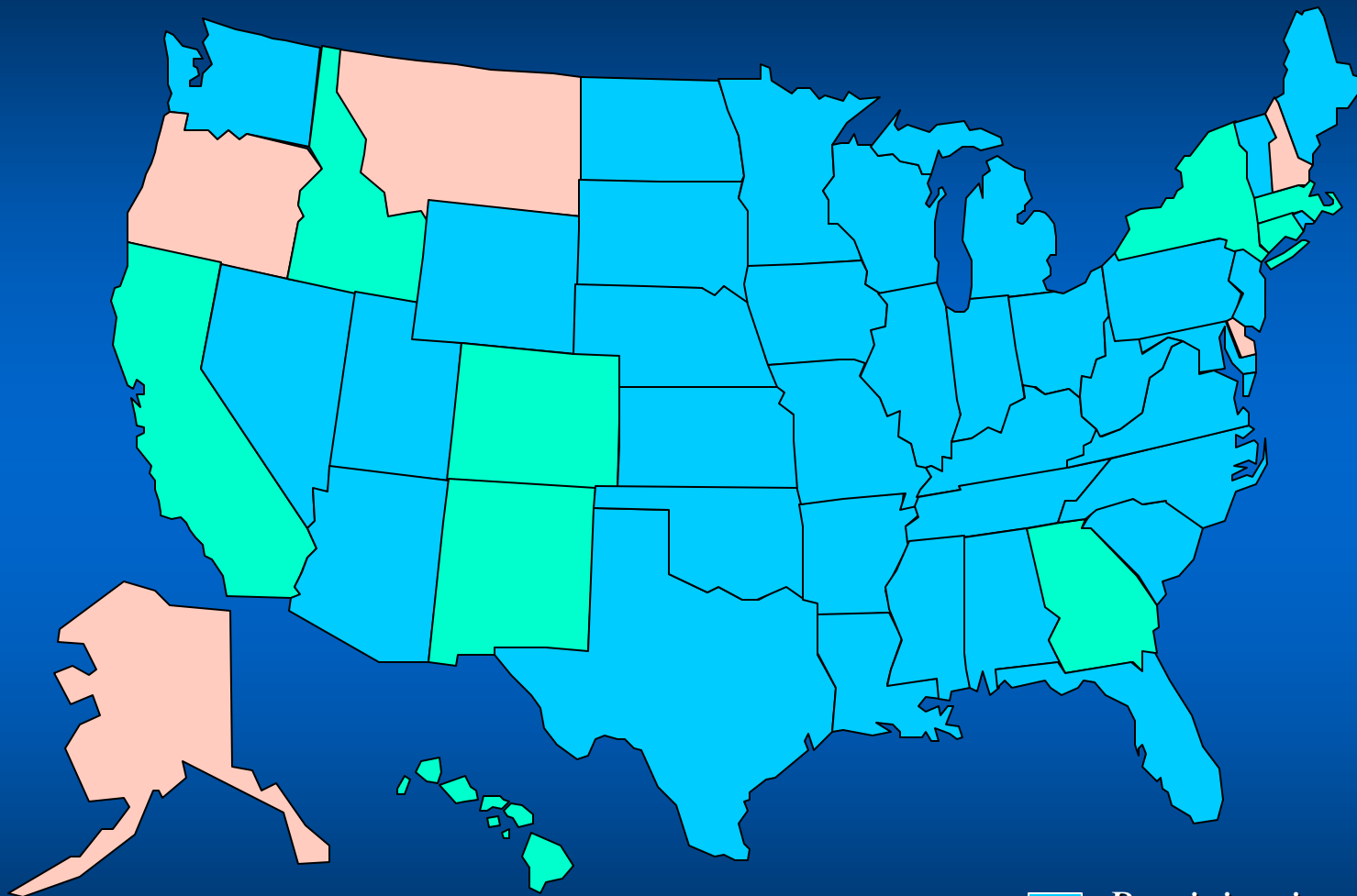
Washington




West Virginia

Wisconsin

Wyoming





-  *Participating States (37)*
-  *No Sales Tax States (5)*
-  *Nonparticipating and Observer States (9)*

Streamlined Sales Tax System Model Legislation

Model Act

- Authority to enter agreement
- Conforming legislation

Interstate Agreement (contract between states)

- Effective date
- Administration
- Certification
- Governance



Streamlined Sales Tax Project

Legislative Status

- ✍ **Legislation introduced in 37 states**
(June 2001 – 26)
- ✍ **Act and Agreement provisions enacted**
in 4 states-
 - Wyoming**
 - Minnesota**
 - North Carolina**
 - South Dakota**



Streamlined Sales Tax Project

Legislative Status

- ✍ **Act enacted in 34 states – (June 2001 – 6)**
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.



Streamlined Sales Tax Implementing States

Progress

- Operating Rules
- Reviewed and approved provisions of the Uniform and Simplified Agreements
- Reviewed and took action on SSTP proposals



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)**



Action on SSTP Proposals

Menu of uniform definitions (Adopted)

- Food
- Prepared Food
- Candy
- Soft Drinks
- Clothing



Action on SSTP Proposals

Menu of uniform definitions (Adopted)

- Lease
- Tangible Personal Property
- Drugs
- Medical Equipment
- Software
- Delivered Electronically
- Load and Leave



Action on SSTP Proposals

- ✍ **Limitation on State rates per state (Revised to allow one additional rate for food and drugs only)**
- ✍ **Single local rate per jurisdiction (Adopted)**
- ✍ **Limitations on caps and thresholds (Adopted)**
- ✍ **Uniform treatment of bank holidays (Adopted)**
- ✍ **Uniform rounding (Revised to allow multiple algorithms. Approved elimination of brackets and rounding to three digits)**
- ✍ **Privacy Clarifications (Adopted)**



Action on SSTP Proposals

- ✍ **Sales Tax Holidays**
(Revised to allow for limited defined products)
- ✍ **Uniform treatment of bad debts (Adopted)**
- ✍ **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)**



Action on SSTP Proposals

- ✍ **Direct Pay Permits (Adopted)**
- ✍ **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)**



Tax Collection and Remittance Models (Approved)

- ✍ **Certified Service Provider (CSP)**
- ✍ **Retailer Using Certified Automated System (CAS)**
- ✍ **Proprietary System as a Certified Automated System (CAS)**
- ✍ **Traditional Collection System**



Other Implementing States Issues

Governance

- Effective Date of Agreement
- Approval of Initial States
- Entry and Withdrawal
- Certification and Re-Certification
- Requirements



Other Implementing States Issues

Governance

- Standard of Compliance
- Agreement Administration
- Sanctions
- Role of Advisory Councils
- Amendments



Streamlined Sales Tax Project

What's Ahead?

- ✍ **More Definitions (Digital)**
- ✍ **Implementation**
 - Data Bases
 - Audit standards and procedures
 - Exemption administration
 - Uniform forms
 - Uniform exemption certificate
- ✍ **Legislative Action and Education**



Streamlined Sales Tax Project

What's Ahead?

Technology Issues

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

Cost of Collection Study



Pilot Project

✍ **Purpose - Test concept and linkage of system**

✍ **States: Kansas Michigan
North Carolina Wisconsin**

✍ **Providers**

- esalestax.com
- Pitney Bowes (Vertex)
- Taxware International (Hewlett-Packard)

✍ **Status: Completed testing
System operational**

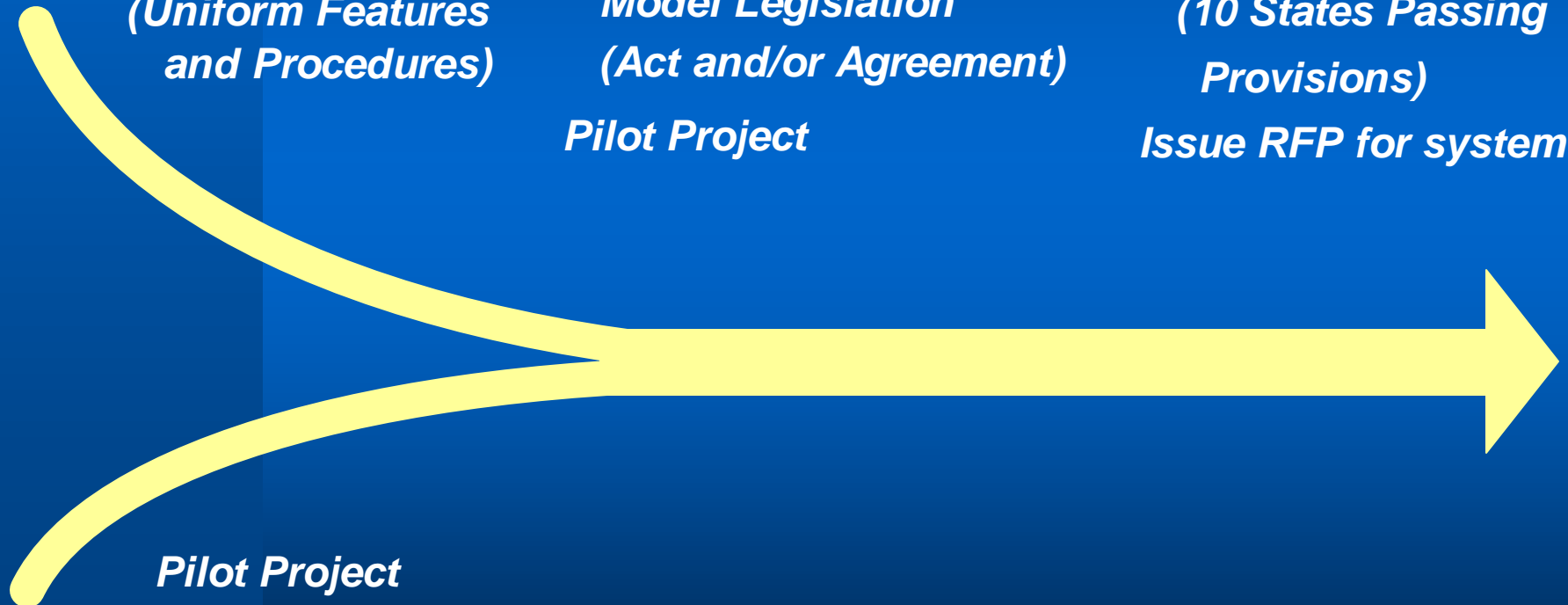


Streamlined Sales Tax System

*Model Legislation
(Uniform Features
and Procedures)*

*Adoption of
Model Legislation
(Act and/or Agreement)
Pilot Project*

*Agreement
(10 States Passing
Provisions)
Issue RFP for system*



Questions?

