

Appendix B
Sales and Use Tax Compliance Agreements
Summary of State Practices

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	<i>ALABAMA</i>	<i>ALASKA</i>	<i>ARIZONA</i>	<i>ARKANSAS</i>
Agency Contact	Ernest Broadhead (334) 242-1576		Miguel Teposte (602) 716-6652	John Theis (501) 682-7000
<i>Does state require legal authority to enter into a SUTCA? If yes, is authority in place?</i>	Legal authority not required.	No Sales Tax	Yes, legal authority is required, and legislation authorizing this has not been passed.	Yes Yes
<i>Has agency entered into or considered entering into a SUTCA? If yes, are formal procedures in place?</i>	Yes Pending		No, the agency has not entered into a SUTCA, and, although the Dept. of Revenue is reviewing the Report of the Steering Committee, no other action is contemplated at this time.	Yes Pending
<i>What criteria is used to determine whether a SUTCA will be considered?</i>	Taxpayer in good standing; Business need demonstrated; Direct payment permit holder; Computerized records; Agreement on sampling procedures		N/A	Taxpayer in good standing; Business need demonstrated; Direct payment permit holder; Agreement on sampling procedures
<i>Number of SUTCAs in place? Number of SUTCAs pending?</i>	2 in place 4 pending		N/A	1 in place 3 pending
<i>General term of SUTCA</i>	3 years; initial review takes place in 18 months.		N/A	Open-ended
<i>For base period analysis, does agency detail or sample transactions? Who performs analysis?</i>	Sample is performed by the taxpayer with tax authority review/approval.		N/A	Sample expenses, detail capital. Sample is performed by state auditors.
<i>List accounts specifically excluded from the SUTCA</i>	Capital assets; Purchases for resale; Telecommunications; Utilities;		N/A	Taxpayers with poor compliance history.

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	ALABAMA	ALASKA	ARIZONA	ARKANSAS
	Construction projects; Corporate procurement card purchases			
<i>Are local taxes addressed?</i>	Yes; imposed at purchaser's location. Generally, we have considered only expenses of manufacturers as being eligible procedure.		N/A	Yes
<i>How are significant business changes addressed?</i>	Taxpayer adjusts ratio or rate and maintains supporting documentation for subsequent review by agency.		N/A	State audit to adjust ratio or rate.
<i>How are discrepancies in tax handled?</i>	Require reconciliation of tax if beyond specified dollar threshold.		N/A	Require reconciliation of tax
<i>Additional Comments</i>			None	

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	<i>CALIFORNIA</i>	<i>COLORADO</i>	<i>CONNECTICUT</i>	<i>DELAWARE</i>
Agency Contact		Phil Spencer (303) 355-0400 x-213	Paul Greenfield (860) 541-7573	
<i>Does state require legal authority to enter into a SUTCA? If yes, is authority in place?</i>		Yes No	Yes Yes; 1999 Conn. Pub. Acts 173 (sec. 60 through 63) as amended by 1999 Conn. Pub. Acts 1, June Special Session (sec. 41 & 42). Both acts enclosed with survey.	No Sales Tax
<i>Has agency entered into or considered entering into a SUTCA? If yes, are formal procedures in place?</i>		No. Direct Pay will be implemented beginning 1-1-2000. SUTCAs may evolve after that time.	Yes. We have entered into SUTCAs. Note: Connecticut's agreements are called MCAs - Managed Compliance Agreements. Yes. Agreements have been formalized.	
<i>What criteria is used to determine whether a SUTCA will be considered?</i>			An eligible taxpayer is a taxpayer required to file any return or to pay or remit any Connecticut sales or use taxes on its purchases. A taxpayer may be eligible for the MCA program only when, in the Commissioner's opinion, the taxpayer: Demonstrates a willingness and ability to comply with Connecticut tax laws; Maintains an acceptable system of internal controls and business records; Maintains a large volume of taxable purchases; and Cooperates with Connecticut's efforts to collect tax. DRS will not enter into an MCA with certain taxpayers. Taxpayers who will not be permitted to enter into MCAs include those that: Have failed to cooperate with DRS in the past; Have failed to remedy improper reporting habits;	

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			<p>Have filed bankruptcy within the last ten years; Are controlled by or related to taxpayers who have filed for bankruptcy within the last ten years; Have been or currently are the subject of ongoing criminal investigations; Maintain poor internal controls; Maintain an unacceptable system of business records; or Do not have a large volume of taxable purchases.</p>	
<p><i>Number of SUTCAs in place?</i> <i>Number of SUTCAs pending?</i></p>			<p>2 in place 4 pending</p>	
<p><i>General term of SUTCA</i></p>			<p>3 years but can be extended</p>	
<p><i>For base period analysis, does agency detail or sample transactions? Who performs analysis?</i></p>			<p>The base period analysis is usually conducted under the terms of a managed audit and typically uses sampling. Statistical sampling is preferred. If a managed audit is not used, either the agency, taxpayer or a combination of both can perform the base period analysis.</p>	
<p><i>List accounts specifically excluded from the SUTCA</i></p>			<p>Large volume purchases of taxable goods and services that a business makes for its own use on an ongoing basis will generally be included in an MCA. Capital asset purchases may be included in an MCA. The following types of purchases will always be excluded from an MCA. Tangible personal property incorporated into new construction of real property; Resale and inventory purchases; Utility services (gas, electric, and heating fuel); Telecommunications services; Meals and lodging;</p>	

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			Motor vehicles, vessels, aircraft, and snowmobiles; Purchases where DRS and the taxpayer do not agree on the taxability; and Purchases made with Procurement Cards (P-Cards).	
<i>Are local taxes addressed?</i>			No. Connecticut municipalities do not impose local sales taxes.	
<i>How are significant business changes addressed?</i>			MCA conditions require an agreement to be modified or terminated if there is a material change. The MCA defines what constitutes a material change. Examples that may create a material change to a business are: Significant changes involving business activities outsourced or transferred; Significant starting up or closing of facilities; Merger or acquisition; Adoption of cost containment programs; Significant financial or accounting changes. A legislative change to the sales and use tax statutes may also require an MCA to be modified. See footnotes for additional information.	
<i>How are discrepancies in tax handled?</i>			A key element of an MCA is the reconciliation of the effective use tax rate with the taxpayer's actual liability. DRS and the taxpayer agree to waive amounts of tax due or tax refund claims if these amounts fall within the acceptable range that DRS applies to all taxpayers entering into MCAs. The acceptable range is within .5% (.005) of the actual use tax liability. However, the acceptable range may be changed on a	

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	<i>CALIFORNIA</i>	<i>COLORADO</i>	<i>CONNECTICUT</i>	<i>DELAWARE</i>
			prospective basis for MCAs entered into after the effective date of an announced change of a tax rate or on a retroactive basis for MCAs existing on the effective date of such announced change, upon agreement by DRS and the eligible taxpayer.	
<i>Additional Comments</i>			D.R.S. Administrative Pronouncement Informational Publication IP 2001(8) provides additional details to the Connecticut's Managed Compliance Program.	

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	<i>DISTRICT OF COLUMBIA</i>	<i>FLORIDA</i>	<i>GEORGIA</i>	<i>HAWAII</i>
Agency Contact	Gregory Barcase (202) 442-6579		Edward M Many (404) 651-5417	
Does state require legal authority to enter into a SUTCA? If yes, is authority in place?	Legal authority not required		General powers of the Commissioner are sufficient.	
Has agency entered into or considered entering into a SUTCA? If yes, are formal procedures in place?	Agency has entered into one or more SUTCAs. Formal procedures are in place.		Yes Informal policies have been established by the Compliance Division.	
What criteria is used to determine whether a SUTCA will be considered?	Taxpayer in good standing; Business need demonstrated; Agreement on sampling procedures		Taxpayer in good standing Business need demonstrated Direct Pay Permit Holder Perpetually audited taxpayer Manufacturer Agreement on Sampling Procedures Registration of all locations in state	
Number of SUTCAs in place? Number of SUTCAs pending?	20 in place 3 pending		2 MoUs signed, but not implemented 2 MoUs in process	
General term of SUTCA	3 years; 5 years if egregious		Agreement will be indefinite, but percentages will be reviewed every 18-24 months	
For base period analysis, does agency detail or sample transactions? Who performs analysis?	Detail or sample performed by taxpayer with tax authority review		Sample Taxpayer submits detailed parameters of sample to agency for review prior to selecting sample and beginning analysis.	
List accounts specifically excluded from the SUTCA	N/A		Capital assets Purchases for resale Telecommunications and Utilities Construction projects Corporate procurement card purchases	

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	<i>DISTRICT OF COLUMBIA</i>	<i>FLORIDA</i>	<i>GEORGIA</i>	<i>HAWAII</i>
<i>Are local taxes addressed?</i>	N/A		Local taxes are imposed at the monthly rate in the purchaser's location	
<i>How are significant business changes addressed?</i>	Taxpayer notifies agency; adjustments made going forward		Taxpayer is responsible for monitoring its operations and submitting potential changes to the agency.	
<i>How are discrepancies in tax handled?</i>	Adjustments made going forward only		Other than for material changes, no refund or additional tax is anticipated. Parties have right to review period covered by agreement, and subject to agreement of both parties there could be payment of refund or additional tax.	
<i>Additional Comments</i>	Voluntary compliance agreements add taxpayers to the District's registration database and provide future revenue streams for the city.		Agreements require considerable amount of up-front work by taxpayer and tax agency.	

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	<i>IDAHO</i>	<i>ILLINOIS</i>	<i>INDIANA</i>	<i>IOWA</i>
Agency Contact		Lynne Raimondo (312) 814-3129	William Terry Griggs (317) 233-5013	David Casey (515) 281-6163
Does state require legal authority to enter into a SUTCA? If yes, is authority in place?	The Tax Commission would require either a statute or an administrative rule allowing compliance agreements. The only authority in place currently is Idaho Administrative Rule IDAPA 35.01.02.077.09. This rule permits compliance agreements only with contractors at the Idaho National Engineering and Environmental Laboratory (INEEL).	Currently the department has not entered into any formal written compliance agreements. However the department has approved Direct Pay Permit holders to utilize a taxability ratio for prospective Sales Tax return filings without a written agreement. SUTCAs are under consideration by the department.	Yes Yes	Yes; by rule Yes
Has agency entered into or considered entering into a SUTCA? If yes, are formal procedures in place?	The Tax Commission does not currently have any formal agreements in place.		Yes Yes	Considering; no formal policies at this time.
What criteria is used to determine whether a SUTCA will be considered?	N/A		Taxpayer in good standing Direct Pay Permit Holder Manufacturer Large Volume Business Computerized Records Agreement on Sampling Procedures	Taxpayer in good standing; Direct payment permit holder; Perpetually audited taxpayer; Large volume of purchases; Agreement on sampling procedures
Number of SUTCAs in place? Number of SUTCAs pending?	N/A		32 in place 15 pending	0 in place 1 pending
General term of SUTCA	N/A		3 years	No set years; number of years will be negotiated.
For base period analysis, does agency detail or sample transactions? Who performs analysis?	N/A		Sample performed by tax authority with taxpayer review/approval	Sample is performed by the taxpayer with tax authority review/approval.
List accounts specifically excluded from the SUTCA	N/A		Capital assets; Inventory; Payroll; Professional services	Purchases for resale; Telecommunications; Utilities; Construction projects; Motor vehicles - purchased or leased

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	<i>IDAHO</i>	<i>ILLINOIS</i>	<i>INDIANA</i>	<i>IOWA</i>
<i>Are local taxes addressed?</i>	The INEEL is not located in an area that imposes a local tax.		N/A	Yes; imposed at purchaser's location. Local option tax is based on the delivery of the goods and services in the local option jurisdiction. The agreement will include tax due on local option if the purchaser is located in a local option tax jurisdiction.
<i>How are significant business changes addressed?</i>	N/A		Taxpayer notifies the agency; ratio is adjusted going forward	Taxpayer notifies agency; ratio or rate is adjusted going forward.
<i>How are discrepancies in tax handled?</i>	N/A		Adjustments made going forward only	There is no set guideline. Expect this issue to be handled in the final agreement.
<i>Additional Comments</i>				

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	KANSAS	KENTUCKY	LOUISIANA	MAINE
Agency Contact	Robert Lewis (785) 296-7487		Kurt Van Brocklin (225) 925-7548	Peter B. Beaulieu (207) 624-9732
Does state require legal authority to enter into a SUTCA? If yes, is authority in place?	Yes Yes		Yes No	Yes No
Has agency entered into or considered entering into a SUTCA? If yes, are formal procedures in place?	Yes. Yes		No. Administration of the tax must be in compliance with the tax laws. We do not have the authority to deny a properly due refund or to not enforce the collection of a properly due liability. We can agree to audit the system being used by the taxpayer to determine his liability for accuracy under current auditing methodology, be we cannot agree to limit the taxpayer's liability to the amount determined by use of that system.	No
What criteria is used to determine whether a SUTCA will be considered?	Taxpayer in good standing; Business need demonstrated; Large volume of purchases			
Number of SUTCAs in place? Number of SUTCAs pending?	4 in place 0 pending			
General term of SUTCA	Open-ended			
For base period analysis, does agency detail or sample transactions? Who performs analysis?	Sample is performed by the taxpayer with tax authority review/approval			
List accounts specifically excluded from the SUTCA	Purchases for resale; Telecommunications; Construction projects Automobiles; Meals			

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	<i>KANSAS</i>	<i>KENTUCKY</i>	<i>LOUISIANA</i>	<i>MAINE</i>
<i>Are local taxes addressed?</i>	Yes. Local taxes imposed at seller's location			
<i>How are significant business changes addressed?</i>	Taxpayer adjusts ratio or rate and maintains supporting documentation for subsequent review by agency.			
<i>How are discrepancies in tax handled?</i>	Require reconciliation of tax			
<i>Additional Comments</i>				

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	MARYLAND	MASSACHUSETTS	MICHIGAN	MINNESOTA
Agency Contact	Linda L. Tanton (410) 767-1556	Mark Cresse (617) 887-6809	Dale Vettel (517) 373-2746	Larry Wilkie Cathy Wicks (651) 296-1708 (651) 556-6818
Does state require legal authority to enter into a SUTCA? If yes, is authority in place?	Legal authority not required	No special legal authority needed. M.G.L. Ch. 62C s.25 states requirements for records and data kept by vendors is prescribed by commissioner [of DOR].	Yes Yes	Legal authority not required
Has agency entered into or considered entering into a SUTCA? If yes, are formal procedures in place?	Yes No formal procedures. SUTCAs usually necessitate the taxpayer having a direct pay authority. The Comptroller's Office is prohibited by law from issuing additional direct pay permits to taxpayers after July 1, 1993. Taxpayers who had been issued direct pay permits prior to July 1, 1993 may still retain their permits.	Several SUTCAs are nearing completion. Formal procedures detailed in publication "Managed Compliance Agreements". Standard agreement from approved.	Yes Pending	Considering.
What criteria is used to determine whether a SUTCA will be considered?	Taxpayer in good standing; Business need demonstrated; Direct payment permit holder; Perpetually audited taxpayer; Large volume of purchases (threshold relative to nature of business); Agreement on sampling procedures	Direct Payment Permit Holder Registered and filing sales/use returns monthly, and in good standing. Sales/Use tax accrual amounts over \$50,000 yearly. Computerized recordkeeping system useable for stratified scientific sampling. Agreement on sampling procedures.	Taxpayer in good standing; Business need demonstrated; Direct payment permit holder; Perpetually audited taxpayer; Large volume of purchases; Computerized records	Taxpayer in good standing; Business need demonstrated; Direct payment permit holder; Perpetually audited taxpayer (also requirement for direct pay); Large volume of purchases; Computerized records; Agreement on sampling procedures; TP must be currently under audit or audited within the last three years. TP's business must be expected to be stable for the future payment period. TP must be considered cooperative based on past experience.
Number of SUTCAs in place? Number of SUTCAs pending?	2 in place 0 pending	None yet, two in final stages. Three under consideration, various stages.	0 in place 1 pending	0 in place; testing the concept with 3 TPs 0 pending
General term of	4 years	Renewable, but original term usually 3	5 years	N/A

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	MARYLAND	MASSACHUSETTS	MICHIGAN	MINNESOTA
<i>SUTCA</i>		years.		
<i>For base period analysis, does agency detail or sample transactions? Who performs analysis?</i>	Sample is performed by the taxpayer with tax authority review/approval	Transactions sampled, individually reviewed. Agency receives data from taxpayer, creates stratified random sample. Taxpayer analyzes data, agency reviews classifications and taxability rate.	Sample is performed by the taxpayer with tax authority review/approval	Sample performed jointly by the taxpayer and tax authority. Jointly agree on the population from which the sample will be drawn.
<i>List accounts specifically excluded from the SUTCA</i>	Capital assets; Construction projects	Flexible, according to individual taxpayer, but generally: payroll/benefits; raw materials/inventory; telecommunications; vehicles, aircraft, watercraft; accounts with no possibility of Massachusetts exposure. Usually exclude purchase ("P") card accounts; telecommunications charges; local, state and federal tax accounts.	Appendix attached to agreement will specify non-qualifying purchases.	Capital assets. No list of types of accounts that would always be excluded. Something that would be decided after seeing how the accounting system was organized, taking into account the type of business/industry that the TP is involved with.
<i>Are local taxes addressed?</i>	No. Local taxes not applicable.	Very few local taxes in Massachusetts. Would be addressed.	No. No local sales / use taxes in Michigan.	Yes. Imposed at the location in which the first taxable use occurs. This is usually the location where title or possession transfers from the vendor to the customer.
<i>How are significant business changes addressed?</i>	Taxpayer adjusts ratio or rate and maintains supporting documentation for subsequent review by agency.		Either taxpayer or department may request change.	Taxpayer notifies agency; adjustments made going forward. Or, Taxpayer adjusts ratio or rate and maintains supporting documentation for subsequent review by agency.
<i>How are discrepancies in tax handled?</i>	Adjustments made going forward only. Only if taxpayer was in complete compliance with SUTCA agreement. Failure to comply with all aspects of agreement will require reconciliation of tax.	"True-Up" in third year of SUTCA. If amounts accrued within "target range", no adjustment for past, but rate adjusted for future. If outside "target range" overpaid tax abated or additional tax assessed.	Require reconciliation of tax	Require reconciliation of tax
<i>Additional Comments</i>		Taxpayer required to report any material changes in business operations promptly. Taxpayer may request adjustment to rate during SUTCA period to keep rate accurate.		We have been working with three taxpayers to test the concept. We have learned that it is much more time consuming on our part as well as the taxpayer's part than was expected.

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	MISSISSIPPI	MISSOURI	MONTANA	NEBRASKA
Agency Contact	Meg Barnes (601) 923-7017	Stan Farmer (573) 751-3470		G. Shaun Sookram (402) 471-5751
Does state require legal authority to enter into a SUTCA? If yes, is authority in place?	Yes. § 27-67-17	No. Neither Missouri statutes or regulation address this issue. Statute requires taxpayer to remit all taxes due; taxpayers use a variety of methods to calculate tax.	No Sales Tax	Legal authority not required
Has agency entered into or considered entering into a SUTCA? If yes, are formal procedures in place?		No No We have considered it in the past, however when we let taxpayers know we would still reserve the right to conduct an audit for past periods and would require payment for any deficiencies found during the audit, the taxpayers usually do not follow up		Considering Pending
What criteria is used to determine whether a SUTCA will be considered?	Taxpayer in good standing; business need demonstrated; direct pay permit; computerized records; signed agreement with taxpayer including sampling procedures.	Taxpayer in good standing; Business need demonstrated; Agreement on sampling procedures; Agreement to audit periods and to pay an deficiencies with interest		Taxpayer in good standing; Business need demonstrated; Direct payment permit holder; Perpetually audited taxpayer; Large volume of purchases; Computerized records; Agreement on sampling procedures
Number of SUTCAs in place? Number of SUTCAs pending?	3 in place 0 pending	0 in place 0 pending		0 in place 2 pending
General term of SUTCA	No set time frame. Number of years to be covered will be set in agreement.	N/A		Has not been finalized; looking at 3 years
For base period analysis, does agency detail or sample transactions? Who performs analysis?	Sample is performed by the taxpayer with tax authority review/approval. If there is a current audit, this information may be used.	Base period analysis would be performed by taxpayer with tax authority review/approval.		Sample is performed by the taxpayer with tax authority review/approval
List accounts specifically excluded from the SUTCA	Capital assets; Raw materials; Utilities;			Capital assets; Construction projects

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	MISSISSIPPI	MISSOURI	MONTANA	NEBRASKA
	Construction projects; Payroll; Expense reimbursement; Any others agreed upon by taxpayer and tax authority.			

	MISSISSIPPI	MISSOURI	MONTANA	NEBRASKA
<i>Are local taxes addressed?</i>	No. There are no local taxes.	Would require local taxes be handled as statute dictates. (Sales tax for direct pay taxpayers is based on purchaser's location. Otherwise sales tax is based upon the seller's location).		Yes; imposed at purchaser's location
<i>How are significant business changes addressed?</i>	Taxpayer adjusts ratio or rate for these changes or any law changes. Taxpayer must maintain supporting documentation and any changes must be agreed to in writing by both parties.	N/A		Taxpayer adjusts ratio or rate and maintains supporting documentation for subsequent review by agency.
<i>How are discrepancies in tax handled?</i>	Require reconciliation of tax.	Would require reconciliation of tax		Require reconciliation of tax if beyond specified dollar threshold
<i>Additional Comments</i>	None			

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	<i>NEVADA</i>	<i>NEW HAMPSHIRE</i>	<i>NEW JERSEY</i>	<i>NEW MEXICO</i>
Agency Contact			Richard W. Schrader (609) 292-0978	
Does state require legal authority to enter into a SUTCA? Is authority in place?		The State of New Hampshire does not have a general sales & use tax. There are no compliance agreements in place for the Meals & Rentals or the Communications Services taxes.	Yes Yes	
Has agency entered into or considered entering into a SUTCA? If yes, are formal procedures in place?			Yes No	
What criteria is used to determine whether a SUTCA will be considered?			Taxpayer in good standing; Business need demonstrated; Large volume of purchases (helpful but not mandatory); Computerized records	
Number of SUTCAs in place? Number of SUTCAs pending?			8 in place 4 pending 2 returned due to a merger and a sale.	
General term of SUTCA			3 years	
For base period analysis, does agency detail or sample transactions? Who performs analysis?			Base period analysis may be performed by the taxpayer with tax authority review/approval, or solely by the tax authority	
List accounts specifically excluded from the SUTCA			Purchases for resale; Telecommunications; Utilities	
Are local taxes addressed?			No. No local tax.	
How are significant business changes addressed?			Taxpayer notifies agency; adjustments made going forward.	
How are discrepancies in tax handled?			Agreement provides for no true-ups or refunds	

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	<i>NEVADA</i>	<i>NEW HAMPSHIRE</i>	<i>NEW JERSEY</i>	<i>NEW MEXICO</i>
<i>Additional Comments</i>				

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	NEW YORK	NORTH CAROLINA	NORTH DAKOTA	OHIO
Agency Contact	Norman W. Ayers (518) 457-3663	Andy Sabol (919) 733-2151	Gary Anderson (701) 328-3471	John Trippier (614) 995-0724
Does state require legal authority to enter into a SUTCA? Is authority in place?	Legal authority not required	Legal authority not required	Legal authority not required	Legal authority not required
Has agency entered into or considered entering into a SUTCA? If yes, are formal procedures in place?	Yes Yes	No. We do not use a SUTCA. We utilize a Memorandum of Understanding (MoU).	No	Yes Yes
What criteria are used to determine whether a SUTCA will be considered?	Taxpayer in good standing; Business need demonstrated; Direct payment permit holder; Large volume of purchases (varies); Agreement on sampling procedures; Taxpayers difficulty in making or controlling tax consequences at the time of purchase.	Taxpayer in good standing; Business need demonstrated; Direct payment permit holder; Perpetually audited taxpayer; Large volume of purchases; Agreement on sampling procedures		Taxpayer in good standing; Business need demonstrated; Direct payment permit holder; Perpetually audited taxpayer; Large volume of purchases; Computerized records; Agreement on sampling procedures
Number of SUTCAs in place? Number of SUTCAs pending?	10 in place 6 or 8 pending	6 in place with Memorandum of Understanding. 1 Memorandum of Understanding pending		0 in place 3 pending
General term of SUTCA	2 years. Each agreement is unique and written based on mutually acceptable terms by the taxpayer and agency.	1-2 years for MoU		3 years. See notes for additional information.
For base period analysis, does agency detail or sample transactions? Who performs analysis?	Base period analysis may be a detail or sample performed by either the taxpayer, the tax authority, or both.	Base period analysis may be a detail or sample. May be performed by the taxpayer with tax authority review/ approval, or performed solely by the tax authority.		These agreements are primarily based on random or statistical sampling audits wherein our Dept. determines the sample size, strata ranges and random selection of transactions. The Dept. normally will then perform the analysis, however, if a managed audit exists, the taxpayer conducts the analysis subject to the verification of our Dept.
List accounts	Telecommunications. We recommend	Capital assets;		Normally, we would identify the

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	NEW YORK	NORTH CAROLINA	NORTH DAKOTA	OHIO
<i>specifically excluded from the SUTCA</i>	exclusion of telecommunications but all other accounts could be included if mutually agreed to.	Purchases for resale; Telecommunications; Utilities; Construction projects		accounts included in the target population of the SUTCA in an attachment.
<i>Are local taxes addressed?</i>	Yes; local taxes are imposed at the purchaser's location. NYS administers both the state and local sales taxes.	Yes; local taxes are imposed at the purchaser's location		Yes.
<i>How are significant business changes addressed?</i>	Taxpayer notifies agency; adjustments made going forward; OR Taxpayer adjusts ratio or rate; maintains documentation for subsequent review by tax authority.	Taxpayer notifies agency; adjustments made going forward.		Under term of the SUTCA the taxpayer is obligated to send the Tax Commissioner written notice by certified mail within 30 days of any change in business operations or accounting methodology that the taxpayer determines to materially affect the accuracy of the reporting percentage. These material changes include but are not limited to entity restructuring (such as division and subsidiary changes), the discontinuation or start up of some manufacturing or support operations such as adding new products, extended suspension of operations, outsourcing or taking on taxable or exempt activities, and new or different accounting procedures or significant variation in account consolidation that change where purchases are charged.
<i>How are discrepancies in tax handled?</i>	Varies. Each agreement is customized and depending on how the agreement is structured either prospective treatment or true-ups are performed.	Require reconciliation of tax		There is no true-up for purchases included in the target population during periods that the SUTCA remains in effect.
<i>Additional Comments</i>	New York does not have statutory authority to enter into SUTCAs, as such, New York does not actively solicit SUTCAs. We require taxpayers to submit their proposal	Comments provided; will be supplied upon request or a link will be added to the electronic version of this document.		The SUTCA in place was rolled out in January 2003 as a voluntary instrument to help ease the burden of tax reporting and to improve compliance. SUTCAs are only offered

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	<i>NEW YORK</i>	<i>NORTH CAROLINA</i>	<i>NORTH DAKOTA</i>	<i>OHIO</i>
	and we work with them for the mutual benefit of the taxpayer and agency.			to taxpayers with direct pay authority that are willing to provide electronic records and agree to statistical sampling methodology. If a direct pay permit holder chooses for any reason not to enter a SUTCA, then a methodology to arrive at reported tax liability must be part of a required written direct pay procedure that the permit holder provides to the Department. The approved methodology found in the direct pay procedure is subject to future audit, which could result in either an assessment for tax underpayments or a refund for tax overpayments.

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	<i>OKLAHOMA</i>	<i>OREGON</i>	<i>PENNSYLVANIA</i>	<i>RHODE ISLAND</i>
Agency Contact	Dennis Lewis (405) 522-4725		John A. May (717) 783-1731	
Does state require legal authority to enter into a SUTCA? If yes, is authority in place?	Yes No	The state currently does not impose a sales or use tax.	Yes Yes	Rhode Island does not have compliance agreements.
Has agency entered into or considered entering into a SUTCA? If yes, are formal procedures in place?	No		Yes Yes	
What criteria is used to determine whether a SUTCA will be considered?	N/A		Business need demonstrated; Direct payment permit holder; Large volume of purchases; Agreement on sampling	
Number of SUTCAs in place? Number of SUTCAs pending?	0 in place 0 pending		5 in place 4 pending	
General term of SUTCA	N/A		3 years	
For base period analysis, does agency detail or sample transactions? Who performs analysis?	N/A		Base period analysis is a sample performed either by the taxpayer or the tax authority	
List accounts specifically excluded from the SUTCA	N/A		Capital assets; Purchases for resale; Telecommunications; Utilities; Construction projects	
Are local taxes addressed?	N/A		Yes; local taxes imposed at purchaser's or seller's location. Because local taxes are imposed at the point of sale a separate factor is computed for the purpose of determining local tax.	

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	<i>OKLAHOMA</i>	<i>OREGON</i>	<i>PENNSYLVANIA</i>	<i>RHODE ISLAND</i>
<i>How are significant business changes addressed?</i>	N/A		Taxpayer notifies agency; adjustments made going forward.	
<i>How are discrepancies in tax handled?</i>	N/A		Adjustments made going forward only	
<i>Additional Comments</i>			The tax authority must be involved with the SUTCA throughout the performance of the field work. After the fact review by the taxing authority results in duplication of efforts and the need for additional records and verification from the taxpayer.	

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	<i>SOUTH CAROLINA</i>	<i>SOUTH DAKOTA</i>	<i>TENNESSEE</i>	<i>TEXAS</i>
Agency Contact	David Mays (803) 898-5681	Bruce Christensen (605) 773-3751	Glen Page (615) 741-8499	Otis Fields (512) 463-3903
<i>Does state require legal authority to enter into a SUTCA? If yes, is authority in place?</i>	Yes Yes. SC Code Section 12-36-2570(e)	Yes No	Legal authority not required unless SUTCA would affect sales or use tax liability during the term of the agreement. In other words, legal authority is required for the state to enter into an agreement that has no "true up" provision. Therefore, Tennessee is not entering into these agreements at this time. No	Yes Yes
<i>Has agency entered into or considered entering into a SUTCA? If yes, are formal procedures in place?</i>	Yes Yes	No No. South Dakota has not entered into any compliance agreements yet, but we would like to explore the possibility of these agreements in the future.	No No	Yes Yes
<i>What criteria is used to determine whether a SUTCA will be considered?</i>	Taxpayer in good standing; Business need demonstrated; Direct payment permit holder; Computerized records; Agreement on sampling procedures	Taxpayer in good standing; Business need demonstrated; Perpetually audited taxpayer	Not applicable.	Direct payment permit holder
<i>Number of SUTCAs in place? Number of SUTCAs pending?</i>	4 in place 3 pending		None None	48 in place 36 pending
<i>General term of SUTCA</i>	3 years		Not applicable	3 years
<i>For base period analysis, does agency detail or sample transactions? Who performs analysis?</i>	Sample performed by the tax authority		Not applicable	Sample performed by the taxpayer with tax authority review/approval
<i>List accounts specifically excluded from the SUTCA</i>	Capital assets; Purchases for resale; Utilities;		Not applicable	Capital assets (over certain value); Construction projects; Extra-ordinary items

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	<i>SOUTH CAROLINA</i>	<i>SOUTH DAKOTA</i>	<i>TENNESSEE</i>	<i>TEXAS</i>
	Construction projects			
<i>Are local taxes addressed?</i>	Yes; local taxes are imposed at purchaser's location	SUTCAs would include local taxes	Not applicable	Yes; local taxes are imposed at the purchaser's location. Purchased tax free with direct pay permit. Local tax due based on location item is removed from inventory.
<i>How are significant business changes addressed?</i>	Addressed on a case by case basis		Not applicable	Taxpayer notifies agency; adjustments made going forward.
<i>How are discrepancies in tax handled?</i>	Require reconciliation of tax		Not applicable	Require reconciliation of tax. If periodic reconciliation determines a material difference in reported taxable percentage the state shall have the right to separately assess the taxpayer or can be subject to a refund to the taxpayer, whichever is applicable.
<i>Additional Comments</i>		Interested in reviewing the statutes which states have passed providing the legal authority to enter into SUTCA agreements.	None	This document was completed using data for percentage based reporting. Texas has also passed legislation that allows for managed audits for prior period tax compliance. The directives for that program are currently being developed.

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	<i>UTAH</i>	<i>VERMONT</i>	<i>VIRGINIA</i>	<i>WASHINGTON</i>
Agency Contact	Craig Sandberg (801) 297-4706		Richard C. Dotson (804-367-8042	Tremaine Smith (360) 570-5984
Does state require legal authority to enter into a SUTCA? Is authority in place?	No.		Yes. 58.1-624 on Direct Payment Permits. Legal authority is in place.	Currently examining the feasibility of implementing a program. Looking for volunteers for pilot program.
Has agency entered into or considered entering into a SUTCA? If yes, are formal procedures in place?	Agency does not enter into SUTCAs. There is no direct pay authority in Utah law. This would require a participating business to keep track of the various local taxes.		Agency has entered into one or more SUTCAs. Formal procedures are in place.	
What criteria is used to determine whether a SUTCA will be considered?			Taxpayer in good standing; Direct payment permit holder	
Number of SUTCAs in place? Number of SUTCAs pending?			12 in place 0 pending	
General term of SUTCA			3 years	
For base period analysis, does agency detail or sample transactions? Who performs analysis?			Review performed by tax authority	
List accounts specifically excluded from the SUTCA			Capital assets; Purchases for resale; Telecommunications; Utilities	
Are local taxes addressed?			Local taxes are imposed at purchaser's location	
How are significant business changes addressed?			Taxpayer maintains supporting documentation and ratios or rates are adjusted upon subsequent reviews.	
How are discrepancies in tax handled?				
Additional Comments				

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	WEST VIRGINIA	WISCONSIN	WYOMING
Agency Contact	Dan Taylor (304) 558-8500	Jean Papenfuss (608) 266-8643	
Does state require legal authority to enter into a SUTCA? Is authority in place?	Legal authority not required	Legal authority not required	
Has agency entered into or considered entering into a SUTCA? If yes, are formal procedures in place?	Yes No	Yes Yes	
What criteria is used to determine whether a SUTCA will be considered?	Taxpayer in good standing; Large volume of purchases; Agreement on sampling procedures	Taxpayer in good standing; Direct payment permit holder; Perpetually audited taxpayer; Large volume of purchases (varies); Computerized records; Agreement on sampling procedures	
Number of SUTCAs in place? Number of SUTCAs pending?	Fewer than 10 in place 1 pending	7 in place 3 pending	
General term of SUTCA	2 years	2 years	
For base period analysis, does agency detail or sample transactions? Who performs analysis?	Sample performed either by the taxpayer or tax authority	Sample performed by tax authority	
List accounts specifically excluded from the SUTCA	Capital assets; Purchases for resale; Utilities; Construction projects	Exclusions are determined on an individual basis	
Are local taxes addressed?	No. No local sales tax is imposed in WV.	Yes. Local taxes are imposed at seller's location	
How are significant business changes addressed?	Taxpayer notifies agency; adjustments made going forward. Possible termination of agreement.	Taxpayer adjusts ratio or rate; maintains supporting documentation for subsequent review by tax agency	

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	<i>WEST VIRGINIA</i>	<i>WISCONSIN</i>	<i>WYOMING</i>
<i>How are discrepancies in tax handled?</i>	Handled on a case by case basis within the agreement	Require reconciliation of tax	
<i>Additional Comments</i>		There is a lot of work imposed on the Department of Revenue. We are glad that we did not start out with more than 7 agreements.	

Notes:

Connecticut – Significant Business Changes, cont'd.

The taxpayer has the responsibility to notify DRS of a material change. DRS may terminate an MCA and conduct an audit if the taxpayer fails to fulfill any term of the agreement and the failure is materially adverse to DRS. DRS may give 30 days written notice to the taxpayer to remedy the situation, if DRS believes the failure is capable of being remedied, before terminating the MCA. If the failure is not remedied, the MCA will be terminated on the first day of the fourth month following the month in which notice of such termination is given by DRS. However, DRS may terminate an MCA immediately without giving 30 days notice to remedy the failure if it has reason to believe that collection of any tax required to be collected and paid to the state or any assessment will be jeopardized by delay.

(e) *Ohio* – General terms of SUTCA:

The taxable percentage to be applied to all account totals included in the target population for future direct pay reporting is _____. This percentage will be multiplied against the account totals included in the target population on a monthly basis to yield a taxable base. Then the appropriate state and local tax rates will be applied.

The taxable percentage to be used for future direct pay reporting is effective on ____ and will remain in effect for a 36-month period ending on ____ upon which date this Agreement will terminate.

The Tax Commissioner shall forego issuing any sales or use tax assessments against the Taxpayer on items included in the target population during periods that this Agreement remains in effect, provided that the Taxpayer complies with the terms of this Agreement.

The Taxpayer waives and disclaims all interest in and to any refund, credit, offset, or any other adjustment or tax benefit with respect to taxes reported and paid on items included in the target population during periods that this Agreement remains in effect, provided that the Tax Commissioner shall forego issuing any sales and use tax assessments against the Taxpayer on items included in the target population during periods that this Agreement remains in effect.

This Agreement shall terminate upon the last day of the month in which written termination notice is received by certified mail by either party from the other that the taxable percentage rate's continued use conflicts with the purpose or

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conditions for which this Agreement was established.