



## Streamlined Sales Tax Project (SSTP) Update FTA Conference on Revenue Estimation & Tax Research

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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?**
  - Simplification and uniformity
  - Use of technology
- **Who is involved?**
  - Government
  - Business; COST; NRF
  - NGA, NCSL, and others



## Streamlined Sales Tax Project Participating States (41) (30 States in December 2000)

Alabama	Maryland	Pennsylvania
Arizona	Massachusetts	Rhode Island
Arkansas	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
Maine	Oklahoma	



## Streamlined Sales Tax System Model Legislation

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



## SSTIS 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**



## SSTIS Agreement Key Features

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



## SSTIS 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



## SSTIS 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)**



## SSTIS Agreement Key Features

- Uniform return (ELF)
- One rounding rule after 12-31-05
- Common customer refund procedures



## SSTIS Agreement Key Features

- Tax collection and remittance models
- Central registration system
- State data base matching rate to local jurisdiction
- Data base of boundary information for local jurisdictions



## SSTIS Agreement Key Features

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



## SSTIS Agreement What's in it for Small Business?

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



## SSTIS 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



## SSTIS 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





## SSTIS 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



## SSTIS 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



## SSTIS 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



## SSTIS 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



## SSTIS Agreement -- Administration & Governance

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



## SSTIS 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



## SSTIS Agreement -- Administration & Governance

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



## SSTIS Agreement - Unresolved Issues

- Bundling
- Digital property
- Rates/jurisdiction data base
- Uniform audit standards and procedures



## SSTIS Agreement - Unresolved Issues

- Taxability matrix guidelines
- Tax holiday definitions/guidelines
- Issue resolution process: judicial review



## SSTIS Agreement - Unresolved Issues

- Seller compensation/joint collection cost study
- CSP - Request for Proposal
- Services sourcing rules
- Effective dates of state legislation



## SSTIS Agreement - State Conformity

- Arkansas
- Iowa
- Indiana
- Kansas
- Kentucky
- Nebraska
- Nevada
- North Carolina
- North Dakota
- Ohio
- Oklahoma
- South Dakota
- Tennessee
- Utah
- Vermont
- West Virginia
- Wyoming



## SSTIS Agreement - State Conformity Close

- Minnesota
- Texas
- Washington



## SSTIS Agreement - Federal Legislative Activity

- Expiration of Internet Tax Freedom Act in November 2003
- Business activity tax simplification act
- Sales and use tax fairness act



# Questions?

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

