

*March 2001*



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# Streamlined Sales Tax Project

## Executive Summary

January 2002

### Steering Committee

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Co-Chair  
*North Carolina*

Diane Hardt  
Co-Chair  
*Wisconsin*

Nancy Taylor  
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Carol Fischer  
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*Wyoming*

The Streamlined Sales Tax Project is an effort created by state governments, with input from local governments and the private sector, to simplify and modernize sales and use tax collection and administration. The Project's proposals include tax law simplifications, more efficient administrative procedures, and emerging technologies to substantially reduce the burden of tax collection. The Project's proposals are focused on improving sales and use tax administration systems for both Main Street and remote sellers for all types of commerce.

Thirty-eight states and the District of Columbia are involved in the Project. Thirty-three states and the District of Columbia are voting participants in the Project because their legislators have enacted enabling legislation or their governors have issued executive orders or similar authorizations. Five states are non-voting participants in the work of the Project because they do not have the formal commitment of the state executive or legislative branches, but are still participating. Forty-five states and the District of Columbia impose a sales and use tax.

The Project was organized in March 2000. The Project has completed its work through a steering committee with co-chairs, four work groups, and a number of sub-groups. Project participants are generally state revenue department administrators but there are also representatives of state legislatures and local governments. Businesses — including national retailers, trade associations, manufacturers, direct marketers, technology companies, and others — have actively participated in the project by offering expertise and input, reviewing proposals, suggesting language, and testifying at public hearings.

The key features of the Streamlined Sales Tax System include:

- Uniform definitions within tax laws. Legislatures still choose what is taxable or exempt in their state. Participating states though will agree to use the common definitions for key items in the tax base and will not deviate from these definitions.
- Rate simplification. States will be allowed one state rate. Local jurisdictions will be allowed one local rate. A state or local government could not choose to tax food at one rate and all other items of tangible personal property or taxable services at another rate. State and local governments will accept responsibility for notice of rate and boundary changes at restricted times.
- State tax administration of all state and local taxes. Businesses will no longer file tax returns with each local government within which it conducts business in a state. States will be responsible for the administration of all state and local taxes and the distribution of the local taxes to the local governments. A state and its local governments will use common tax bases.
- Uniform sourcing rules. The states will have uniform and simple rules as to how they will source transactions to state and local governments. The uniform rules will be destination/delivery based and uniform for tangible personal property, digital property, and services.
- Simplified exemption administration for use- and entity-based exemptions. Sellers are relieved of the "good faith" requirements that exist in current law and will not be liable for uncollected tax. Purchasers will be responsible for paying the tax, interest and penalties for claiming incorrect exemptions. States will have a uniform exemption certificate in paper and electronic form.
- Uniform audit procedures. Sellers who participate in one of the certified Streamlined Sales Tax System technology models will either not be audited or will have limited scope audits, depending on the technology model used. The states may conduct joint audits of large multi-state businesses.

- State funding of the system. To reduce the financial burdens on sellers, states will assume responsibility for funding some of the technology models. The states are also participating in a joint business – government study of the costs of collection on sellers.

The Project proposes that states change their sales and use tax laws to conform with the simplifications as proposed by the project. Thus, the simplifications would apply to all sellers. Participation in the Streamlined Sales Tax System is voluntary for sellers who do not have a physical presence or “nexus” with a state until if and when Congress would require collection from all sellers for all types of commerce. Also, registration by sellers to voluntarily collect sales and use taxes does not infer that the business must collect business activity taxes, such as the corporate franchise or income tax.

The Streamlined Sales Tax System will provide sellers the opportunity to use one of three technology models. A seller may use Model 1 where a Certified Service Provider, compensated by the states, will perform all of the seller’s sales tax functions. A seller may use Model 2, a Certified Automated System, to perform only the tax calculation function. A larger seller with nationwide sales that has developed its own proprietary sales tax software may use Model 3 and have its own system certified by the states collectively. However, some sellers may choose to continue to use their current systems and still enjoy the benefits of the project simplifications.

The Streamlined Sales Tax Project envisions two components to the legislation necessary to accomplish the Project’s goals. First, states would adopt enabling legislation referred to as the Uniform Sales and Use Tax Administration Act (“Act”). The Act allows the state to enter into an agreement with one or more states to simplify and modernize sales and use tax administration in order to reduce the burden of tax compliance for all sellers and all types of commerce. The Act does not include any amendments to a state’s sales and use tax law.

Secondly, states would amend or modify their sales and use tax laws to achieve the simplifications and uniformity required by the participating states working together. The

Project refers to this legislation as the Streamlined Sales and Use Tax Agreement ("Agreement"). Some states will require only minor changes to current law to implement the requirements of the Agreement. Other states with more complicated sales tax laws may require significant changes to current law to be in accord with the Agreement.

A certificate of compliance will document each state's compliance with the provisions of the Agreement and cite applicable statutes, regulations or other authorities supporting such compliance. Public notice and comment will be provided before a state becomes part of the interstate agreement. A state is expected to be in compliance with the requirements of the Agreement and to never substantially deviate from the requirements of the Agreement. If a state does substantially deviate, it will not be accepted into the interstate agreement or will be expelled by the other participating states. In a voluntary system, sellers who are voluntarily collecting sales taxes for participating states may decide to no longer collect for the expelled state. Also, that state would not have a vote on changes in the Agreement.

An advisory council, including representatives from business, will advise participating states. The Agreement may be amended with a three-fourths vote of the participating states. Matters involving interpretation of the Agreement may be brought before the implementing states acting jointly. The participating states acting jointly are empowered to issue an interpretation of the Agreement, subject to approval by a majority of the voting states.

As of January 2002, twenty-one states and the District of Columbia have enacted the Act. These states are considered the "Implementing States" and will control the provisions of the initial Agreement. It's anticipated that states that enact the provisions of the Agreement as approved by the Implementing States in the summer of 2002 will continue as the governing states of the interstate agreement of the future.

## **The Streamlined Sales Tax Project**

### ***Is a multi-state effort ...***

- To simplify administration of sales and use taxes for sellers (Minnesota-based and remote)
- To level (or attempt to level) the playing field between sellers

### ***Is not an effort ...***

- To supercede state taxing authority
- To tax the Internet or broaden the sales tax base



## How do the Streamlined Sales Tax Project (SSTP) and NCSL Streamlined Sales Tax Proposal compare?

The National Governors Association and the participating states have proposed a model act and agreement to streamline the administration of the sales tax known as the Streamlined Sales Tax Project (SSTP). NCSL has proposed variations on the SSTP project.

### *Both versions propose:*

- Uniform State and Local Base
- Uniform Sourcing Rules
- Uniform Standards
- Central Registration
- No Nexus Attribution
- Reduced burden for Local Tax Compliance
- Monetary Allowances
- State Compliance
- Consumer Privacy

## How do the SSTP and NCSL versions differ?

- The SSTP version proposes some uniform definitions for food and clothing and the NCSL version does not.
- The SSTP version proposes a uniform rounding rule and the NCSL version does not. (This provision is similar to Minnesota law.)
- The SSTP version proposes elimination of uniform base and definition of local taxes and the NCSL version does not. (Minnesota does not have problems, local taxes are generally uniform.)
- The SSTP version proposes restrictions for sales tax holidays and the NCSL version does not. (Minnesota has not had these in the past.)
- The SSTP version proposes a bad debt rule and the NCSL version does not. (This provision is similar to Minnesota law.)
- The SSTP version proposes a different governance structure and voting rights requirements of the streamlined governing board than the NCSL version.



# 2001 UNIFORM SALES AND USE TAX ADMINISTRATION BILL SUMMARY

MINNESOTA Department of Revenue

Appeals & Legal Services Division  
(651) 296-1022  
Mail Station 2220  
600 North Robert Street  
St. Paul, MN 55146-2220

## SF 1325 (Rest) // HF 1416 (Abrams)

**Overview:** This article enables Minnesota to enter into the Streamlined Sales and Use Tax Agreement. The proposal adopts the Uniform Sales and Use Tax Administration Act. Under the Act, the commissioner of revenue would have the authority to enter into the Streamlined Sales and Use Tax Agreement. To enter into the agreement, Minnesota must adopt certain uniform provisions that are required under the Uniform Sales and Use Tax Administration Act, such as uniform audit procedures, uniform state rates, uniform standards and uniform definitions. This article would be effective January 1, 2002.

**Section 1. Bad Debt Loss.** This section amends Minn. Stat. § 289A.40, subd. 2, to remove language relating to time requirements for claiming a bad debt loss for sales tax purposes and those provisions are set forth in a new subdivision.

**Section 2. Sales Tax; Bad Debts Deduction.** This section adds a new subdivision to Minn. Stat. § 297A.40, which provides that a bad debt deduction must be taken for sales tax purposes within 12 months after the bad debt is charged off for federal income tax purposes. This section defines when a debt is charged off for federal income tax purposes and contains a provision dealing with subsequent recovery of debts that were previously written off.

**Section 3. Taxable Food.** This section amends Minn. Stat. § 297A.61, subd. 3, to provide which food items are taxable in Minnesota. This section would impose the tax on prepared food sold by the retailer. Prepared food would include food that is (1) sold heated or is heated by the retailer, (2) mixed or combined by the retailer, and (3) sold with eating utensils provided by the retailer. Currently the sales tax applies to the furnishing, preparing or serving of food or drinks. This section also continues to impose the sales tax on sales of soft drinks, candy, ice and food sold through vending machines. Items such as ice, bottled water, unsweetened tea, near beer, single servings of ice cream treats, iced tea, and snack foods sold in restaurants and bars which are currently taxed would now be exempt. The streamlined agreement would give each state the option as to whether they want to tax prepared foods, to tax food sold through vending machines, or to exclude bakery goods from the definition of taxable food.

**Section 4. Retail Sale.** This section amends Minn. Stat. § 297A.61, subd. 4, which contains a definition of "retail sale" and makes minor changes to the definition.

**Section 5. Sales Price.** This section amends Minn. Stat. § 297A.61, subd. 7, which contains the definition of "sales price." Under current law, all property taken in trade for resale, all charges for transportation occurring after the sale, all charges for installation, the rental motor vehicle tax, and charges up to 15 percent in lieu of tips are exempt if separately stated on the invoice to the customer. These items will all now be part of the sales price with the exception of



property taken in trade which is dealt within section 17. The streamlined agreement would give each state the option of excluding from the sales price charges for services necessary to complete the sale, delivery charges, installation charges and the value of taxable items that are sold in a bundle with exempt items, if they are separately stated on the bill to the purchaser.

**Section 6. Retailer and Seller.** This section amends Minn. Stat. § 297A.61, subd. 9, to provide that seller and retailer have the same meaning for sales tax purposes.

**Section 7. Purchase Price.** This section adds a new subdivision to Minn. Stat. § 297A.61, which provides a definition for "purchase price."

**Section 8. State.** This section adds a new subdivision to Minn. Stat. § 297A.61, which provides a definition for "state."

**Section 9. Delivery Charges.** This section adds a new subdivision to Minn. Stat. § 297A.61, which provides a definition for "delivery charges." Delivery charges would include transportation, shipping, postage, handling, crating and packaging.

**Section 10. Prepared Food.** This section adds a new subdivision to Minn. Stat. § 297A.61, which provides a definition of "prepared food."

**Section 11. Soft Drinks.** This section adds a new subdivision to Minn. Stat. § 297A.61, which provides a definition of "soft drinks." Currently beverages and drinks containing 15 percent or more fruit juices are exempt from the sales tax but this provision would require that the beverage have greater than fifty percent vegetable or fruit juice by volume in order to be considered an exempt food item.

**Section 12. Candy.** This section adds a new subdivision to Minn. Stat. § 297A.61, which provides a definition of "candy." This definition of candy would not include gum which is defined as a food in this bill. Food would include substances that are sold for ingestion or chewing by humans. Candy would include baking chips and similar products which are now exempt from the tax.

**Section 13. Food Sold Through Vending Machines.** This section adds a new subdivision to Minn. Stat. § 297A.61, which provides a definition of "food sold through vending machines."

**Section 14. Sourcing Rules.** This section adds a new section to chapter 297A, which provides provisions to determine which of the jurisdictions involved in a sale may impose a sales and use tax on or with respect to the sale. If the buyer takes possession of an item at the seller's location, such as a retail store, the sale is sourced to the seller's location. Otherwise, the sale is sourced to the destination site of the purchaser's address, when possible. Gifts purchased in Minnesota which the seller sends outside the state would be exempt under the sourcing rules. Those gifts would have been taxable under the current sales tax law.



**Section 15. Food and Food Ingredients.** This section amends Minn. Stat. § 297A.67, subd. 2, which provides a definition of “food” and “food ingredients” which are exempt from the sales tax. The provision provides that alcoholic beverages, dietary supplements and tobacco do not qualify as exempt food items and defines those items for purposes of this exemption. The streamlined agreement would give each state the option of excluding from the definition of exempt food: candy, dietary supplements, soft drinks, prepared foods, or food sold through vending machines.

**Section 16. Clothing.** This section amends Minn. Stat. § 297A.67, subd. 8, which provides a sales tax exemption for clothing. This section defines clothing as all human wearing apparel suitable for human use and contains a listing of items that would qualify as clothing. This section also contains a list of items that would not qualify as clothing including sports or recreational equipment, protective equipment and clothing accessories. Under the streamlined definition of clothing, sewing materials, equipment and supplies; hard hats and helmets, and hair bows and nets would become taxable but articles of clothing made of fur or pelts would become exempt.

**Section 17. Trade Allowance.** This section adds a new subdivision to Minn. Stat. § 297A.67, which creates an exemption for the portion of the sales price which is reduced in an amount allowed by the seller as a credit for tangible personal property taken by the seller to be resold in the seller’s normal regular course of business.

**Section 18. Duty of Retailer.** This section amends Minn. Stat. § 297A.71, section 1, to provide that a retailer is relieved from collecting and remitting the sales tax if the retailer receives an exemption certificate from the purchaser and it repeals the language requiring that the certificate be taken in good faith.

**Section 19. Uncollectible Debts.** This section amends Minn. Stat. § 297A.81, which provides a deduction for uncollectible debts. This section sets forth which bad debts would qualify for the deduction and which bad debts would not qualify as uncollectible debts that could be deducted for sales tax purposes.

**Section 20. Local Tax Administration.** This section amends Minn. Stat. § 297A.99, subd. 9, and repeals the authority for Duluth to continue administering and collecting its own local sales tax. All local sales taxes would be collected and administered by the department of revenue under this subdivision.

**Section 21. Uniform Sales and Use Tax Administration Act.** Adds a new section, Minn. Stat. ch. 297A, which authorizes the commissioner of revenue to enter into an agreement with other states to develop a simplified sales and use tax collection and administration system. The system would focus on use of technology, uniform definitions, a simplified vendor registration system, and minimal vendor audits. The agreement would require the following:

1. State administered taxes. States would administer all taxes imposed political subdivisions and sellers would register and file returns only with the state.



2. Common tax base. Beginning in 2006, all local jurisdictions must have a tax base identical to the state tax base.

3. Limited rate changes. Taxing jurisdictions must give a 60 days notice of a rate or boundary change and rates could only take effect on the first day of a calendar quarter.

4. Uniform sourcing rules. States must adopt uniform sourcing provisions which would provide a method to determine which of the jurisdictions involved in a sale may impose a sales and use tax on or which respect to the sale.

5. Uniform definitions. States would not be restricted in which items they elected to tax or exempt but they would be required to adopt uniform definitions.

6. Uniform taxes returns. States could only require a seller to file only one return per state for each taxing period. States will work toward one uniform sales and use tax return that all states could accept and states would encourage electronic filing of returns.

7. Simplified registration. Participating retailers could register with all member states and local jurisdictions at the same time.

8. Uniform remittance rules. States would only require one payment per return.

9. Amnesty. Participating states will offer amnesty for uncollected or unpaid sales and use taxes for sellers who take part in the agreement. Amnesty applies if the seller was not registered in the state for 12 months prior to commencement of the state's participation in the agreement.

10. Alternate remittance methods. A participating seller may select a third-party Certified Service Provider (CSP) to perform its sales and use tax compliance functions. Alternatively, a seller could use a computer system called a Certified Automated System (CAS), which calculates taxes on a transaction. Or, the seller may use its own automated sales tax system if it has been certified as a CAS.

11. Data privacy. All the provisions relating to consumer privacy and the confidentiality of tax information would be consistent with Minn. Stat. chs. 13 and 270B.



**Estimated Revenue Impacts  
Streamlined Sales Tax  
Effective 1/1/02 @ 6.5%**

Section of Bill	Refers to which Section of the SSTP Agreement	Reason for Including Section in Bill	Effective Change from Current Law	Revenue Impact	Fiscal Year Impact (\$ Millions)			
					02	03	04	05
1. Bad Debt Loss	Uniform rules for deduction of bad debt	To remove language in 289A.40, Subd. 2 relating to time requirement for claiming sales tax bad debts.	None	None				
2. Sales Tax: Bad Debt Deduction	Uniform rules for deduction of bad debt	To add new Subd. to define requirements for deducting a sales tax bad debt.	None	None				
3. Taxable Foods	Uniform Definitions	To amend 297A.61, Subd. 3 to provide which food items are taxable in MN.	See definitions below.	None				
4. Retail Sale	Uniform Definitions	To amend current definition of retail sale.	None	None				
5. Sales Price	Uniform Definitions	To amend current definition of sales price.	Eliminates exclusions from sales price, includes installation charges.	Installation	\$7.0	\$17.7	\$18.3	\$19.0
			Including delivery charges as part of the sales price.	Delivery	\$0.8	\$2.0	\$2.1	\$2.1
6. Retailer and Seller		To provide clarity that retailer and seller mean the same thing.	None	None				
7. Purchase Price	Uniform Definitions	To add a new Subd. to define purchase price.	The same definition as for Sales Price.					



Section of Bill	Refers to which Section of the SSTP Agreement	Reason for Including Section in Bill	Effective Change from Current Law	Revenue Impact	Fiscal Year Impact (\$ Millions)			
					02	03	04	05
8. State	Definitions that apply to SSTP Agreement	To add a new Subd. to define State.	None	None				
9. Delivery Charges	Uniform Definitions	To add a new Subd. to define delivery charges. Provides uniform definition among states in what constitutes delivery charges.	Taxes transportation, shipping and postage when included as delivery charges.	See Sales Price				
10. Prepared Food	Uniform Definitions	To add a new Subd. to define prepared foods.	Taxes prepared bakery products, pizza, cakes and pies. Exempts single serving ice cream treats in some instances.		\$2.4	\$5.8	\$6.1	\$6.4
11. Soft Drinks	Uniform Definitions	To add a new Subd. to define soft drinks.	Exempts ice, bottled water, unsweetened tea and near beer.	Exempts ice, bottled water, unsweetened tea and near beer.	(\$1.4)	(\$3.5)	(\$3.7)	(\$3.9)
			Taxes drinks containing 15-50% fruit juices.	Drinks 15-50% fruit juices.	\$0.7	\$1.7	\$1.8	\$1.8
12. Candy	Uniform Definitions	To add a new Subd. to define candy.	Taxes baking chips and similar items.	Baking chips and similar items.	\$0.1	\$0.3	\$0.3	\$0.4
13. Food Sold Through Vending	Uniform Definitions	To add a new Subd. to define food sold through vending machines.	None	None				
14. Sourcing Rules	Uniform Sourcing Rules	To add new Subd. which provides provisions to determine which jurisdiction may impose sales tax on a sale.	Exempts gifts purchased in MN and shipped out-of-state.		(\$0.3)	(\$0.6)	(\$0.4)	(\$0.2)



Section of Bill	Refers to which Section of the SSTP Agreement	Reason for Including Section in Bill	Effective Change from Current Law	Revenue Impact	Fiscal Year Impact (\$ Millions)			
					02	03	04	05
15. Food and Food Ingredients	Uniform Definitions	To amend 297A.67, Subd. 2 to define which food items are exempt and what items don't qualify as food items.	See Definitions					
16. Clothing	Uniform Definitions	To amend 297A.67, Subd. 8, which provides an exemption for clothing. Makes clothing definition uniform among member states.	Exempts furs and pelts, and taxes accessories.	Clothing changes.	\$0.0	(\$0.4)	(\$0.4)	(\$0.4)
			Taxes sewing materials.	Sewing Materials	\$0.3	\$0.7	\$0.7	\$0.7
17. Trade Allowance		To add a new Subd. creating an exemption for trade-in allowances.	Maintains current practice of excluding trade-in allowances from tax.	None				
18. Duty of Retailer	Administration of Exemptions	To amend 297A.71, Subd. 1, to repeal good faith requirement for accepting exemption certificates.	Relieves seller of contingent liability if exemption certificate found to be invalid at a later date.	None				
19. Uncollectible Debts	Uniform Rules for Deduction of Bad Debt	To amend 297A.81 to explain which sales tax bad debts qualify for deduction.	None	None				
20. Local Tax Administration		To amend 297A.99, Subd. 9, to require the state to administer the Duluth local tax.	Requires state to administer Duluth and all other local taxes.	None				



Section of Bill	Refers to which Section of the SSTP Agreement	Reason for Including Section in Bill	Effective Change from Current Law	Revenue Impact	Fiscal Year Impact (\$ Millions)			
					02	03	04	05
21. Uniform Sales and Use Tax Administration Act		To add new Subd. authorizing the commissioner to enter into the Streamlined Sales Tax Agreement with other states.		None				
<b>Total</b>					\$9.6	\$23.7	\$24.8	\$25.9

Prepared by: Minnesota Department of Revenue, Tax Research Division



# **STREAMLINED SALES TAX PROJECT**

## **Uniform Sales and Use Tax Administration Act and Streamlined Sales and Use Tax Agreement**

### **Introduction**

On December 22, 2000 representatives of the participating states to the Streamlined Sales Tax Project voted to approve a Uniform Sales and Use Tax Administration Act and Streamlined Sales and Use Tax Agreement that contain provisions to modernize and simplify collection and administration of sales and use taxes. State legislatures could begin consideration of the Act and Agreement in January 2001.

Following are copies of the Act and Agreement as amended and approved during the December 22 Project meeting. Only minor typographical and grammatical changes were made to the December 20 draft of the Act and Agreement posted to the Project's website prior to its approval on December 22.

The Streamlined Sales Tax Project will continue to work on additional uniformity features throughout 2001.

Individuals interested in learning more about the Project should contact the Project co-chairs, Diane Hardt (Wisconsin Department of Revenue, [dhardt@dor.state.wi.us](mailto:dhardt@dor.state.wi.us)) and Charles Collins (North Carolina Department of Revenue, [charles.collins@ncmail.net](mailto:charles.collins@ncmail.net)) or Ellen Marshall (Communications Liaison, [ellen\\_marshall@hotmail.com](mailto:ellen_marshall@hotmail.com)).

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SECTION 1. SCOPE OF THE REPRODUCTION AGREEMENT

1.1. THE REPRODUCTION AGREEMENT IS A LICENSE TO REPRODUCE THE WORKS OF  
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# UNIFORM SALES AND USE TAX ADMINISTRATION ACT

AS APPROVED  
DECEMBER 22, 2000

# UNIFORM SALES AND USE TAX ADMINISTRATION ACT

## SECTION 1 TITLE

Section 1 through Section 9 shall be known as and referred to as the "Uniform Sales and Use Tax Administration Act."

## SECTION 2 DEFINITIONS

As used in this Act:

- a. "Agreement" means the Streamlined Sales and Use Tax Agreement.
- b. "Certified Automated System" means software certified jointly by the states that are signatories to the Agreement to calculate the tax imposed by each jurisdiction on a transaction, determine the amount of tax to remit to the appropriate state, and maintain a record of the transaction.
- c. "Certified Service Provider" means an agent certified jointly by the states that are signatories to the Agreement to perform all of the seller's sales tax functions.
- d. "Person" means an individual, trust, estate, fiduciary, partnership, limited liability company, limited liability partnership, corporation, or any other legal entity.
- e. "Sales Tax" means the tax levied under (CITE SPECIFIC STATUTE).
- f. "Seller" means any person making sales, leases, or rentals of personal property or services.
- g. "State" means any state of the United States and the District of Columbia.
- h. "Use Tax" means the tax levied under (CITE SPECIFIC STATUTE).

## SECTION 3 LEGISLATIVE FINDING (OPTIONAL)

The (LEGISLATIVE BODY) finds that this State should enter into an agreement with one or more states to simplify and modernize sales and use

tax administration in order to substantially reduce the burden of tax compliance for all sellers and for all types of commerce.

#### **SECTION 4      AUTHORITY TO ENTER AGREEMENT**

The (STATE TAXING AUTHORITY) is authorized and directed to enter into the Streamlined Sales and Use Tax Agreement with one or more states to simplify and modernize sales and use tax administration in order to substantially reduce the burden of tax compliance for all sellers and for all types of commerce. In furtherance of the Agreement, the (STATE TAXING AUTHORITY) is authorized to act jointly with other states that are members of the Agreement to establish standards for certification of a certified service provider and certified automated system and establish performance standards for multistate sellers.

The (STATE TAXING AUTHORITY) is further authorized to take other actions reasonably required to implement the provisions set forth in this Act. Other actions authorized by this section include, but are not limited to, the adoption of rules and regulations and the joint procurement, with other member states, of goods and services in furtherance of the cooperative agreement.

The (STATE TAXING AUTHORITY) or the (AUTHORITY'S) designee is authorized to represent this state before the other states that are signatories to the Agreement.

#### **SECTION 5      RELATIONSHIP TO STATE LAW**

No provision of the Agreement authorized by this Act in whole or part invalidates or amends any provision of the law of this state. Adoption of the Agreement by this State does not amend or modify any law of this State. Implementation of any condition of the Agreement in this state, whether adopted before, at, or after membership of this state in the Agreement, must be by the action of this state.

#### **SECTION 6      AGREEMENT REQUIREMENTS**

The (STATE TAXING AUTHORITY) shall not enter into the Streamlined Sales and Use Tax Agreement unless the Agreement requires each state to abide by the following requirements:

- a. Uniform State Rate. The Agreement must set restrictions to achieve more uniform state rates through the following:

1. Limiting the number of state rates.
2. Eliminating maximums on the amount of state tax that is due on a transaction.
3. Eliminating thresholds on the application of state tax.

b. **Uniform Standards.** The Agreement must establish uniform standards for the following:

1. The sourcing of transactions to taxing jurisdictions.
2. The administration of exempt sales.
3. The allowances a seller can take for bad debts.
4. Sales and use tax returns and remittances.

c. **Uniform Definitions.** The Agreement must require states to develop and adopt uniform definitions of sales and use tax terms. The definitions must enable a state to preserve its ability to make policy choices not inconsistent with the uniform definitions.

d. **Central Registration.** The Agreement must provide a central, electronic registration system that allows a seller to register to collect and remit sales and use taxes for all signatory states.

e. **No Nexus Attribution.** The Agreement must provide that registration with the central registration system and the collection of sales and use taxes in the signatory states will not be used as a factor in determining whether the seller has nexus with a state for any tax.

f. **Local Sales and Use Taxes.** The Agreement must provide for reduction of the burdens of complying with local sales and use taxes through the following:

1. Restricting and eliminating variances between the state and local tax bases.
2. Requiring states to administer any sales and use taxes levied by local jurisdictions within the state so that sellers collecting and remitting these taxes will not have to register or file returns with, remit funds to, or be subject to independent audits from local taxing jurisdictions.
3. Restricting the frequency of changes in the local sales and use tax rates and setting

effective dates for the application of local jurisdictional boundary changes to local sales and use taxes.

4. Providing notice of changes in local sales and use tax rates and of changes in the boundaries of local taxing jurisdictions.
  - i. Monetary Allowances. The Agreement must outline any monetary allowances that are to be provided by the states to sellers or certified service providers.
  - j. State Compliance. The Agreement must require each state to certify compliance with the terms of the Agreement prior to joining and to maintain compliance, under the laws of the member state, with all provisions of the Agreement while a member.
  - k. Consumer Privacy. The Agreement must require each state to adopt a uniform policy for Certified Service Providers that protects the privacy of consumers and maintains the confidentiality of tax information.
  - l. Advisory Councils. The Agreement must provide for the appointment of an advisory council of private sector representatives and an advisory council of non-member state representatives to consult with in the administration of the Agreement.

## **SECTION 7 COOPERATING SOVEREIGNS**

The Agreement authorized by this Act is an accord among individual cooperating sovereigns in furtherance of their governmental functions. The Agreement provides a mechanism among the member states to establish and maintain a cooperative, simplified system for the application and administration of sales and use taxes under the duly adopted law of each member state.

## **SECTION 8 LIMITED BINDING AND BENEFICIAL EFFECT**

a. The Agreement authorized by this Act binds and inures only to the benefit of this State and the other member states. No person, other than a member state, is an intended beneficiary of the Agreement. Any benefit to a person other than a state is established by the law of this State and the other member states and not by the terms of the Agreement.

b. Consistent with subsection (a), no person shall have any cause of action or defense under the Agreement or by virtue of this State's approval of the Agreement. No person may challenge, in any action brought under any provision of law, any action or inaction by any department, agency, or other instrumentality of this State, or any political subdivision of this State on the ground that the action or inaction is inconsistent with the Agreement.

c. No law of this state, or the application thereof, may be declared invalid as to any person or circumstance on the ground that the provision or application is inconsistent with the Agreement.

## **SECTION 9      SELLER AND THIRD PARTY LIABILITY**

a. A Certified Service Provider is the agent of a seller, with whom the Certified Service Provider has contracted, for the collection and remittance of sales and use taxes. As the seller's agent, the Certified Service Provider is liable for sales and use tax due each member state on all sales transactions it processes for the seller except as set out in this section.

A seller that contracts with a Certified Service Provider is not liable to the state for sales or use tax due on transactions processed by the Certified Service Provider unless the seller misrepresented the type of items it sells or committed fraud. In the absence of probable cause to believe that the seller has committed fraud or made a material misrepresentation, the seller is not subject to audit on the transactions processed by the Certified Service Provider. A seller is subject to audit for transactions not processed by the Certified Service Provider. The member states acting jointly may perform a system check of the seller and review the seller's procedures to determine if the Certified Service Provider's system is functioning properly and the extent to which the seller's transactions are being processed by the Certified Service Provider.

b. A person that provides a Certified Automated System is responsible for the proper functioning of that system and is liable to the state for underpayments of tax attributable to errors in the functioning of the Certified Automated System. A seller that uses a Certified Automated System remains responsible and is liable to the state for reporting and remitting tax.

c. A seller that has a proprietary system for determining the amount of tax due on transactions and has signed an agreement establishing a performance standard for that system is liable for the failure of the system to meet the performance standard.

## **SECTIONS 10 THROUGH \_\_\_\_**

### **INDIVIDUAL STATE AMENDMENTS**

These sections are reserved for each individual state to make statutory amendments necessary to bring it into compliance with the Streamlined Sales and Use Tax Agreement. Some examples would be amending the state's current sourcing rule to comply with the new uniform rule, making the effective dates of local rate changes to the first day of a calendar quarter and providing for a sixty (60) day notice, or enacting exemptions necessary to preserve, to the extent consistent with the uniform definitions, current non-taxability of various goods and services.

### **SECTION \_\_\_\_ EFFECTIVE DATE (OPTIONAL)**

Sections 1 through 9 of this Act are effective upon ratification (or whatever phrase is used in the state to indicate that the act is effective immediately) or specific date.

Sections 10 through \_\_\_\_ of this Act becomes effective on the date this State becomes a member of the Streamlined Sales and Use Tax Agreement.

# **STREAMLINED SALES AND USE TAX AGREEMENT**

**AS APPROVED  
DECEMBER 22, 2000**

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# **STREAMLINED SALES AND USE TAX AGREEMENT**

## **ARTICLE I PURPOSE AND PRINCIPLE**

### **100 TITLE**

This multistate Agreement shall be referred to, cited and known as the Streamlined Sales and Use Tax Agreement.

### **102 FUNDAMENTAL PURPOSE**

It is the purpose of this Agreement to simplify and modernize sales and use tax administration in the member states in order to substantially reduce the burden of tax compliance. The Agreement focuses on improving sales and use tax administration systems for all sellers and for all types of commerce through all of the following:

- a. State level administration of sales and use tax collections.
- b. Uniformity in the state and local tax bases.
- c. Central, electronic registration system for all member states.
- d. Simplification of state and local tax rates.
- e. Uniform sourcing rules for all taxable transactions.
- f. Uniform definitions within tax bases.
- g. Simplified administration of exemptions.
- h. Simplified tax returns.
- i. Uniform rules for deductions of bad debts.
- j. Simplification of tax remittances.
- k. Protection of consumer privacy.

### **104 APPLICATION**

This Agreement applies only to the levy of sales and use taxes identified in the Uniform Sales and Use Tax Administration Act enacted by each member state.

## **ARTICLE II DEFINITIONS**

The following definitions apply in this Agreement:

### **200 AGENT**

A person appointed by a seller to represent the seller before the member states.

### **202 AGREEMENT**

The Streamlined Sales and Use Tax Agreement and as subsequently amended.

### **204 CERTIFIED AUTOMATED SYSTEM (CAS)**

Software certified under the Agreement to calculate the tax imposed by each jurisdiction on a transaction, determine the amount of tax to remit to the appropriate state, and maintain a record of the transaction.

### **206 CERTIFIED SERVICE PROVIDER (CSP)**

An agent certified under the Agreement to perform all the seller's sales and use tax functions, other than the seller's obligation to remit tax on its own purchases.

### **208 MODEL 1 SELLER**

A seller that has selected a CSP as its agent to perform all the seller's sales and use tax functions, other than the seller's obligation to remit tax on its own purchases.

### **210 MODEL 2 SELLER**

A seller that has selected a CAS to perform part of its sales and use tax functions, but retains responsibility for remitting the tax.

### **212 MODEL 3 SELLER**

A seller that has sales in at least five member states, has total annual sales revenue of at least five hundred million dollars (or a lower amount which may be agreed to by the states acting jointly), has a proprietary system that calculates the amount of tax due each jurisdiction, and has entered into a performance agreement with the member states that establishes a tax performance standard for the seller. As used in this section, a seller includes an affiliated group of sellers using the same proprietary system.

**214 PERSON**

An individual, trust, estate, fiduciary, partnership, limited liability company, limited liability partnership, corporation, or any other legal entity.

**216 PURCHASER**

A person to whom a sale of personal property is made or to whom a service is furnished.

**218 REGISTERED UNDER THIS AGREEMENT**

Registration by a seller with the member states under the central registration system provided in Article IV of this Agreement.

**220 SELLER**

A person making sales, leases, or rentals of personal property or services.

**222 STATE**

Any state of the United States and the District of Columbia.

**ARTICLE III  
REQUIREMENTS EACH STATE MUST  
ACCEPT TO PARTICIPATE**

**300 COMPLIANCE**

As a requisite to entering into and remaining a member of the Agreement, each State must comply with the provisions of this Agreement in accordance with the provisions of Article VII of this Agreement.

**302 STATE ADMINISTRATION**

Each State must provide state level administration of sales and use taxes. Sellers are only required to register with, file returns with, and remit funds to the state taxing authority. The State must collect any local taxes and distribute them to the appropriate taxing jurisdictions. Member states must conduct, or authorize others to conduct on their behalf, all audits of the sellers registered under this Agreement, and local jurisdictions shall not conduct independent sales or use tax audits of sellers registered under this Agreement.

**304 STATE AND LOCAL TAX BASES**

- a. Through December 31, 2005, if a member state has local jurisdictions that levy a sales or use tax, all local jurisdictions in the State must have a common tax base. After December 31, 2005, the tax base for local jurisdictions must be identical to the state tax base, unless federal law prohibits the local jurisdictions from taxing a transaction taxed by the State.
- b. This section does not apply to sales or use taxes levied on the transfer of motor vehicles, aircraft, or watercraft.

**306 SELLER REGISTRATION**

Each State must participate in an online sales and use tax registration system in cooperation with the other member states. Under this system:

- a. A seller registering under the Agreement is registered in each of the member states.
- b. The member states agree not to require the payment of any registration fees or other charges for a seller to register in a State in which the seller has no legal requirement to register.
- c. A written signature from the seller is not required.
- d. An agent may register a seller under uniform procedures adopted by the member states.
- e. A seller may cancel its registration under the system at any time under uniform procedures adopted by the member states.

Cancellation does not relieve the seller of its liability for remitting to the proper states any taxes collected.

### **308 STATE AND LOCAL TAX LEVIES**

a. To reduce the complexity and administrative burden of collecting sales and use taxes, all member states must:

1. Lessen the difficulties faced by sellers when there is a change in a state sales or use tax rate or base by making a reasonable effort to do all of the following:
  - a. Provide sellers with as much advance notice as practicable of a rate change.
  - b. Limit the effective date of a rate change to the first day of a calendar quarter.
  - c. Notify sellers of legislative changes in the tax base and amendments to sales and use tax rules and regulations.Failure of a seller to receive notice or failure of a State to provide notice or limit the effective date of a rate change shall not relieve the seller of its obligation to collect sales or use taxes for that member state.
2. Provide that the effective date of rate changes for services covering a period starting before and ending after the statutory effective date shall be as follows:
  - a. For a rate increase, the new rate shall apply to the first billing period starting on or after the effective date.
  - b. For a rate decrease, the new rate shall apply to bills rendered on or after the effective date.
3. Not have caps or thresholds on the application of state sales or use tax rates or exemptions that are based on the value of the transaction or item after December 31, 2005. A State may continue to have caps and thresholds until that date.
4. Not have multiple state tax rates on items of personal property or services after December 31, 2005. A State may continue to have a generally applicable state tax rate and additional state rates until that date.
5. Provide that the tax rate equals the combination of the state and local sales tax rates. In computing the tax to be collected as the result of any transaction, the tax amount must be carried to the third decimal place. Amounts of tax less than one-half of one cent shall be disregarded and amounts of tax of one-half cent or more shall be considered an additional cent. Sellers may elect to compute the tax due on transactions on an item or invoice basis.

6. The provisions of paragraphs (3) and (4) of this subsection do not apply to sales or use taxes levied on the transfer of motor vehicles, aircraft, or watercraft.

b. Member states that have local jurisdictions that levy a sales or use tax must:

1. Not have more than one sales tax rate or more than one use tax rate per local taxing jurisdiction. If the local jurisdiction levies both a sales tax and a use tax, the rates must be identical.
2. Not place caps or thresholds on the application of local sales or use tax rates or exemptions that are based on the value of the transaction or item.
3. Provide that local rate changes will be effective only on the first day of a calendar quarter after a minimum of sixty (60) days' notice to sellers.
4. Apply local sales tax rate changes to purchases from printed catalogs wherein the purchaser computed the tax based upon local tax rates published in the catalog only on the first day of a calendar quarter after a minimum of 120 days notice to sellers.
5. For sales and use tax purposes only, apply local jurisdiction boundary changes only on the first day of a calendar quarter after a minimum of sixty (60) days notice to sellers.
6. Provide and maintain a database that describes boundary changes for all taxing jurisdictions. This database must include a description of the change and the effective date of the change for sales and use tax purposes.
7. Provide and maintain a database of all sales and use tax rates for all of the jurisdictions levying taxes within the State. For the identification of states, counties, cities, and parishes, codes corresponding to the rates must be provided according to Federal Information Processing Standards (FIPS) as developed by the National Institute of Standards and Technology. For the identification of all other jurisdictions, codes corresponding to the rates must be in the format determined jointly by the member states.
8. Provide and maintain a database that assigns each five (5) digit and nine (9) digit zip code within the State to the proper tax rates and jurisdictions. The State must apply the lowest tax rate imposed in the zip code area if the area includes more than one tax rate in any level of taxing jurisdictions. If a nine (9) digit zip code designation is not available for a street address or if a seller is unable to determine the nine (9) digit zip code designation of a purchaser after exercising due diligence to determine the designation, the seller may apply the rate for the five (5) digit zip code area. For the purposes of this section, there is a rebuttable presumption that a seller has exercised due diligence if the seller

has attempted to determine the nine (9) digit zip code designation by utilizing software approved by the member states that makes this designation from the street address and the five (5) digit zip code of the purchaser.

9. Participate with other member states in the development of an address-based system for assigning taxing jurisdictions. The system must meet the requirements developed pursuant to the federal Mobile Telecommunications Sourcing Act. At a future date, member states acting jointly may allow a member state to require sellers to use an address-based system provided by that member state. If any State develops an address-based assignment system pursuant to the Mobile Telecommunications Sourcing Act, a seller may use that system in place of the system provided for in paragraph 8 of this section.

10. The provisions of paragraphs (1) and (2) of this subsection do not apply to sales or use taxes levied on the transfer of motor vehicles, aircraft, or watercraft.

c. The member states must relieve sellers and Certified Service Providers from liability to the State or local jurisdictions for having charged and collected the incorrect amount of sales or use tax resulting from the seller relying on erroneous data provided by a State on tax rates, boundaries, or taxing jurisdiction assignments. This relief provision shall also apply to a seller employing an address-based system for assigning taxing jurisdictions pursuant to the federal Mobile Telecommunications Sourcing Act. However, the relief provided by this paragraph is not available to a seller of services covered under the Mobile Telecommunications Sourcing Act that does not employ an address-based assignment system provided by the State pursuant to that Act.

d. The electronic databases, provided for in paragraphs (b)(6), (b)(7), (b)(8), and (b)(9) of this section, must be in a downloadable format approved by the member states acting jointly.

e. The provisions of paragraphs (b)(8) and (b)(9) do not apply when the purchased product is received by the purchaser at the business location of the seller.

f. The databases provided by (b)(6), (b)(7), and (b)(8) are not a requirement of a State prior to entering into the Agreement. The effective dates for availability and use of the databases will be determined by the member states acting jointly.

g. If a member state allows for temporary exemption periods, commonly referred to as sales tax holidays, the State must not apply an exemption after December 31, 2003 unless the item exempted has been defined under the provisions of Section 312. Further, if the State provides local jurisdictions with the option of levying a sales or use tax, the State must provide notice of the exemption period

at least sixty (60) days prior to the first day of the calendar quarter in which the exemption period will begin and apply the exemption to both state and local tax bases.

### **310. UNIFORM SOURCING RULES**

The member states agree to require sellers to source the sale (including the lease or rental) of a product in accordance with the following provisions. These provisions apply regardless of the characterization of a product as tangible personal property, a digital good, or a service (excluding, for the present, telecommunications). These provisions only apply to determine a seller's obligation to pay or collect and remit a sales or use tax with respect to the seller's sale of a product. These provisions do not affect the obligation of a seller as purchaser to remit tax on the use of the product to the taxing jurisdictions of that use.

- a. When the product is received by the purchaser at a business location of the seller, the sale is sourced to that business location.
- b. When the product is not received by the purchaser at a business location of the seller, the sale is sourced to the location where receipt by the purchaser (or the purchaser's donee, designated as such by the purchaser) occurs, including the location indicated by instructions for delivery to the purchaser (or donee), known to the seller.
- c. When (a) and (b) do not apply, the sale is sourced to the location indicated by an address for the purchaser that is available from the business records of the seller that are maintained in the ordinary course of the seller's business when use of this address does not constitute bad faith.
- d. When (a), (b), and (c) do not apply, the sale is sourced to the location indicated by an address for the purchaser obtained during the consummation of the sale, including the address of a purchaser's payment instrument, if no other address is available, when use of this address does not constitute bad faith.
- e. When none of the previous rules of (a), (b), (c), or (d) apply, including the circumstance where the seller is without sufficient information to apply the previous rules, then the location will be determined by the address from which tangible personal property was shipped, from which the digital good was first available for transmission by the seller, or from which the service was provided (disregarding for these purposes any location that merely provided the digital transfer of the product sold).
- f. Notwithstanding the previously stated rules, a business purchaser that is not a holder of a direct pay permit that knows at the time of its purchase of a digital good or a service that the digital good or service will be concurrently available for use in more than one jurisdiction shall

deliver to the seller in conjunction with its purchase a form disclosing this fact ("Multiple Points of Use or MPU" Exemption Form).

1. Upon receipt of the MPU Exemption Form, the seller is relieved of all obligation to collect, pay, or remit the applicable tax and the purchaser shall be obligated to collect, pay, or remit the applicable tax on a direct pay basis.
2. A purchaser delivering the MPU Exemption Form may use any reasonable, but consistent and uniform, method of apportionment that is supported by the purchaser's business records as they exist at the time of the consummation of the sale.
3. The MPU Exemption Form will remain in effect for all future sales by the seller to the purchaser (except as to the subsequent sale's specific apportionment that is governed by the principle of subparagraph (f)(2) and the facts existing at the time of the sale) until it is revoked in writing.
4. A holder of a direct pay permit shall not be required to deliver a MPU Exemption Form to the seller. A direct pay permit holder shall follow the provisions of subparagraph (f)(2) in apportioning the tax due on a digital good or a service that will be concurrently available for use in more than one jurisdiction.

g. The terms "receive" and "receipt" mean:

1. taking possession of tangible personal property,
2. making first use of services, or
3. taking possession or making first use of digital goods, whichever comes first.

The terms "receive" and "receipt" do not include possession by a shipping company on behalf of the purchaser.

- h. This section is reserved for a specific sourcing rule applicable to telecommunications and possibly additional specific sourcing rules for other services as necessary to effect the intent of providing for uniform sourcing of transactions. Until the specific sourcing rule for telecommunications is adopted, the sourcing rules presently applicable to telecommunications will remain in effect in each State.
- i. This section does not apply to sales or use taxes levied on the transfer of motor vehicles, aircraft, or watercraft. These items must be sourced according to the requirements of each member state.

## **312 UNIFORM DEFINITIONS**

A. Nothing in this Agreement shall be construed to require any State to tax or not tax any item or service, except that a State must use the definitions specified by the Agreement if it chooses to tax or not tax the items or services covered by

those definitions. A State must include all items specifically listed within a definition as provided herein. A State may not vary from any definition except as otherwise specifically provided by this Agreement. The terms "includes" and "including" when used in a definition contained in this section does not exclude other things otherwise within the meaning of the term defined.

Notwithstanding the foregoing requirements of this subsection or any other provision of this Agreement, a State may maintain its tax treatment of food in a manner that differs from the definitions provided in paragraph (D) of this section, provided its taxation or exemption of food is based on a prohibition or requirement of that State's Constitution that exists on the effective date of this Agreement.

## **B. CLOTHING AND RELATED ITEMS**

1. "Clothing" shall mean all human wearing apparel suitable for general use. The following list is intended to be examples and not an all inclusive list of possibilities.

- a. Clothing shall include:

1. Aprons, household and shop
2. Athletic supporters
3. Baby receiving blankets
4. Bathing suits and caps
5. Beach capes and coats
6. Belts and suspenders
7. Boots
8. Coats and jackets
9. Costumes
10. Diapers (children and adults - including disposables)
11. Ear muffs
12. Footlets
13. Formal wear
14. Garters and garter belts
15. Girdles
16. Gloves and mittens for general use
17. Hats and caps
18. Hosiery
19. Insoles for shoes
20. Lab coats
21. Neckties
22. Overshoes
23. Pantyhose
24. Rainwear
25. Rubber pants
26. Sandals
27. Scarves
28. Shoes and shoe laces

29. Slippers
30. Sneakers
31. Socks and stockings
32. Steel toed shoes
33. Underwear
34. Uniforms, athletic and non-athletic
35. Wedding apparel

**b. Clothing shall not include:**

1. Belt buckles sold separately
2. Costume masks sold separately
3. Patches and emblems sold separately
4. Sewing equipment and supplies (knitting needles, patterns, pins, scissors, sewing machines, sewing needles, tape measures, thimbles)
5. Sewing materials that become part of clothing (buttons, fabric, lace, thread, yarn, zippers)

**2. The following definitions are mutually exclusive of "clothing" and each other.**

- a. "Clothing accessories or equipment" shall mean incidental items worn on the person or in conjunction with clothing. The following list is intended to be examples and not an all inclusive list of possibilities.**

**Clothing accessories shall include:**

1. Briefcases
2. Cosmetics
3. Hair notions, including barrettes, hair bows, hair nets, etc.
4. Handbags
5. Handkerchiefs
6. Jewelry
7. Sun glasses, non-prescription
8. Umbrellas
9. Wallets
10. Watches
11. Wigs and hair pieces

- b. "Sport or recreational equipment" shall mean items designed for human use and worn in conjunction with an athletic or recreational activity that are not suitable for general use. The following list is intended to be examples and not an all inclusive list of possibilities.**

**Sport or recreational equipment shall include:**

1. Ballet and tap shoes
2. Cleated or spiked athletic shoes

3. Gloves (baseball, bowling, boxing, hockey, golf, etc.)
4. Goggles
5. Hand and elbow guards
6. Life preservers and vests
7. Mouth guards
8. Roller and ice skates
9. Shin guards
10. Shoulder pads
11. Ski boots
12. Waders
13. Wetsuits and fins

c. **"Protective equipment"** shall mean items for human wear and designed as protection of the wearer against injury or disease or as protection against damage or injury of other persons or property but not suitable for general use. The following list is intended to be examples and not an all inclusive list of possibilities.

Protective equipment shall include:

1. Breathing masks
2. Clean room apparel and equipment
3. Ear and hearing protectors
4. Face shields
5. Finger guards
6. Hard hats
7. Helmets
8. Paint or dust respirators
9. Protective gloves
10. Safety glasses and goggles
11. Safety belts
12. Tool belts
13. Welders gloves and masks

#### **C. DELIVERY CHARGES**

**"Delivery charges"** means charges by the seller for preparation and delivery to a location designated by the purchaser of personal property or services including, but not limited to, transportation, shipping, postage, handling, crating, and packing.

#### **D. FOOD AND FOOD INGREDIENTS**

1. **"Food and food ingredients"** means substances, whether in liquid, concentrated, solid, frozen, dried, or dehydrated form, that are sold for ingestion or chewing by humans and are consumed for their taste or nutritional value. **"Food and food ingredients"** does not include:

- a. "Alcoholic Beverages"** which means beverages that are suitable for human consumption and contain one-half of one per cent or more of alcohol by volume, and
- b. "Tobacco"** which means cigarettes, cigars, chewing or pipe tobacco, or any other item that contains tobacco.

2. The following definitions are categories that can be excluded from the definition of the term "food and food ingredients" and are mutually exclusive of each other.

**a. "Candy"** means a preparation of sugar, honey, or other natural or artificial sweeteners in combination with chocolate, fruits, nuts, or other ingredients or flavorings in the form of bars, drops, or pieces. Candy shall not include any preparation containing flour and shall require no refrigeration.

**b. "Dietary supplement"** means any product, other than tobacco, intended to supplement the diet that:

1. Contains one or more of the following dietary ingredients:

- a. a vitamin;
- b. a mineral;
- c. an herb or other botanical;
- d. an amino acid;
- e. a dietary substance for use by humans to supplement the diet by increasing the total dietary intake; or
- f. a concentrate, metabolite, constituent, extract, or combination of any ingredient described in above; and

2. Is intended for ingestion in tablet, capsule, powder, softgel, gelcap, or liquid form, or if not intended for ingestion in such a form, is not represented as conventional food and is not represented for use as a sole item of a meal or of the diet; and

3. Is required to be labeled as a dietary supplement, identifiable by the "Supplement Facts" box found on the label and as required pursuant to 21 C.F.R §101.36.

**c. "Soft drinks"** means non-alcoholic beverages that contain natural or artificial sweeteners. Soft drinks do not include beverages that contain:

- 1. milk or milk products;
- 2. soy, rice, or similar milk substitutes; or
- 3. greater than fifty percent of vegetable or fruit juice by volume.

3. The following definitions may also be excluded from the term "food and food ingredients":

- a. **"Food sold through vending machines"** means food dispensed from a machine or other mechanical device that accepts payment.
- b. **"Prepared food"** means:
  - 1. Food sold in a heated state or heated by the seller;
  - 2. Two or more food ingredients mixed or combined by the seller for sale as a single item; or
  - 3. Food sold with eating utensils provided by the seller, including plates, knives, forks, spoons, glasses, cups, napkins, or straws.

"Prepared food" does not include food that is only sliced, repackaged, or pasteurized by the seller.

#### **E. PURCHASE PRICE**

**"Purchase price"** applies to the measure subject to use tax and has the same meaning as "sales price."

#### **F. RETAIL SALE**

**"Retail sale"** or **"sale at retail"** means any sale, lease, or rental for any purpose other than for resale, sublease, or subrent.

#### **G. SALES PRICE**

1. **"Sales price"** applies to the measure subject to sales tax and means the total amount or consideration, including cash, credit, property, and services, for which personal property or services are sold, leased, or rented, valued in money, whether received in money or otherwise, without any deduction for the following:

- a. The seller's cost of the property sold;
- b. The cost of materials used, labor or service cost, interest, losses, all costs of transportation to the seller, all taxes imposed on the seller, and any other expense of the seller;
- c. Charges by the seller for any services necessary to complete the sale, other than delivery and installation charges;
- d. Delivery charges;
- e. Installation charges; and
- f. The value of exempt personal property given to the purchaser where taxable and exempt personal property have been bundled together and sold by the seller as a single product or piece of merchandise.

2. States may exclude from the sales price the amounts received for charges included in paragraphs (c) through (f) above, if they are separately stated on the invoice, billing, or similar document given to the purchaser.

3. "Sales price" shall not include:

- a. Discounts, including cash, term, or coupons that are not reimbursed by a third party that are allowed by a seller and taken by a purchaser on a sale;
- b. Interest, financing, and carrying charges from credit extended on the sale of personal property or services, if the amount is separately stated on the invoice, bill of sale, or similar document given to the purchaser; and
- c. Any taxes legally imposed directly on the consumer that are separately stated on the invoice, bill of sale, or similar document given to the purchaser.

### **314 ADMINISTRATION OF EXEMPTIONS**

a. To reduce the complexity and administrative burden of transactions exempt from sales or use tax, the following provisions must be followed when a purchaser claims an exemption:

1. The seller must obtain identifying information of the purchaser and the reason for claiming a tax exemption at the time of the purchase as determined by the member states acting jointly.
2. A purchaser is not required to provide a signature to claim an exemption from tax unless a paper certificate is used.
3. The seller must use the standard form for claiming an exemption electronically as adopted jointly by the member states.
4. The seller must obtain the same information for proof of a claimed exemption regardless of the medium in which the transaction occurred.
5. A member state may utilize a system wherein the purchaser exempt from the payment of the tax is issued an identification number which must be presented to the seller at the time of the sale.
6. The seller must maintain proper records of exempt transactions and provide them to a member state when requested.

b. The member states must relieve sellers that follow the requirements of this section from any tax otherwise applicable if it is determined that the purchaser improperly claimed an exemption and to hold the purchaser liable for the nonpayment of tax.

### **316 UNIFORM TAX RETURNS**

To reduce the complexity and administrative burden of preparing and filing sales and use tax returns, all member states must:

- a. Require that only one return per taxing period per seller be filed for the State and all the taxing jurisdictions within the State.
- b. Require that returns be due no sooner than the 20<sup>th</sup> day of the month following the month in which the transaction occurred.
- c. Allow any Model 1, Model 2, or Model 3 seller to submit its sales and use tax returns in a simplified format which does not include more data fields than permitted by the member states acting jointly. States may require additional informational returns to be submitted not more frequently than every six months under a staggered system developed jointly by the member states.
- d. Allow any seller that is registered under this Agreement, which does not have a legal requirement to register in the member state, and is not a Model 1, 2, or 3 seller, to submit its sales and use tax returns as follows:
  1. Upon registration, the State must provide to the seller the returns required by that State.
  2. A member state may require a seller to file a return anytime within one (1) year of the month of initial registration, and future returns may be required on an annual basis in succeeding years.
  3. In addition to the returns required in paragraph (d)(2) of this section, a State may require sellers to submit returns in the month following any month in which they have accumulated state and local tax funds for a State of \$1,000 or more.
- e. Participate with other member states in developing a more uniform sales and use tax return that, when completed, would be available to all sellers.
- f. Require, at each member state's discretion, all Model 1, 2, and 3 sellers to file returns electronically. It is the intent of the member states that all member states have the capability of receiving electronically filed returns by January 1, 2003.

### **318 UNIFORM RULES FOR DEDUCTIONS OF BAD DEBTS**

In order to reduce the complexity and administrative burden of taking a deduction for bad debts incurred by a seller, the member states must:

- a. In computing the amount of tax due, allow a seller to deduct bad debts from the total amount upon which the tax is calculated for any return.

Any deduction taken or refund paid which is attributed to bad debts shall not include interest.

- b. Define for purposes of this section, "bad debt" to mean any portion of the purchase price of a transaction that a seller has reported as taxable and for which the seller legally claims as a bad debt deduction for federal income tax purposes. Bad debts include, but are not limited to, worthless checks, worthless credit card payments, and uncollectible credit accounts. Bad debts do not include financing charges or interest, sales or use taxes charged on the purchase price, uncollectible amounts on property that remain in the possession of the seller until the full purchase price is paid, expenses incurred in attempting to collect any debt, debts sold or assigned to third parties for collection, and repossessed property.
- c. Allow bad debts to be deducted within twelve months following the month in which the bad debt has been charged off for federal income tax purposes. For purposes of this paragraph, "charged off for federal income tax purposes" includes the charging off of unpaid balances due on accounts as uncollectible, or declaring as uncollectible such unpaid balance due on accounts in the instance of a seller who is not required to file federal income tax returns.
- d. Require that, if a deduction is taken for a bad debt and the seller subsequently collects the debt in whole or in part, the tax on the amount so collected must be paid and reported on the return filed for the period in which the collection is made.
- e. Allow a seller to obtain a refund of tax on any amount of bad debt that exceeds the amount of taxable sales within a twelve month period defined by that bad debt.
- f. Where a seller's filing responsibilities have been assumed by a Certified Service Provider, allow the service provider to claim, on behalf of the seller, any bad debt allowance provided by this section. The CSP must credit or refund the full amount of any bad debt allowance or refund received to the seller.
- g. Provide that, for the purposes of computing a bad debt deduction or reporting a payment received on a previously claimed bad debt, any payments made on a debt or account are applied first to the price of the property or service and sales tax thereon, proportionally, and secondly to interest, service charges, and any other charges.

### **320 UNIFORM RULES FOR REMITTANCES OF FUNDS**

To reduce the complexity and administrative burden of remitting funds to the states, the member states agree to:

- a. Require only one remittance per return except as provided in this paragraph. If any additional remittance is required, it may only be required from sellers that collect more than \$30,000 in sales and use

taxes in the State during the preceding calendar year as provided herein. The amount of the additional remittance must be determined through a calculation method rather than actual collections and must not require the filing of an additional return.

- b. Require, at each member state's discretion, all remittances from sellers under Models 1, 2, and 3 to be remitted electronically.
- c. Allow for electronic payments by both ACH Credit and ACH Debit.
- d. Provide an alternative method for making "same day" payments if an electronic funds transfer fails.
- e. Provide that if a due date falls on a legal banking holiday in a member state, the taxes are due to that state on the succeeding business day.
- f. Require that any data that accompanies a remittance be formatted using uniform tax type and payment type codes approved by the member states acting jointly.

### **322 CONFIDENTIALITY AND PRIVACY PROTECTIONS**

- a. The purpose of this section is to set forth the member states' policy for the protection of the confidentiality rights of all participants in the system and of the privacy interests of consumers who deal with Model 1 sellers.
- b. As used in this section, the term "confidential taxpayer information" means all information that is protected under a member state's laws, regulations, and privileges; the term "personally identifiable information" means information that identifies a person; and the term "anonymous data" means information that does not identify a person.
- c. The member states agree that a fundamental precept in Model 1 is to preserve the privacy of consumers by protecting their anonymity. With very limited exceptions, a Certified Service Provider must perform its tax calculation, remittance, and reporting functions without retaining the personally identifiable information of consumers. To preserve the privacy of consumers, member states agree that, with respect to Model 1:
  - 1. A Certified Service Provider's system must be designed and tested to ensure that the fundamental precept of anonymity is respected, and that personally identifiable information is only used when necessary for the administration of Model 1 and only when the Certified Service Provider has clear and conspicuous notice of its use.
  - 2. Certified Service Providers must provide consumers clear and conspicuous notice of their information practice, including what information they collect, how they collect the information, how they use the information, and whether they disclose the information to member states.

3. Certified Service Providers' retention of personally identifiable information will be limited to exemption claims by reason of a consumer's status or intended use of the goods or services purchased, to investigations of fraud, and to the extent necessary, to ensure the reliability of the Certified Service Providers' technology in Model 1.
4. Certified Service Providers must provide such technical, physical, and administrative safeguards so as to protect personally identifiable information from unauthorized access and disclosure.
5. This privacy policy is subject to enforcement by member states' attorneys general or other appropriate authorities.
6. When personally identifiable information is retained for limited purposes by or on behalf of the member states, in the absence of exigent circumstances, individuals should be provided with reasonable notification of such retention and should be afforded reasonable access to their own data and a right to correct inaccurately recorded data.
7. If anyone other than a member state seeks to discover personally identifiable information, then, in the absence of exigent circumstances, a reasonable and timely effort should be made to notify the individual of such request.

d. The member states' laws and regulations regarding the collection, use, and maintenance of confidential taxpayer information remain fully applicable and binding. Without limitation, this Agreement does not enlarge or limit the member states' authority to:

1. Conduct audits or other review as provided under this agreement and state law.
2. Provide records pursuant to a member state's Freedom of Information Act, disclosure laws with governmental agencies, or other regulations.
3. Prevent, consistent with state law, disclosures of confidential taxpayer information.
4. Prevent, consistent with federal law, disclosures or misuse of federal return information obtained under a disclosure agreement with the Internal Revenue Service.
5. Collect, disclose, disseminate, or otherwise use anonymous data for governmental purposes.

e. Without limitation, this privacy policy does not enlarge or limit any existing or future privacy policies of sellers in Model 1.

## **ARTICLE IV SELLER REGISTRATION**

### **400 SELLER PARTICIPATION**

- a. In order to simplify the seller registration process, the member states will provide an online registration system that will allow sellers to register in all the member states.
- b. By registering, the seller agrees to collect and remit sales and use taxes for all taxable sales into the member states, including member states joining after the seller's registration. Withdrawal or revocation of a member state shall not relieve a seller of its responsibility to remit taxes previously collected on behalf of the State.
- c. In member states where the seller has a requirement to register prior to registering under this Agreement, the seller may be required to provide additional information to complete the registration process or the seller may choose to register directly with those states.
- d. Registration with the central registration system and the collection of sales and use taxes in the member states will not be used as a factor in determining whether the seller has nexus with a State for any tax.

### **402 AMNESTY FOR REGISTRATIONS**

- a. Subject to the limitations stated below in this section and the following sections:
  1. A State participating in the Streamlined Sales and Use Tax Agreement will provide amnesty for uncollected or unpaid sales and/or use tax to a seller who registers to pay and/or to collect and remit applicable sales and/or use tax on sales made to purchasers in the State in accordance with the terms of the Agreement, provided that the seller was not so registered in that State in the twelve-month period preceding the commencement of the State's participation in the Agreement.
  2. The amnesty will preclude assessment for uncollected or unpaid sales and/or use tax together with penalty or interest for sales made during the period the seller was not registered in the State, provided registration occurs within twelve months of the effective date of the State's participation in the Agreement.
  3. Amnesty similarly will be provided by any additional State that joins the Agreement after the seller has registered.

- b. The amnesty is not available to a seller with respect to any matter or matters for which the seller received notice of the commencement of an audit and which audit is not yet finally resolved including any related administrative and judicial processes.
- c. The amnesty is not available for sales and/or use taxes already paid or remitted to the State or to taxes collected by the seller.
- d. The amnesty is fully effective absent the seller's fraud or intentional misrepresentation of a material fact as long as the seller continues registration and continues payment and/or collection and remittance of applicable sales and/or use taxes for a period of at least thirty-six months. The statute of limitations applicable to asserting a tax liability is tolled during this thirty-six month period.
- e. The amnesty is applicable only to sales and/or use taxes due from a seller in its capacity as a seller and not to sales and/or use taxes due from a seller in its capacity as a buyer.
- f. A State participating in the Agreement may allow amnesty on terms and conditions more favorable to a seller.

#### **404 METHOD OF REMITTANCE**

When registering, the seller may select one of the following methods of remittances or other method allowed by state law to remit the taxes collected:

- a. **MODEL 1** Seller selects a Certified Service Provider (CSP) as an agent to perform all the seller's sales or use tax functions, other than the seller's obligation to remit tax on its own purchases.
- b. **MODEL 2** Seller selects a Certified Automated System (CAS) to use which calculates the amount of tax due on a transaction.
- c. **MODEL 3** Seller utilizes its own proprietary automated sales tax system that has been certified as a CAS.

#### **406 REGISTRATION BY AN AGENT**

A seller may be registered by an agent. Such appointment must be in writing and submitted to a member state if requested by the member state.

**ARTICLE V  
PROVIDER AND SYSTEM CERTIFICATION**

**500 CERTIFICATION OF SERVICE PROVIDERS AND AUTOMATED SYSTEMS**

- a. In order to facilitate the provisions of this Agreement, the member states acting jointly will certify automated systems and service providers to aid in the administration of sale and use tax collections.
- b. The member states acting jointly may certify a person as a Certified Service Provider if the person meets all of the following requirements:
  1. The person uses a Certified Automated System.
  2. The person integrates its Certified Automated System with the system of a seller for whom the person collects tax so that the tax due on a sale is determined at the time of the sale.
  3. The person agrees to remit the taxes it collects at the time and in the manner specified by the member states.
  4. The person agrees to file returns on behalf of the sellers for whom it collects tax.
  5. The person agrees to protect the privacy of tax information it obtains.
  6. The person enters into a contract with the member states and agrees to comply with the terms of the contract.
- c. The member states acting jointly may certify a software program as a Certified Automated System if the member states determine that the program meets all of the following requirements:
  1. It determines the applicable state and local sales and use tax rate for a transaction, based on the uniform sourcing provision established under the Agreement.
  2. It determines whether or not an item is exempt from tax.
  3. It determines the amount of tax to be remitted for each taxpayer for a reporting period.
  4. It can generate reports and returns as required by the member states.
  5. It can meet any other requirement set by the member states.
- d. The member states acting jointly may establish one or more sales tax performance standards for multistate sellers that meet the eligibility criteria set by the member states and that developed a proprietary system to determine the amount of sales and use tax due on transactions.

**ARTICLE VI**  
**MONETARY ALLOWANCES FOR NEW TECHNOLOGICAL MODELS FOR**  
**SALES TAX COLLECTION**

**600 MONETARY ALLOWANCES FOR CSPs AND SELLERS**

This Article addresses the monetary allowances to be provided by a member state to a CSP in Model 1 or to a seller in Model 2 or Model 3 for implementing new technological models. These allowances shall be subject to review by the member states as the efficiency of technology improves and economies of scale arise from increasing transaction volumes processed through these systems. The non-monetary benefits that accrue to all sellers that participate in the Agreement are addressed in other sections. These non-monetary benefits include limitations on the assessment of back taxes, reduced audit scope, uniform returns, and other methods of tax compliance simplification.

**602 MONETARY ALLOWANCE UNDER MODEL 1**

a. The member states agree to provide a monetary allowance to a CSP in Model 1 in accordance with the terms of the contract the member states sign with the CSP. The details of the monetary allowance are provided through the contract process. The allowance will be funded entirely from money collected in Model 1.

b. The member states anticipate a monetary allowance to a CSP to be one or more of the following incentives:

1. A base rate that applies to taxable transactions processed by the CSP.
2. For a period not to exceed twenty-four (24) months following a voluntary seller's registration through the Agreement's central registration process, a percentage of tax revenue generated for a member state by the voluntary seller. "Voluntary seller" means a seller that does not have a requirement to register to collect the tax for a member state.

**604 MONETARY ALLOWANCE FOR MODEL 2 SELLERS**

The member states initially anticipate that they will provide a monetary allowance to sellers under Model 2 based on the following:

- a. All sellers shall receive a base rate for a period not to exceed twenty-four (24) months following the commencement of participation by a seller. The base rate will be set after the base rate has been established for Model 1. This allowance will be in addition to any discount afforded by each member state at the time.

b. The member states anticipate a monetary allowance to a Model 2 Seller based on the following:

1. For a period not to exceed twenty-four (24) months following a voluntary seller's registration through the Agreement's central registration process, a percentage of tax revenue generated for a member state by the voluntary seller. "Voluntary seller" means a seller that does not have a requirement to register to collect the tax for a member state.
2. Following the conclusion of the twenty-four (24) month period, a seller will only be entitled to a vendor discount afforded under each member state's law at the time the base rate expires.

#### **606 MONETARY ALLOWANCE FOR MODEL 3 SELLERS AND ALL OTHER SELLERS THAT ARE NOT UNDER MODELS 1 OR 2**

The member states anticipate that they will provide a monetary allowance to sellers under Model 3 and to all other sellers that are not under Models 1 or 2 based on the following:

1. For a period not to exceed twenty-four (24) months following a voluntary seller's registration through the Agreement's central registration process, a percentage of tax revenue generated for a member state by the voluntary seller. "Voluntary seller" means a seller that does not have a requirement to register to collect the tax for a member state.
2. Vendor discounts afforded under each member state's law.

## **ARTICLE VII STATE ENTRY AND WITHDRAWAL**

### **700 ENTRY INTO AGREEMENT**

Any State may apply to become a party to this Agreement by executing an adopting resolution and specifying the proposed date of entry. The applying State shall agree to abide by all terms, conditions, and requirements of the Agreement, adopt the Uniform Sales and Use Tax Administration Act, and provide certification of compliance with the terms of the Agreement along with its adopting resolution. A copy of the adopting resolution and the certification of compliance shall be provided to each member state for the purpose of obtaining the required endorsement.

### **702 CERTIFICATION OF COMPLIANCE**

The certification of compliance shall document compliance with the provisions of this Agreement and cite applicable statutes, regulations, or other authorities supporting such compliance. Each member state shall maintain and make the instrument available for public inspection.

### **704 INITIAL ADOPTING STATES**

This Agreement shall become effective when five (5) states have completed the prescribed adopting resolution. An initial state shall be approved by being found in compliance with the requirements of this Agreement by a vote of three-fourths majority of the other initial states.

### **706 CONDITIONS FOR MEMBERSHIP**

The member states shall vote whether the petitioning state is in compliance to accept its petition for membership. A three-fourths vote of all the member states is required. A State is in compliance if its laws, rules or regulations, and policies are consistent with this Agreement and do not substantially deviate from the requirements set forth in this Agreement. Public notice and opportunity for comment will be given before a State is allowed to participate in the Agreement.

### **708 AGREEMENT ADMINISTRATION**

The member states must organize to govern compliance of each State participating in the Agreement and take other actions as may be necessary to administer and implement the provisions contained herein. The member states acting jointly must appoint an advisory council to consult with in the administration of the Agreement and on issues of individual state compliance.

Members of the advisory council shall include representatives from business and any other interested persons.

#### **710 WITHDRAWAL OF MEMBERSHIP**

This Agreement shall continue in full force and effect, after its original adoption, as to each State until withdrawn by the proper officials of a State. Such withdrawal shall not be effective until the first day of a calendar quarter after a minimum of sixty (60) days' notice. Such notification shall immediately be sent to the officials of the other member states of the Agreement. However, withdrawal by one State shall not effect the Agreement among other states. Notwithstanding the withdrawal, the obligations incurred by the withdrawing State shall survive the withdrawal during its membership.

#### **712 EXPULSION OF MEMBER STATES**

Any member state may request a resolution before the member states acting jointly to expel another member state which is not in compliance with the terms of this Agreement. A resolution expelling a member state from the Agreement shall require the affirmative vote of three-fourths of the total member states, excluding the State that is the subject of the resolution. The member state that is the subject of the resolution will not be allowed to vote. Failure of a member state to vote shall be deemed a vote against the resolution of expulsion.

#### **714 CONTINUED ROLE OF STREAMLINED SALES TAX PROJECT AND STATE ADVISORY COMMITTEE**

Until such time as this Agreement becomes effective pursuant to Section 704, it may be amended by the Streamlined Sales Tax Project pursuant to Operating Rules adopted by the Project. After this Agreement becomes effective pursuant to Section 704, all states that are participating members of the Streamlined Sales Tax Project pursuant to the Operating Rules of the Project shall become the State Advisory Committee to the member states. This Committee shall continue the work of the Streamlined Sales Tax Project and shall provide input to the member states on issues regarding the inclusion of additional states into membership. If additional states wish to join the Committee, they may do so pursuant to the Operating Rules adopted by the Project or by subsequent procedures adopted by the Committee. A state may choose to cease to participate at any time. Any state that is not a member of the Committee may participate fully in the work of the Committee except that they shall not have the right to vote.

The Project and, when effective, the Committee shall work on the following issues:

1. The continued development of uniform definitions;
2. The development of a simpler, more uniform tax return;
3. The development of product codes; and

4. Other issues as agreed upon by the Project and the Committee.

**716 EFFECTIVE DATE**

This Agreement shall become binding and take effect upon the signing by five (5) states and their respective filing of a Certificate of Compliance reflecting compliance with the provisions hereof, including citations to applicable statutes, regulations or other authorities supporting such compliance.

## **ARTICLE VIII AMENDMENTS AND INTERPRETATIONS**

### **800 AMENDMENTS TO AGREEMENT**

This Agreement may be amended, subject to approval, by three-fourths of the member states acting through the officials thereof authorized to enter into this Agreement. Prior to the vote, the member states acting jointly shall give public notice of the proposed amendment and opportunity for public comment.

### **802 INTERPRETATIONS OF AGREEMENT**

Matters involving interpretation of the Agreement may be brought before the member states acting jointly by any member state or any other person. The member states acting jointly are empowered to issue an interpretation of the Agreement, subject to approval by a majority of the voting states. All interpretations issued under this section shall be published in an appendix to the Agreement with footnotes under the appropriate sections of the Agreement.

**ARTICLE IX**  
**RELATIONSHIP OF AGREEMENT TO MEMBER STATES AND PERSONS**

**900 COOPERATING SOVEREIGNS**

This Agreement is among individual cooperating sovereigns in furtherance of their governmental functions. The Agreement provides a mechanism among the member states to establish and maintain a cooperative, simplified system for the application and administration of sales and use taxes under the duly adopted law of each member state.

**902 RELATIONSHIP TO STATE LAW**

No provision of this Agreement in whole or part invalidates or amends any provision of the law of a member state. Adoption of the Agreement by a member state does not amend or modify any law of the State. Implementation of any condition of this Agreement in a member state, whether adopted before, at, or after membership of a State, must be by the action of the member state. All member states remain subject to Article VI, State Entry and Withdrawal.

**904 LIMITED BINDING AND BENEFICIAL EFFECT**

a. This Agreement binds and inures only to the benefit of the member states. No person, other than a member state, is an intended beneficiary of this Agreement. Any benefit to a person other than a State is established by the laws of the member states and not by the terms of this Agreement.

b. Consistent with subsection (a), no person shall have any cause of action or defense under the Agreement or by virtue of a member state's approval of the Agreement. No person may challenge, in any action brought under any provision of law, any action or inaction by any department, agency, or other instrumentality of any member state, or any political subdivision of a member state on the ground that the action or inaction is inconsistent with this Agreement.

c. No law of a member state, or the application thereof, may be declared invalid as to any person or circumstance on the ground that the provision or application is inconsistent with this Agreement.

**906 FINAL DETERMINATIONS**

The determinations pertaining to this Agreement that are made by the member states are final when rendered and are not subject to any protest, appeal, or review.

**ARTICLE X**  
**REVIEW OF COSTS AND BENEFITS ASSOCIATED WITH THE AGREEMENT**

**1000 REVIEW OF COSTS AND BENEFITS**

Representatives of the member states will review costs and benefits of administration and collection of sales and use taxes incurred by states and sellers under the existing sales and use tax laws at the time of adoption of this Agreement and the proposed Streamlined Sales Tax System.

**APPENDIX A**

**STREAMLINED SALES AND USE TAX AGREEMENT**

**LETTER OF INTENT**

**WHEREAS**, it is in the interest of the private sector and of state and local governments to simplify and modernize sales and use tax administration;

**WHEREAS**, such simplification and modernization will result in a substantial reduction in the costs and complexity for sellers of personal property and services in conducting their commercial enterprises;

**WHEREAS**, such simplification and modernization will also result in additional voluntary compliance with the sales and use tax laws; and

**WHEREAS**, such simplification and modernization of sales and use tax administration is best conducted in cooperation and coordination with other states.

**NOW**, the undersigned representative hereby executes this intent to sign the attached draft of the Streamlined Sales and Use Tax Agreement upon enactment of the Uniform Sales and Use Tax Administration Act.

NAME \_\_\_\_\_

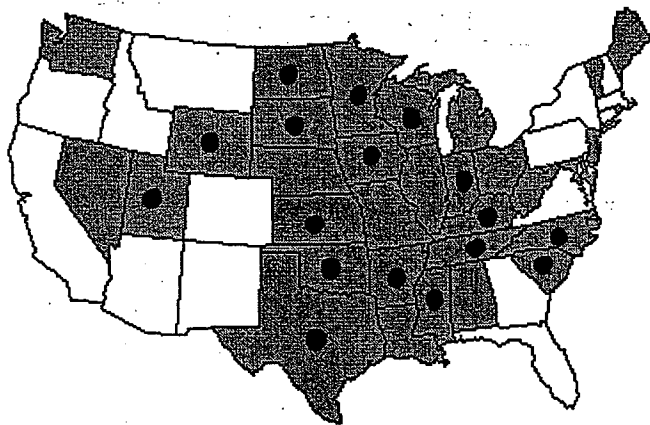
TITLE \_\_\_\_\_  
STATE OF \_\_\_\_\_



## List of Participating States

*"Participating States" are those States that support the mission of the project and for which an elected official or body of elected officials has committed the State to participate in the Streamlined Sales Tax Project.*

- Alabama
- Arkansas
- Illinois
- Indiana
- Iowa
- Kansas
- Kentucky
- Louisiana
- Maine
- Maryland
- Michigan
- Minnesota
- Mississippi
- Missouri
- Nebraska
- New Jersey
- Nevada
- North Carolina
- North Dakota
- Ohio
- Oklahoma
- Rhode Island
- South Carolina
- South Dakota
- Tennessee
- Texas
- Utah
- Vermont
- Washington
- West Virginia
- Wisconsin
- Wyoming



*Other states represented in the Project are "Observer States".*

*Dots indicate states with legislation being drafted and discussed.*



**STATUS OF STATE EFFORTS ON STREAMLINED SALES TAX PROJECT**  
(as of 03/26/01)

■ Indicates SSTP Version of Legislation; I Indicates NCSL Version of Legislation; I n d icates Modified Act; I n d icates Legislative Enactment; I n d icates No Sales Tax State

STATE	LEGISLATION, DATE OF INTRODUCTION, AND SPONSOR	LEGISLATIVE STATUS	REVENUE DEPARTMENT CONTACT	OTHER INFORMATION
Alabama	HB 472 and SB 321 (SSTP Act only) introduced on 02/19/01 by Rep. Lindsey and Sen. Sanders.	Both bills have been referred to the tax-writing committees. No hearings have been scheduled as legislature is currently in Special Session.		
Alaska				
Arizona				
Arkansas	HB 2170 (SSTP Act only) introduced on 02/27/01 by Rep. Hunt and Sen. Hill	HB 2170 passed by the House on 03/08/01; Senate Revenue and Taxation Comm. voted "do pass" on HB 2170 on 03/16/01; legislation sent to Senate for vote.	Mary Cameron 501-682-7030	
California				
Colorado				
Connecticut				
Delaware	NO SALES TAX			
Florida	SB1638 and HB 1329 introduced week of 03/13/01.	Legislation has not yet been assigned to committees.		
Georgia				
Hawaii				
Idaho				
Illinois	SB164—(NCSL Act and Agreement) introduced by Sen. Rauschenberger			
Indiana	SB 269 (NCSL Act only) introduced on 01/10/01 by Sen. Borst	Senate approved SB 269 week of 02/20/01.	Jim Turner 317-232-1862	
Iowa	SF409 (NCSL Act only) introduced 03/08/01 by Sen. McLaren	SF 409 referred to Ways and Means Committee.	Carl Castelda 515-281-5990	Rev. Dept. officials have held a number of meetings with stakeholder groups, i.e., state retail federation, taxpayers association, local government groups; task force formed by Iowa Taxpayers Assn. to study proposal.
Kansas	SB 252 (Modified Act only) introduced upon recommendation of the Revenue Department and SSTP Oversight Committee.	SB 252 approved on February 14, 2001 by the full Senate; sent to the House Tax Committee for consideration.	Richard Cram	



STATE	LEGISLATION, DATE OF INTRODUCTION, AND SPONSOR	LEGISLATIVE STATUS	REVENUE DEPARTMENT CONTACT	OTHER INFORMATION
Kentucky	HR 367 (SSTP Act) introduced on 02/20/01 by Rep. Moberly.	HB 367 signed into law by Gov. Patton on 03/13/01.	Charlotte Quarles 502-564-6843	
Louisiana	HB 994 (SSTP Act) introduced on 03/26/01 by Rep. Hammett		Raymond Tangney 225-925-7335	
Maine				
Maryland	HB 1390 (NCSL Act only) introduced on 02/23/01.			
Massachusetts	H1523 (SSTP Act only) introduced on 01/03/01 by Rep. Travis	Referred to the Committee on Taxation; no hearings scheduled		
Michigan			Nancy Taylor 517-241-2734	Rev. Dept. officials feel legislators still need more education on issue; stakeholder meetings have been held with state retailers.
Minnesota	S1325 by Sen. Rest H1416 by Rep. Abrahms introduced on 03/08/01 (SSTP Act and Agreement)	Legislation referred to tax-writing committees.	Jenny Engh 651-226-9640	Gov. Ventura held press conference on date of introduction stressing the importance of simplification; Rev. Dept. will be using media and industry focus groups to publicize efforts; have prepared talking points that will be made available to other states.
Mississippi				
Missouri	HB 803 (NCSL Act) introduced on 02/15/01 by Reps. Bray and Kennedy			
Montana	NO SALES TAX			
Nebraska	LB172 (SSTP Act only) introduced on 01/19/01 by the Revenue Committee.	LB 172 approved by Revenue Committee on 03/01/01; sent to floor for consideration.	Mary Jane Egr 402-471-5604	LB172 made two changes to the Act—gives the Governor authority to enter into Agreement and requires ratification of Agreement by the Legislature before state can participate.
Nevada	AB455 (modified Act only) introduced on 03/19/01 by Asbm. Goldwater, Cegavske & Arberry and Sens. McGinness, Coffin and Schneider.	Legislation referred to tax writing committees; no hearings scheduled.	Woody Thorne 775-687-5774	The agreement will fall under the jurisdiction of the State's referendum law. Any changes to definitions, exemptions, etc. will require approval of the voters before taking effect. Thus, a major voter education effort will be required.
New Hampshire	NO SALES TAX			
New Jersey				
New Mexico				
New York				
North Carolina	SB 144 (SSTP Act and Agreement) introduced on 02/14/01 by Sen. Kerr.	Legislative proposal approved by Revenue Laws Study Committee on 01/16/01.	Sabra Faires 919-715-0237	Rev. Dept. holding meetings with stakeholder groups to provide education and gain support.



STATE	LEGISLATION, DATE OF INTRODUCTION, AND SPONSOR	LEGISLATIVE STATUS	REVENUE DEPARTMENT CONTACT	OTHER INFORMATION
North Dakota	SB 2455 (NCSL Act) introduced on 02/08/01 by Sen. Cook and Sen. Nething	SB2455 approved by Senate week of 02/27/01; approved by House Finance and Taxation Committee on 03/20/01.	Gary Anderson 701-328-3471 Myles Vosberg 701-328-3011	
Ohio		Recommendation sent to Governor that NCSL version of Act be considered this year.	Fred Church 614-466-0684	
Oklahoma	SB 703 (NCSL Act) introduced by Sen. Monson	SB 703 passed by Senate Finance Committee on 02/20/01.		
Oregon	NO SALES TAX			
Pennsylvania	HB 900 (NCSL Act) introduced on 03/14/01 by Rep. Steil.	HB 900 referred to Intergovernmental Affairs Committee.	Tom Armstrong 717-697-1959 or Tom Kimmitt 717-787-1382	
Rhode Island		03/01/01—Governor issued recommendation to legislature that it should consider the SSTP Act for passage this year.		
South Carolina		Legislation is being drafted and discussed, but introduction date not determined	Meredith Cleland	
South Dakota	SB 166 (SSTP Study Proposal) passed 03/01/01	Governor signed SB 166 on 03/05/01; Legislature forms Task Force to study impact on municipalities; report due in Dec. 2001.	Scott Peterson 605-773-3311	
Tennessee	HB 1459 (NCSL Act) introduced on 02/14/01 by Rep. Kisber; SB 1722 (NCSL Act) introduced on 02/14/01 by Sen. Cooper.	Both pieces of legislation referred to Finance, Ways and Means Committees.	Jack Kopald 615-741-5884	
Texas	HB 1845 (NCSL Act) introduced on 02/21/01 by Rep. Oliveira	Legislation referred to Ways and Means Committee.		Rev. Dept. officials holding ongoing meetings with stakeholder groups to gain support.
Utah	SB 74 (modified Act) introduced by Sen. Hillyard.	SB 74 signed into law by Gov. Leavitt on 03/15/01.	Bruce Johnson 801-297-3901	
Vermont	H457 (SSTP Act only) introduced by Rep. Keenan on 03/01/01.	Legislation referred to Ways and Means Committee.	George Phillips 802-828-2532	
Virginia				
Washington				
West Virginia				
Wisconsin	____ (SSTP Act only—awaiting bill number) introduced in Senate on 04/03/01.	Legislation awaiting committee referral.	Diane Hardt 608-266-6798	Rev. Dept. continuing meetings with stakeholders; Rev. Dept. has put together talking points and information for insertion in business community newsletters—effort well received.



STATE	LEGISLATION, DATE OF INTRODUCTION, AND SPONSOR	LEGISLATIVE STATUS	REVENUE DEPARTMENT CONTACT	OTHER INFORMATION
Wyoming	HB259 (SSTP Act and Agreement) introduced on 01/23/01 by Rep. Hines and Sen. Peck	HR 259 signed into law by Gov. Geringer on 03/01/01; Act will have immediate effective date; conforming amendments in Agreement have an effective date of July 1, 2002.	Johnnie Burton/Dan Noble 307-777-5287	



***Multistate Tax Commission***



**Estimates of State and Local Sales and Use Tax Revenues Due to Growth of  
E-Commerce**

**Elliott Dubin  
Director of Policy Research  
February 14, 2000  
Sales/Use tax Subcommittee**



## ESTIMATES OF SALES/USE TAX REVENUES LOST DUE TO PROJECTED GROWTH IN E-COMMERCE

The attached Tables present estimates of State and local government sales and use tax revenues that would be lost given projected growth rates in e-commerce. These estimates were extracted from a recent paper by Donald Bruce and William Fox, both of the University of Tennessee, titled "E-Commerce in the Context of Declining State Sales Tax Bases" {February 2000}. The paper is on the FTA website.

Table 1 presents Bruce and Fox's (BF) estimates of the erosion of state/local sales tax bases due to the inability of states to require remote vendors to collect and remit sales and use taxes in states where the vendors have no nexus. In 1999, estimated sales over the Internet were estimated at \$126.4 billion, primarily business-to-business (B2B) sales (\$106.6 billion). However, because many B2B sales are exempt; e.g., goods for resale, computers and software used in research, airline tickets, and goods used in manufacturing processes, and, because tax is paid on some purchases, the total erosion of the tax base is approximately \$25 billion. Assuming an overall compliance rate of 50 percent, the incremental loss of the tax base due to e-commerce is approximately \$12.5 billion. The resulting tax loss, assuming national average rate of about 6.4 percent is \$800 million.

Business to consumer sales (B2C) in 1999 were estimated at \$19.8 billion. Exempt sales (some apparel, food and beverages in are exempt in a number of states, some health and beauty products are also exempt, etc.) were \$8.3 billion and approximately \$1.1 billion in sales/use taxes were collected. These estimates were subtracted from the estimated of total B2C sales to arrive at an estimated \$10.3 billion in tax base erosion. Netting out the substitution between different forms of remote commerce (\$3.6 billion) yields a loss of \$6.7 billion in the tax base. The incremental loss in tax revenue was \$400 million. (Assumes 10 percent compliance rate on sales, except for autos.)

Adding the incremental losses in revenue, the total revenue lost in 1999 was \$1.2 billion. In the context of state/local tax collections of over \$170 billion, the 1999 lost revenue was negligible. However, BF estimate total revenue losses of \$10.8 billion in 2003 --this is not "chump change."

Table 2 presents state-by-state estimates of the revenue losses in 2003. Obviously, the larger the state population, the larger the projected revenue loss. Estimates of revenue losses range from \$1.4 billion in California to \$17 million in Vermont.

Table 3 presents estimates of what \$1,000,000 of state and local revenues "buys" measured by the number of full-time equivalent employees. For example, for each \$1,000,000 in state and local government revenues, 27 elementary and secondary classroom personnel (includes aides, etc) can be employed. Similarly, nearly 30 full-time employees of tax agencies can be employed.



**TABLE 1****Estimated State and Local Sales Tax Revenue Losses from E-Commerce**

	1999	2003
E-Commerce Sales	(billions)	
Total: Business-to-Business Sales <sup>1</sup>	\$106.6	\$1,297.8
Less: Exempt Sales	-47.5	-616.5
Less: Business-to-Business Sales on Which Sales/Use Tax is Collected	-34.1	-444.2
Equals: Business-to-Business Tax Base Lost	25.0	237.1
Less: Substitution for Other Remote Sales	-12.5	-118.6
Equals: Incremental Business-to-Business Tax Base Loss	12.5	118.6
<b>Approximate Total Revenue Loss from Business-to-Business Sales</b>	<b>1.6</b>	<b>15.2</b>
<b>Approximate Incremental Revenue Loss from Business-to-Business Sales</b>	<b>0.8</b>	<b>7.6</b>
Total: Business-to-Consumer Sales <sup>1</sup>	19.8	140.2
Less: Exempt Sales	-8.3	-41.8
Less: Business-to-Consumer Sales on Which Sales/Use Tax is Collected	-1.1	-20.6
Equals: Business-to-Consumer Tax Base Lost	10.3	77.8
Less: Substitution for Other Remote Sales	-3.6	-27.2
Equals: Incremental Business-to-Consumer Tax Base Loss	6.7	50.6
<b>Approximate Total Revenue Loss from Business-to-Consumer Sales</b>	<b>0.7</b>	<b>5.0</b>
<b>Approximate Incremental Revenue Loss from Business-to-Consumer Sales</b>	<b>0.4</b>	<b>3.2</b>
<b>Approximate Total Revenue Loss</b>	<b>2.3</b>	<b>20.2</b>
<b>Approximate Incremental Revenue Loss</b>	<b>1.2</b>	<b>10.8</b>

<sup>1</sup>. States with sales taxes.

Source: Fox and Bruce, February 2000 based on e-commerce forecasts of Forrester Research, Inc.



**TABLE 2****Estimated Net Revenue Loss Due to E- Commerce: 2003**

State	State (millions)	Local (millions)	State & Local (millions)	Percent State	State	State (millions)	Local (millions)	State & Local (millions)	Percent State
Alabama	\$85	\$60	\$145	58.5%	Montana	no tax			
Alaska	not estimated				Nebraska	48	8	57	85.1
Arizona	138	45	183	75.2	Nevada	98	5	103	95.0
Arkansas	83	18	101	82.1	New Hampshire	no tax			
California	1,215	278	1,493	81.4	New Jersey	274	0	274	100.0
Colorado	79	77	156	50.5	New Mexico	84	19	103	81.9
Connecticut	155	0	155	100.0	New York	458	391	849	53.9
Delaware	no tax				North Carolina	184	55	239	76.9
District of Columbia	0	30	30	0.0	North Dakota	19	2	21	91.8
Florida	731	23	754	97.0	Ohio	304	57	361	84.2
Georgia	238	96	333	71.3	Oklahoma	113	47	160	70.4
Hawaii	85	0	85	100.0	Oregon	no tax			
Idaho	36	0	36	100.0	Pennsylvania	351	7	358	98.1
Illinois	384	69	454	84.7	Rhode Island	30	0	30	100.0
Indiana	174	0	174	100.0	South Carolina	121	3	124	97.4
Iowa	87	0	87	99.6	South Dakota	24	7	31	76.7
Kansas	85	17	102	83.0	Tennessee	223	70	293	76.1
Kentucky	128	0	128	100.0	Texas	789	144	932	84.6
Louisiana	130	114	244	53.4	Utah	70	15	85	82.6
Maine	42	0	42	100.0	Vermont	17	0	17	100.0
Maryland	158	0	158	100.0	Virginia	157	38	195	80.6
Massachusetts	163	0	163	100.0	Washington	280	67	347	80.8
Michigan	407	0	407	100.0	West Virginia	56	0	56	100.0
Minnesota	218	2	219	99.2	Wisconsin	163	9	172	95.0
Mississippi	111	0	111	99.8	Wyoming	16	4	21	79.8
Missouri	150	62	212	70.9	U.S. Total	8,959	1,043	10,001	82.9

Source: Fox and Bruce, February 2000; and MTC estimates.



**TABLE 3**

State and Local Government Employment, by Major Function,  
Fiscal Year 1998

Employment by Function	Full-time Equivalent Employment (FTE)		Annual Payroll Per FTE	Number of FTE's per \$1,000,000
	Total (thousands)	Per 10,000 Population		
<b>Total</b>	<b>14,491</b>	<b>536.1</b>	<b>\$34,329</b>	<b>29.1</b>
<b>Elementary &amp; Secondary Education</b>	<b>5,729</b>	<b>212.0</b>	<b>32,774</b>	<b>30.5</b>
Instructional Personnel	4,010	148.4	37,004	27.0
Other	1,719	63.6	22,904	43.7
<b>Higher Education</b>	<b>1,669</b>	<b>61.7</b>	<b>36,659</b>	<b>27.3</b>
Instructional Personnel	590	21.8	51,452	19.4
Other	1,078	39.9	28,562	35.0
Other Education: State	96	3.5	35,688	28.0
<b>Police Protection</b>	<b>818</b>	<b>30.3</b>	<b>40,895</b>	<b>24.5</b>
With Power of Arrest	616	22.8	44,362	22.5
Other	202	7.5	30,297	33.0
<b>Fire Protection</b>	<b>282</b>	<b>10.4</b>	<b>44,906</b>	<b>22.3</b>
Fire Fighters	261	9.7	45,540	22.0
Other	21	0.8	36,903	27.1
<b>Streets &amp; Highways</b>	<b>530</b>	<b>19.6</b>	<b>33,129</b>	<b>30.2</b>
<b>Health &amp; Hospitals</b>	<b>1,328</b>	<b>49.1</b>	<b>32,892</b>	<b>30.4</b>
Health	387	14.3	33,187	30.1
Hospitals	941	34.8	32,770	30.5
<b>Correction</b>	<b>663</b>	<b>24.5</b>	<b>33,761</b>	<b>29.6</b>
<b>Public Welfare</b>	<b>478</b>	<b>17.7</b>	<b>30,511</b>	<b>32.8</b>
<b>Financial Administration</b>	<b>363</b>	<b>13.4</b>	<b>33,686</b>	<b>29.7</b>
Judicial & Legal	357	13.2	38,553	25.9
Central Administration	255	9.4	34,752	28.8
Parks & Recreation	237	8.8	26,515	37.7
Transit	192	7.1	42,361	23.6
Natural Resources	182	6.7	33,325	30.0
Water Supply	156	5.8	35,252	28.4
Sewerage	124	4.6	35,768	28.0
Housing & Community Development	113	4.2	32,731	30.6
Local Libraries	112	4.1	26,046	38.4
Solid Waste Management	109	4.0	31,075	32.2
Social Insurance Administration	90	3.3	34,962	28.6
Electric Power	77	2.9	47,250	21.2
Airports	38	1.4	37,895	26.4
Water Transport	13	0.5	40,044	25.0
Gas Supply	10	0.4	33,267	30.1
State Liquor Stores	7	0.3	28,113	35.6
Other & Unallocable	464	17.2	35,019	28.6

Source: U.S. Bureau of the Census, Public Employment in the United States, 1998; and MTC calculations.



# **Streamlined Sales Tax Fiscal Note**

## **Administrative/Operational Cost Summary**

# Article 1: Streamlined Sales Tax

## Explanation/Summary

The goal for Streamlined Sales Tax is adoption of the model legislation for the National Streamlined Sales Tax project, a multi-state project to simplify and modernize sales and use tax administration. The project attempts to tear down administrative burdens and use emerging technologies to substantially reduce the burdens of tax collection for remote and bricks and mortar sellers.

Administrative costs estimated to increase with increased seller participation, interaction and registration in the sales tax system. Computer systems modification and programming will be needed to meet requirements for receiving data from sellers. Additional cost will also be incurred for communications, printing, postage, salaries, and equipment.

## Assumptions

The following is a description of expenditures assumed is that coordinates with the sections of the detail cost spreadsheet:

### III-308: Databases product codes, boundaries, tax rates, zip codes

This Research Analysis Specialist position would establish, administer and maintain the database(s) containing information on product codes, boundaries, zip codes, etc.

#### Systems Costs:

1.) The \$150,000 is an estimate of one-time costs to an external vendor to develop and maintain the nationwide system. This will allow Minnesota to participate in the program. The assumption is that the vendor would set the standards for all states and oversee the nationwide database to be sure all states are in compliance with the standards set.

#### 2.) Standard Industrial Classification Codes (SIC) conversion to North American Industry Classification System (NAICS)

##### Database:

Sales Tax Client Server Platform \$ 10,000

Data Warehouse Platform \$ 10,000

Mainframe Platform \$ 10,000

##### Client server Programs:

Create, Update, Change, Delete (CRUD) \$ 15,000

Mainframe program changes \$ 15,000

Bridging and interfacing programs \$ 40,000

##### Applications:

Sales tax applications changes \$ 30,000

Corporation (Currently using NAICS) \$ 0

Research need to build interface table for  
SIC to NAICS for history conversion \$ 0

##### Data Conversion:

Sales Tax Data Warehouse \$ 10,000

Sales Tax Compliance History \$ 10,000

Profile (Registration Data) \$ 10,000

**Total SIC to NAICS Conversion ----- \$ 160,000**

## **Article 1: Streamlined Sales Tax (continued)**

### **III-310: Uniform sourcing rules**

These costs are for managerial travel (one trip per month for one person) associated with the uniform sourcing rules aspect of ssts.

### **III-312: Uniform definitions, joint rulemaking, exemptions**

The 1.5 Attorney 2 positions is necessary to coordinate the negotiation of the ssts agreement with the other states. Subsequent to the agreement, the attorney will be involved in legislative drafting, extensive rulemaking, and the training of staff, as well as being instrumental in helping to educate the public of these new changes.

The Revenue Tax Specialist Principal position in Legal and Appeals starting in fy03 will handle the resolution of all audit appeals generated by the ssts. There will be an increase in appeals due to the dramatic changes in the existing law. New sales tax laws involving definitional and sourcing issues will certainly be resisted and are commonly challenged by tax professionals. Therefore an additional appeals officer will be needed (Revenue Tax Specialist-Principal).

The Revenue Tax Specialist Principal position in Corporate Sales Tax would be to provide overall coordination of the ssts agreement. The Revenue Tax Specialist Senior position would be in charge of managing both our internal and external training/information efforts. The Revenue Examiner 1 position would be added to the permanent sales tax telephone office to handle the increased volume of incoming calls occasioned by ssts. The travel costs are for managerial travel (one trip per month for one person) associated with the uniform definitions, joint rulemaking and exemptions aspects of ssts. The informational mailings would be needed to inform all taxpayers of the new requirements under ssts, and to periodically update them.

The Information Officer position will coordinate Internet communications.

### **III-316: Uniform tax returns**

These costs are for managerial travel (one trip per month for one person) associated with the uniform tax return aspect of ssts.

### **V-500: Certification of providers and systems**

These four Revenue Tax Specialist Principal positions, two beginning in fy03, and two beginning in fy04, would have responsibility for auditing the computer systems maintained by the certified systems providers and for auditing companies who maintain their own in-house systems.

### **VI-604: Monetary allowance for Models 2 and 3**

This position would be responsible for the monitoring and adjusting of taxpayer accounts to correct overpayments/underpayments.

### **VI-706 Conditions for membership - public notice**

This is for legal and publishing costs for the one-time public notices.

### **VII-708: Agreement administration - govern compliance of states**

These costs are for: 1) managerial travel (one trip per month for one person) associated with the administration of the agreement, and 2) Minnesota's share of the costs associated with the ssts national staff expense.

## Article 1: Streamlined Sales Tax (continued)

### VIII-802: Interpretation of agreement - meetings with other states

These costs are for managerial travel (two trips per quarter for two people) to meet with other states on issues relating to the interpretation and administration of ssts.

### III-316: Uniform tax returns and

### IV-400: Seller participation (these systems costs go together, uniform tax returns are required for sellers to participate)

Areas of Change:	Estimate Amount: FY 02	On-going Costs per FY
Interface:		
To Vendor(s):	\$ 30,000	
From Vendor(s):	\$ 30,000	
Profile – our new participant on the fly on-line single source registration system:		\$ 25,000
Registration Logic Changes:	\$ 250,000	
Automated Registration System:	\$ 300,000	
Vendor Taxpayer association linkage:	\$ 100,000	
Forms Printing:	\$ 10,000	
Database:		
DOR internal:	\$ 50,000	
DOR external:	\$ 150,000	
Sales Tax – our internal system costs for program modifications to accept the new returns:		\$ 25,000
Return Processing:	\$ 500,000	
Demand Issues:	\$ 50,000	
Compliance Issues:	\$ 50,000	
P & I Issues:	\$ 20,000	
Database:		
DOR Internal:	\$ 50,000	
<b>TOTAL</b>	<b>\$ 1,590,000</b>	<b>\$ 50,000</b>

# **2001 Tax Reform Fiscal Note Impact F.Y. 2002-05**

## **DR Administrative Impacts**

### **Article 1 - Streamlined Sales Summary Tax**

	FY 02	FY 03	Total FY 02/03	FY 04	FY 05	Total FY 04/05
<b>Streamlined Sales Tax Summary</b>						
<b>Major Area if Impact:</b>						
Salaries	\$2,593,000	\$1,030,000	\$3,623,000	\$1,187,000	\$1,190,000	\$2,377,000
Supplies	\$290,000	\$621,000	\$911,000	\$751,000	\$751,000	\$1,502,000
Equipment	\$41,000	\$22,000	\$63,000	\$12,000	\$16,000	\$28,000
Travel	\$11,000	\$49,000	\$60,000	\$85,000	\$85,000	\$170,000
Systems	\$1,900,000	\$50,000	\$1,950,000	\$50,000	\$50,000	\$100,000
Training (certification)	\$0	\$1,000	\$1,000	\$1,000	\$0	\$1,000
Communications, printing and postage	\$180,000	\$91,000	\$271,000	\$92,000	\$92,000	\$184,000
Legal and rule making costs	\$25,000	\$0	\$25,000	\$0	\$0	\$0
Project governance costs	\$96,000	\$96,000	\$192,000	\$96,000	\$96,000	\$192,000
Additional staff shared expense	\$50,000	\$100,000	\$150,000	\$100,000	\$100,000	\$200,000
<b>Streamlined Tax Summary Total</b>	<b>\$2,593,000</b>	<b>\$1,030,000</b>	<b>\$3,623,000</b>	<b>\$1,187,000</b>	<b>\$1,190,000</b>	<b>\$2,377,000</b>
	FY 02	FY 03	Total FY 02/03	FY 04	FY 05	Total FY 04/05
<b>Impact on Positions in FTE's</b>						
<b>Type of Positions:</b>						
Research Analysis Specialist - (1/2 time in FY 04/05)	1.00	1.00	2.00	0.50	0.50	1.00
Attorney 2 (revenue notices/rulemaking)	1.50	1.50	3.00	1.50	1.50	3.00
RTS Principal (resolution of audit appeals)	-	1.00	1.00	1.00	1.00	2.00
RTS Principal (coord of streamlined agreement)	1.00	1.00	3.00	1.00	1.00	2.00
RTS Senior (coordination of internal/external training)	1.00	1.00	2.00	1.00	1.00	2.00
Information Officer 2 (coord of Internet communication)	1.00	1.00	2.00	1.00	1.00	2.00
RE1 (answering phones)	1.00	1.00	2.00	2.00	2.00	4.00
RTS Principal (beginning in FY 2003)	-	2.00	2.00	2.00	2.00	4.00
Additional RTS Principal (beginning in FY 2004)	-	-	-	2.00	2.00	4.00
2 RTS Intermediate (monitor/adjust payers' accounts)	-	0.50	0.50	0.50	0.50	1.00
<b>Streamlined FTE's Total</b>	<b>6.50</b>	<b>10.00</b>	<b>17.50</b>	<b>12.50</b>	<b>12.50</b>	<b>25.00</b>

# Tax Reform Fiscal Note Impact F.Y. 2002-05

## DOR Administrative Impacts

### Article 1 - Streamlined Sales Tax Detail

	FY 02	FY 03	Total FY 02/03	FY 04	FY 05	Total FY 04/05
<b>Streamlined Sales Tax Detail</b>						
<b>Major Area if Impact:</b>						
Seller participation	\$710,000	\$25,000	\$735,000	\$25,000	\$25,000	\$50,000
Systems costs	\$710,000	\$25,000	\$735,000	\$25,000	\$25,000	\$50,000
Databases product codes, boundaries, tax rates, zip codes	\$375,000	\$61,000	\$436,000	\$34,000	\$36,000	\$70,000
1 Research Analysis Specialist - (1/2 time in FY 2004/2005)	\$54,000	\$55,000	\$109,000	\$28,000	\$28,000	\$56,000
Equipment (replace computer in 3 years)	\$5,000	\$0	\$5,000	\$0	\$2,000	\$2,000
Travel - quarterly	\$6,000	\$6,000	\$12,000	\$6,000	\$6,000	\$12,000
Database costs - develop and maintain	\$150,000	\$0	\$150,000	\$0	\$0	\$0
NAIC - conversion from SIC codes	\$160,000	\$0	\$160,000	\$0	\$0	\$0
Uniform sourcing rules	\$18,000	\$18,000	\$36,000	\$18,000	\$18,000	\$36,000
Costs incurred to participate in governance of project, audit selection and certification of systems, and resolution of emerging issues						
Uniform definitions; joint rulemaking, exemptions	\$497,000	\$506,000	\$1,003,000	\$501,000	\$513,000	\$1,014,000
1.5 Attorney 2 (revenue notices/rulemaking) - Salary	\$99,000	\$102,000	\$201,000	\$102,000	\$102,000	\$204,000
1 RTS Principal (resolution of audit appeals) - Salary	\$0	\$66,000	\$66,000	\$66,000	\$66,000	\$132,000
1 RTS Principal (coordination of streamlined agreement) - Salary	\$64,000	\$66,000	\$130,000	\$66,000	\$66,000	\$132,000
1 RTS Senior (coordination of internal/external training) - Salary	\$29,000	\$59,000	\$88,000	\$59,000	\$59,000	\$118,000
1 Information Officer 2 (coord of Internet communication) - Salary	\$24,000	\$50,000	\$74,000	\$50,000	\$50,000	\$100,000
1 RE1 (answering phones) - Salary	\$20,000	\$41,000	\$61,000	\$41,000	\$41,000	\$82,000
Equipment	\$30,000	\$5,000	\$35,000	\$0	\$12,000	\$12,000
Telephone expense	\$1,000	\$1,000	\$2,000	\$1,000	\$1,000	\$2,000
Supplies	\$1,000	\$1,000	\$2,000	\$1,000	\$1,000	\$2,000
Chairs	\$4,000	\$0	\$4,000	\$0	\$0	\$0
Travel - instate	\$5,000	\$7,000	\$12,000	\$7,000	\$7,000	\$14,000
Costs incurred to participate in governance of project, audit selection and certification of systems, and resolution of emerging issues	\$18,000	\$18,000	\$36,000	\$18,000	\$18,000	\$36,000

# Tax Reform Fiscal Note Impact F.Y. 2002-05

## DOR Administrative Impacts

### Article 1 - Streamlined Sales Tax Detail

	FY 02	FY 03	Total FY 02/03	FY 04	FY 05	Total FY 04/05
<b>2 Uniform definitions, joint rulemaking, exemptions (cont.)</b>						
Rulemaking:						
Administrative law judge @ \$91 per hour	\$10,000	\$0	\$10,000	\$0	\$0	\$0
Printing in State Register @ \$115 per page	\$7,000	\$0	\$7,000	\$0	\$0	\$0
Printing and postage	\$5,000	\$0	\$5,000	\$0	\$0	\$0
Informational mailings to taxpayers (2 first year, 1 other years)	\$180,000	\$90,000	\$270,000	\$90,000	\$90,000	\$180,000
<b>6 Uniform tax returns</b>	<b>\$898,000</b>	<b>\$43,000</b>	<b>\$941,000</b>	<b>\$43,000</b>	<b>\$43,000</b>	<b>\$86,000</b>
Costs incurred to participate in governance of project, audit selection and certification of systems, resolution of emerging issues	\$18,000	\$18,000	\$36,000	\$18,000	\$18,000	\$36,000
Systems costs	\$820,000	\$25,000	\$845,000	\$25,000	\$25,000	\$50,000
Systems interface	\$60,000	\$0	\$60,000	\$0	\$0	\$0
<b>0 Certification of providers and systems</b>	<b>\$0</b>	<b>\$205,000</b>	<b>\$205,000</b>	<b>\$399,000</b>	<b>\$388,000</b>	<b>\$787,000</b>
2 RTS Principal (beginning in FY 2003) - Salary	\$0	\$157,000	\$157,000	\$157,000	\$157,000	
Equipment	\$0	\$10,000	\$10,000	\$0	\$0	\$0
Training (certification)	\$0	\$1,000	\$1,000	\$0	\$0	\$0
Travel	\$0	\$36,000	\$36,000	\$36,000	\$36,000	\$72,000
Communications	\$0	\$1,000	\$1,000	\$1,000	\$1,000	\$2,000
2 additional RTS Principal (beginning in FY 2004) - Salary	\$0	\$0	\$0	\$157,000	\$157,000	
Equipment	\$0	\$0	\$0	\$10,000	\$0	\$10,000
Training (certification)	\$0	\$0	\$0	\$1,000	\$0	\$1,000
Travel	\$0	\$0	\$0	\$36,000	\$36,000	\$72,000
Communications	\$0	\$0	\$0	\$1,000	\$1,000	\$2,000
<b>14 Monetary allowance for Models 2 and 3</b>	<b>\$0</b>	<b>\$30,000</b>	<b>\$30,000</b>	<b>\$25,000</b>	<b>\$25,000</b>	<b>\$50,000</b>
1/2 RTS Intermediate (monitor/adjust payers' accounts) - Salary	\$0	\$25,000	\$25,000	\$25,000	\$25,000	\$50,000
Equipment	\$0	\$5,000	\$5,000	\$0	\$0	\$0
<b>06 Conditions for membership - public notice</b>	<b>\$3,000</b>	<b>\$0</b>	<b>\$3,000</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
Legal and publishing costs						

# Tax Reform Fiscal Note Impact F.Y. 2002-05

## DOR Administrative Impacts

### Article 1 - Streamlined Sales Tax Detail

	FY 02	FY 03	Total FY 02/03	FY 04	FY 05	Total FY 04/05
Agreement administration - govern compliance of states	\$68,000	\$118,000	\$186,000	\$118,000	\$118,000	\$236,000
Costs incurred to participate in governance of project, audit selection and certification of systems, and resolution of emerging issues	\$18,000	\$18,000	\$36,000	\$18,000	\$18,000	\$36,000
National staff shared expense	\$50,000	\$100,000	\$150,000	\$100,000	\$100,000	\$200,000
2 Interpretation of agreement - meetings with other states	\$24,000	\$24,000	\$48,000	\$24,000	\$24,000	\$48,000
Costs incurred to participate in governance of project, audit selection and certification of systems, and resolution of emerging issues - quarterly meetings						
Streamlined Tax Detail Total	\$2,593,000	\$1,030,000	\$3,623,000	\$1,187,000	\$1,190,000	\$2,377,000