

**Resolution One
Host State Appreciation**

WHEREAS, this Seventy-Second Annual Meeting of the Federation of Tax Administrators, held in Providence, Rhode Island, was a professionally stimulating and educational conference, and

WHEREAS, the success of the conference depends heavily on the guidance and participation of the Host Committee, and

WHEREAS, the greatest care and attention was paid to the delegates and guests of the Seventy-Second Annual Meeting, and

WHEREAS, the Annual Meeting ran with great efficiency and order, and

WHEREAS, the Annual Meeting provided a rewarding and enjoyable time for all, and

WHEREAS, none of this would have been possible without the leadership and help of Executive Director Gary Clark, Host Committee leader John Nugent, and the Host Committee consisting of Bob Geruso, Cheryl Pullano, Barbara Bisson, Paula Tubman, Dan Clemence, Bob Godin, now, therefore, be it

Resolved, that the delegates and guests in attendance at this Seventy-Second Annual Meeting extend their sincere thanks and appreciation to the commissioners and all the members of the Host Committee for the time they devoted to furthering the common professional goals of all tax administrators.

**Resolution Two
FTA President and Board Appreciation**

WHEREAS, President Stephen M. Cordi has dedicated attention to the affairs of the Federation of Tax Administrators during his tenure in office, and

WHEREAS, President Cordi has given freely of his time and energy, and

WHEREAS, the efforts of President Cordi have made a notable contribution to the work and operations of FTA, and

WHEREAS, President Cordi has facilitated the conduct of the business of the Seventy-Second Annual Meeting of the Federation of Tax Administrators by his skill and courtesy as presiding officer of the general conference, now, therefore, be it

Resolved, that the members of the Federation at this Seventy-Second Annual Meeting express their personal appreciation and sincere thanks to President Cordi on this occasion.

Resolution Three
Donald R. Cooper
Leadership Award Winner

WHEREAS, the Federation of Tax Administrators has established the FTA Award for Leadership and Service in State Tax Administration, and

WHEREAS, the award is presented annually to an individual who has demonstrated sustained and significant service in the practice and administration of state taxes, and

WHEREAS, the award recognizes and encourages outstanding achievements that advance the field of state taxation and improve the standards and techniques of state tax administration, and

WHEREAS, Donald Cooper was selected the winner of the 2004 Award for Leadership and Service in State Tax Administration, and

WHEREAS, Donald serves as Administrator of the Compliance Division of the Iowa State Department of Revenue, and

WHEREAS, Donald has served in the field of tax administration for 32 years, holding positions of increasing responsibility, and

WHEREAS, Donald has led the Compliance Division since 1986, a position from which he oversees a team of 150 employees and manages a budget of \$11.2 million, and

WHEREAS, Donald is also an active participant in the Streamlined Sales Tax Project and has provided international mentorship to tax administrators from Aruba, Estonia and South Korea, as well as helping to develop special projects for Iowa over the years, including the Sales Tax Gap for Registered Retailers Study, Field Audit Resolution Project, Corporation Income Tax Model and Iowa Tax Gap Compliance Program, and

WHEREAS, Donald led the entire Iowa Department of Revenue as Interim Director from 2002-2003, now, therefore, be it

Resolved, that the Federation of Tax Administrators congratulates Donald R. Cooper on his outstanding achievements and recognizes him as the recipient of the 2004 Award for Leadership and Service in State Tax Administration.

Resolution Four
Washington Department of Revenue
Recipient of the FTA Award for
Outstanding Management and Organizational Initiative

WHEREAS, the Washington Department of Revenue was awarded the 2004 FTA Award for Outstanding Management and Organizational Initiative, and

WHEREAS, the award is made to a state tax agency that has designed, developed and implemented initiatives that improve the management or organization of the diverse responsibilities of tax administration and collection, and

WHEREAS, the agency's Organization Development Initiative has evolved into a holistic, integrated effort to improve organizational quality, and

WHEREAS, the program includes weaving together existing management improvement programs: a quality improvement program, a strategic business plan and employee and taxpayer satisfaction surveys, and

WHEREAS, this approach allows the agency to see the interconnectivity among the initiatives and can add elements of innovation, and involve all the appropriate stakeholders, now, therefore, be it

Resolved, that the Federation of Tax Administrators congratulates the Washington Department of Revenue on winning the 2004 FTA Award for Outstanding Management and Organizational Initiative.

Resolution Five
Washington Department of Revenue and Pennsylvania Department of Revenue
Co-Recipients of the FTA Award for Outstanding Compliance

WHEREAS, both the Washington Department of Revenue and Pennsylvania Department of Revenue were awarded the 2004 FTA Award for Outstanding Compliance, and

WHEREAS, the award is made to a state revenue department in recognition of excellence and innovation in the general field of programs for the audit, discovery and collection of taxes, and

WHEREAS, the Washington Department of Revenue developed the 3-D Compliance Initiative, which gathers and analyzes data from standard compliance programs, and whose resulting measurement of effectiveness tells the agency what compliance approaches will accelerate collections and reduce delinquency rates, and

WHEREAS, the Pennsylvania Department of Revenue created a Pass Through Business Office to document the relationships between business entities and their owners, deploying a “middle-ware” to connect a web-based case tracking system with existing personal income and business tax imaging systems, allowing the agency to effectively track returns, and

WHEREAS, both programs were cited by the judges for their innovation and creativity, now, therefore, be it

Resolved, that the Federation of Tax Administrators congratulates the Washington Department of Revenue and Pennsylvania Department of Revenue on winning the 2004 FTA Award for Outstanding Compliance Program.

Resolution Six
Honoring Former Board Members
Tom Zaino, Phil Brand, Arthur Roth

WHEREAS, FTA Board of Trustees members Tom Zaino, Phil Brand and Arthur Roth recently left the field of state tax administration, and

WHEREAS, these men, through dedicated service and abilities, had important roles in the growth and development of the Federation of Tax Administrators as well as the state tax administration profession generally, now, therefore, be it

Resolved, that FTA expresses its sincere appreciation to these valued colleagues for their contributions to state tax administration.

Resolution Seven
Motor Fuel Administrative Enhancements

WHEREAS, the petroleum industry and state tax agencies desire to operate in the most effective and efficient manner, and

WHEREAS, the states employ different requirements for the reporting of motor fuel tax information as well as different definitions of various terms, and

WHEREAS, the Motor Fuel Tax Uniformity Committee of the FTA Motor Fuel Tax Section has created uniform guidelines, forms, reports, definitions, product codes, checklists, and schedules for the reporting of motor fuel tax information, now, therefore, be it

Resolved, that states be encouraged to consider the uniform guidelines, forms, reports, definitions, product codes, checklists, and schedules adopted by the FTA Motor Fuel Tax Section at its 2003 annual meeting.

Resolution Eight
Use of Standards for 2-D Barcoding

WHEREAS, the use of two-dimensional barcoding and scanning to automate the capture of tax return data has emerged as a useful alternative filing method, and

WHEREAS, to successfully implement this technology in return processing, states are required to work in partnership with tax software companies because they must incorporate 2-D output capability within the products they provide to taxpayers and practitioners, and

WHEREAS, state revenue agencies and software developers have a mutual interest in ensuring that 2-D technology is implemented in as consistent a manner across states as possible, and

WHEREAS, since 1999 the Federation of Tax Administrators, its member states, and the National Association of Computerized Tax Processors have worked together in public forums to create and maintain important standards guidance on the implementation of 2-D barcode processing capability, and

WHEREAS, this guidance has now been published on the FTA and NACTP Web sites, and through a process of continual revision is made useful to marketplace participants, now, therefore, be it

Resolved, that state tax administrators are encouraged to review, employ and promote the use of consensually developed 2-D barcoding standards and guidance in their implementation of this technology, and be it further

Resolved, that state tax administrators are encouraged to actively participate in the continuing development and maintenance of 2-D barcoding standards as their states move forward with the use of 2-D barcoding.

Resolution Nine
Use of Standards for eXtensible Markup Language (XML)

WHEREAS, eXtensible Markup Language (XML) is a new way to mark and exchange data transferred over the Internet that enables more widespread use of electronic commerce, and

WHEREAS, the use of XML has the potential to assist the tax agencies in extending the reach and richness of their electronic commerce tax programs, and

WHEREAS, state revenue agencies, software developers, and others have a mutual interest in ensuring that XML for tax administration is implemented in as consistent a manner across states as possible, and

WHEREAS, a defined and widely accepted specification for XML has emerged from a World-Wide Web Consortium (W3C), and

WHEREAS, various and distinct user-entities employing this specification have an opportunity to agree on common standards and data vocabularies for its use, and to work in partnership to successfully implement this technology, and

WHEREAS, the Federation of Tax Administrators and the states, through sponsorship of the Tax Information Group for EC Requirements Standardization (TIGERS), have worked together with IRS and others in public forums to develop, maintain and promote standards guidance on the implementation of XML for tax administration, and

WHEREAS, this guidance is available on the FTA Web site, now, therefore, be it

Resolved, that state tax administrators are encouraged to review, employ and promote the use of agreed-upon XML standards and guidance in their implementation of this technology, and be it further

Resolved, that state tax administrators are encouraged to actively participate in the continued development and maintenance of XML standards through participation in the TIGERS XML effort.

Resolution Ten Fed-State E-File Models

WHEREAS, the FTA-IRS Tactical Advisory Group has developed a Fed/State e-File Model and is recommending its use by the IRS in its Modernized Fed-State E-File development efforts including employment tax, corporate tax, individual income tax, and others, and

WHEREAS, features of this e-model include:

- Single point transmission of federal and state return data to IRS
- Single point retrieval for state returns from IRS
- Support for State Only returns
- Support for Internet transmission technologies
- Validation of key data elements such as Taxpayer Identification Number in state returns by IRS
- One “master” data structure for state return content
- Support for state payments on a pass-through basis
- Ability to “package” a copy of federal return with the state return as needed
- A single point acknowledgment system hosted by IRS
- A testing facility for Fed/State and State Only returns and acknowledgments

WHEREAS, benefits of this approach include:

for IRS,

- Leverage of state participation to increase e-file volumes along with more straightforward “message marketing”
- Single Fed/State architecture reduction in cost of supporting Fed/State functionality across multiple programs
- Encouragement of practitioner participation by providing convenience features such as single point acknowledgement

for States,

- Leverage of IRS e-file participation to increase e-file volumes at state level
- Single Fed/State architecture reduction in cost of supporting multiple Fed/State e-file programs
- Architecture is extensible to state-only tax types such as Sales
- Use of IRS resources to provide single point filing/retrieval and single point acknowledgement reduces implementation costs to states

For Software Developers/Service Providers,

- Increase in customer base through ability to offer complete Fed/State products and services
- Single Fed/State architecture reduction in cost of supporting multiple tax types
- Single point filing/acknowledgement reduces complexity of software and transmissions,

now, therefore, be it

Resolved, that the Federation of Tax Administrators endorses and adopts the Fed/State e-File Model recommended by the FTA-IRS Tactical Advisory Group, and recommends that the IRS deploy this model across all major individual and business tax e-File programs as they are developed for the Modernized e-File platform.

Resolution Eleven Fed-State 1120 E-File Project Development

WHEREAS, the states and the IRS have embarked on a project to enable the joint e-filing of corporate return data in 2006, and

WHEREAS, coordination of this project has been undertaken by the FTA-IRS Tactical Advisory Group (TAG), which has created a Fed-State 1120 Deployment Team of 20 states to advise on business requirements, and

WHEREAS, TAG also coordinates with the FTA-sponsored TIGERS technical group on creation of technical data structures, and

WHEREAS, significant and rapid progress has been made by all groups since inception in May 2003 of this project, and

WHEREAS, substantial steps yet remain for the states and IRS to timely fulfill the aim of a successful and actively used Fed-State 1120 program, now, therefore, be it

Resolved, that state tax administrators thank the IRS for its close coordination with the states and FTA in developing the Fed-State 1120 project, and be it further

Resolved, that state tax administrators are encouraged upon request to actively participate in and support the efforts of the TAG, the FS1120 Deployment Team, and TIGERS in promoting this important joint state and IRS initiative.

Resolution Twelve
Task Force on EDI Audit and Legal Issues for Tax Administration

WHEREAS, the Task Force on EDI Audit and Legal Issues for Tax Administration was established to identify and examine the effect of EDI and related business processes on the tax administration process, and

WHEREAS, the Task Force is composed of representatives of the Council On State Taxation, Institute of Professionals in Taxation, Tax Executives Institute, Multistate Tax Commission, Federation of Tax Administrators and commissioners from several state tax administration agencies, and

WHEREAS, the Task Force has developed, and the FTA Board of Trustees has approved, (1) a model recordkeeping regulation intended to govern taxpayer retention of books and records, particularly electronically generated and retained records, (2) a white paper examining the various issues related to auditing in an electronic environment, (3) a white paper describing the use tax documentation and verification issues involved with the use of corporate procurement cards, (4) a white paper identifying the tax and documentation issues associated with the use of evaluated receipts settlement processes, (5) a white paper examining sales and use tax compliance agreements, which specify an agreed-upon method for calculating and remitting tax on specified purchases and (6) a model direct payment regulation focusing on the business needs of a taxpayer in determining whether direct pay authority should be granted, and (7) an educational document on sampling which is supplemented with a summary of state sampling practices, and

WHEREAS, the Task Force is currently reviewing issues related to business-to-business electronic commerce, and

WHEREAS, the FTA Board of Trustees has approved the Model Recordkeeping and Retention Regulation as the basic framework for states to follow when addressing the issue of taxpayer retention of electronically generated and retained books and records, and

WHEREAS, the Sales and Use Tax Compliance Agreements (SUTCA) white paper examines agreements between taxing agencies and taxpayers, specifying an agreed-upon method for calculating and remitting tax on specified purchases, and identifying alternative reporting methodologies, best practices, and recommendations for taxpayers and tax authorities to follow when entering into these agreements and,

WHEREAS, each of these efforts is believed to represent an appropriate balance between the interests of tax administrators and taxpayers and will provide a measure of consistency and uniformity for taxpayers and promote effective tax administration, now, therefore, be it

Resolved, that the Federation of Tax Administrators congratulates the participating state and industry Task Force members who devote their time and efforts to examining the issues associated with these projects and to identifying approaches that meet the needs of taxpayers and tax administrators, and be it further

Resolved, that the Federation of Tax Administrators respectfully encourages its members to work with taxpayers in addressing these and other issues related to EDI business processes, and to share experiences and approaches with other states, and be it further

Resolved, that the Federation of Tax Administrators respectfully recommends that its members examine the model regulations and white papers and consider using them as models or starting points when developing their individual laws and policies.

Resolution Thirteen **Suspicious Filer Exchange of Information Program**

WHEREAS, TaxNet Governmental Communications Corporation (TGCC) has been formed to provide network and communication services to state tax agencies to facilitate communication among them and to assist in accomplishment of their missions, and

WHEREAS, TGCC is organized to qualify as an instrumentality of the states within the meaning of Section 115 of the Internal Revenue Code of 1986 and as a public charity exclusively for charitable and educational purposes within the meaning of Sections 501(c)(3) and 509(a)(3) of the Code, and

WHEREAS, in 1996, TGCC made available the Suspicious Filer Exchange of Information Program that was designed to provide a secure, electronic method of exchanging suspicious or potentially fraudulent individual income tax information, and

WHEREAS, a decision was made to use PGP Enterprise Software with its public/private key technology to encrypt, sign, decrypt, and verify e-mail and attachments between participating states, and

WHEREAS, 22 states have signed a Memorandum of Understanding and have agreed to utilize PGP Enterprise Software to exchange Suspicious Filer information via the public Internet, and

WHEREAS, FTA recently developed a Suspicious Filer Project page within TaxExchange that provides background on the program and also streamlines the process by which participating states exchange public keys by allowing states to access a single site to retrieve this information, now, therefore, be it

Resolved, that state tax administrators be urged to evaluate and consider participating in the Suspicious Filer Exchange of Information Program.

Resolution Fourteen Compendium of Exemplary Practices

WHEREAS, an important part of the mission of the Federation of Tax Administrators is to facilitate professional learning and knowledge among state tax agency employees, and

WHEREAS, FTA's members have proven themselves to be world leaders in the development of innovative, effective and efficient programs that enhance the profession of tax administration, and

WHEREAS, FTA has established a Compendium of Exemplary Practices, also known as "STEAL-IT," that offers states a forum to spotlight their most admirable programs, and

WHEREAS, the Compendium resides on TaxExchange as a research library where states can either search for existing examples of programs under consideration or simply browse in the search of good ideas, and

WHEREAS, this Compendium is a searchable document, and

WHEREAS, more than 170 programs already have been submitted by state tax agencies to be shared through the Compendium, now, therefore, be it

Resolved, that state tax agencies be thanked for their energetic participation in this program, and be it further

Resolved, that state tax agencies be encouraged to continue submitting programs to the Compendium, and be it further

Resolved, that agencies be urged to review the programs currently listed and to use the Compendium as a resource when considering new enhancements in tax administration.

Resolution Fifteen
Expanding the Refund Offset Program

WHEREAS, the 105th Congress passed legislation authorizing the states to participate in the federal refund offset program beginning in January 2000, and

WHEREAS, in the first four months of 2004 alone, 34 states have collected more than \$160 million in delinquent state tax debts through this program, and

WHEREAS, the program enjoyed a smooth implementation for government and citizens alike, and

WHEREAS, the program has proven itself to be effective, efficient, accurate and respectful of taxpayer rights,

WHEREAS, it has been the experience of tax administrators that taxpayers view offsets as the most accurate, least intrusive and least burdensome way available to satisfy a debt owed to government, and

WHEREAS, current federal statutory authorization for federal refund offsets for state tax debts limits the program to individual income tax refunds being offset for individual income tax debts owed by current state residents, and

WHEREAS, the Senate has passed S. 882, legislation that would expand the refund offset program to allow states to submit debts from all delinquent individuals under strict requirements of due process and notifications, now, therefore, be it

Resolved, that the Federation of Tax Administrators respectfully urges the House to accept the Senate language to allow states to offset for debts owed by taxpayers with legally established tax debts regardless of their current address, and be it further

Resolved, that the Congress additionally be urged to expand the authorization to allow offsets for taxpayers who owe tax debts other than individual income taxes, and be it further

Resolved, that the Congress further be urged to allow offsets for state debts against any federal payment that is part of the federal offset match.

This resolution shall automatically terminate three years after the Annual Business Meeting at which it is adopted, unless reaffirmed in the normal policy process.

Resolution Sixteen
Strengthening the Jenkins Act and Contraband Cigarettes Trafficking Act

WHEREAS, state tobacco tax enforcement is hindered by the illicit transportation of cigarettes between states and nations to avoid the proper payment of taxes, and

WHEREAS, the Jenkins Act, at 15 U.S.C. §§375-378, is a federal statute that requires anyone selling cigarettes in interstate commerce to report those sales to the tobacco tax administrator for that state into which the sales are made, and

WHEREAS, the Contraband Cigarette Trafficking Act, at 18 U.S.C. §2341-2346, makes it a federal crime to distribute or purchase "contraband cigarettes," a quantity in excess of 60,000 cigarettes that bear no evidence of payment of applicable cigarette taxes, and

WHEREAS, states have long sought to strengthen the provisions of the Jenkins Act and the Contraband Act to better assist enforcement of state tobacco taxes, and

WHEREAS, states seek to expand the scope of those statutes to include tobacco products other than cigarettes and to lower the threshold of the Contraband, and

WHEREAS, bills have been introduced periodically in Congress that would effectuate some of the changes to the Jenkins Act and the Contraband Act sought by the states, now, therefore, be it

Resolved, that the Federation of Tax Administrators should continue to work with the states and with Congress to arrive at legislation that would enhance the states' enforcement of their tobacco taxes by strengthening the requirements of the existing Jenkins Act and Contraband Cigarette Trafficking Act.

This resolution shall automatically terminate three years after the Annual Business Meeting at which it is adopted, unless reaffirmed in the normal policy process.

Resolution Seventeen
Preemption of State Authority to Tax

WHEREAS, the power to define the state tax system is a core element of state sovereignty, and

WHEREAS, the United States Constitution establishes appropriate bounds to the sovereignty of the states in the tax arena, and

WHEREAS, the system of federalism that is defined by the United States Constitution further cedes to state and local governments the responsibility for supplying the majority of the daily services due to its citizens and residents, and

WHEREAS, a vibrant state and local tax system is essential to meeting those needs, and

WHEREAS, the U.S. government has traditionally shown substantial deference to the tax sovereignty of the states, and

WHEREAS, there is an increasing number of groups seeking to preempt state taxation authority in particular areas, and

WHEREAS, federal preemption of state tax authority has the effect of establishing a preferred class of taxpayer and shifting the tax burden to other non-preferred taxpayers, and

WHEREAS, federal preemptions often have unintended consequences, and

WHEREAS, our system of federalism can result in substantial administrative compliance burdens for persons with tax responsibilities in multiple states, and

WHEREAS, many of the legitimate goals that might be pursued in preemptive legislation can be effectively achieved through cooperative state efforts and improved uniformity among the states, now, therefore, be it

Resolved, that the Federation of Tax Administrators respectfully urges the Congress and the U.S. federal agencies to refrain from enacting measures, taking actions or making decisions which would abrogate, disrupt or otherwise restrict states from imposing taxes that are otherwise lawful under the U.S. Constitution or from effectively administering those taxes, and be it further

Resolved, that Congress should undertake an active program of consultation with states as it considers measures that would preempt state tax authority, and be it further

Resolved, that states should actively pursue such uniformity and simplification measures as are necessary and effective in addressing concerns of administrative burden in complying with the tax laws of multiple states.

This resolution shall automatically terminate three years after the Annual Business Meeting at which it is adopted, unless reaffirmed in the normal policy process.

Resolutions that expire in 2006

Resolution Free Electronic Filing Services

WHEREAS, all 41 states and the District of Columbia that employ a broad-based personal income tax provide at least one avenue for the electronic filing of income tax returns, and

WHEREAS, increasing the volume of electronic-filed returns is critical to effective future operations in both state tax administration agencies and the Internal Revenue Service, and

WHEREAS, the cost of electronic filing through tax preparers is frequently cited by individuals as a barrier to electronic filing, and

WHEREAS, new technology now allows governments to provide these traditional filing services via the Internet in a way that minimizes common form-completion errors and eliminates the direct cost to taxpayers of electronically filing their income tax returns, and

WHEREAS, over 25 states offered free direct e-filing programs for some taxpayer populations in 2003, and

WHEREAS, the IRS has entered into an arrangement with various tax preparation and software companies, known collectively as the Free File Alliance, to provide free electronic filing in 2003 to particular taxpayer populations, and

WHEREAS, several states also entered into arrangements with some members of the Free File Alliance to provide free electronic filing at the state level, and

WHEREAS, some members of the Free File Alliance provided free electronic filing in some or all states as part of their federal Free File offerings, and

WHEREAS, there is a potential for taxpayer confusion and frustration if state and federal efforts to provide electronic filing, free or otherwise, are not coordinated and seen as virtually seamless by the taxpayer, and

WHEREAS, certain electronic filing private sector interests have indicated a willingness to offer free state electronic filing to certain taxpayers only if the state tax agencies discontinue offering their traditional services of forms guidance, fill-in completion and tax calculation via the Internet, now, therefore, be it

Resolved, that state tax administrators assert it is their responsibility to improve the tax agency's delivery of services to all taxpayers in ways that reduce cost, eliminate errors and relieve the burden on taxpayers and also respect taxpayer privacy and security of the data, and be it further

Resolved, that the tax agencies plan to continue to offer services and use whatever technologies they consider to be in the best overall interest of all taxpayers, and be it further

Resolved, state tax administrators believe that state and federal programs offering free electronic filing should be coordinated to provide that the filing experience is as seamless as possible for taxpayers, and be it further

Resolved, that the Federation of Tax Administrators encourages the Free File Alliance and the Internal Revenue Service to develop a program for involving states desiring to do so in the Free File effort, and be it further

Resolved, that the Federation of Tax Administrators offers its services and resources to assist in developing and implementing such an effort.

This resolution shall automatically terminate three years after the Annual Business Meeting at which it is adopted, unless reaffirmed in the normal policy process.

Resolution
Sales Tax Simplification

WHEREAS, forty-five states and the District of Columbia impose a sales and use tax, and

WHEREAS, there is a clear need for simplification of state and local sales tax administration and greater uniformity among states in the administration of the sales and use tax to avoid imposing any "undue burden" on interstate commerce, and

WHEREAS, simplification of the sales and use tax will reduce any undue burden imposed on those now collecting the tax, and

WHEREAS, the Streamlined Sales Tax Project, through the efforts of more than 40 states and substantial segments of the business community, has developed a series of recommendations that when implemented will significantly simplify the sales tax administration system and reduce the compliance burden for all types of retailers, and

WHEREAS, the Implementing States of the Streamlined Sales Tax Project have reviewed, modified and incorporated the recommendations of the Streamlined Project into the Interstate Sales and Use Tax Agreement that was approved by the affirmative vote of nearly 30 states in November 2002, and

WHEREAS, nearly 20 states have passed legislation incorporating all or substantially all the simplifications called for in the Interstate Agreement into state sales tax law, and

WHEREAS, the number of states adopting the provisions of the Interstate Sales and Use Agreement is approaching the thresholds required before activation of the agreement, now, therefore, be it

Resolved, that the Federation of Tax Administrators recognizes the value of the Streamlined Sales Tax Project to state tax systems and to the state tax structure as a whole, and be it further

Resolved, that the Federation of Tax Administrators commends those who are working on the project for their efforts and applauds those states that have adopted legislation to conform to the Interstate Agreement, and be it further

Resolved, that states be encouraged to consider active participation in the project, and be it further

Resolved, that the Federation of Tax Administrators will continue to provide support to the Streamlined Sales Tax Project, the Interstate Sales and Use Tax Agreement and other state efforts to simplify state and local sales and use taxes and their

administration.

Resolution
Collection of Tax by Remote Sellers

WHEREAS, the continuing growth of interstate sales by mail order, electronic commerce and other direct marketing methods is eroding state and local revenue, and

WHEREAS, the current pattern in which tax collection responsibilities differ based on the manner in which the transaction is conducted may distort economic choices, and

WHEREAS, collection of sales and use tax at the time of the transaction will facilitate compliance among consumers, and

WHEREAS, the U.S. Supreme Court held in *Quill Corp. v. North Dakota*, 112 S.Ct. 1904 (1992) that physical presence is not required to establish state jurisdiction under the Due Process Clause, but that "substantial nexus" is required under the Commerce Clause to require an interstate seller to collect tax, and

WHEREAS, the Court further held that Congress may authorize states to require interstate sellers to collect appropriate sales and use taxes, and

WHEREAS, states, the business community and the Congress have all recognized the need for greater simplification and uniformity in the administration of sales and use taxes as a prelude to a federal grant of authority to states to require remote sellers to collect tax, and

WHEREAS, the Interstate Sales and Use Tax Agreement approved by the Implementing States of the Streamlined Sales Tax Project in November 2002 will substantially reduce the burden involved in collecting sales and use taxes for remote sellers as well as other types of retailers, and

WHEREAS, states are moving aggressively, with the support of the business community, to conform their sales tax laws to the provisions of the Interstate Sales and Use Tax Agreement, now, therefore, be it

Resolved, that the Federation of Tax Administrators urges Congress to enact legislation that would authorize those states conforming to, and accepted as members of, the Interstate Sales and Use Tax Agreement to require interstate sellers that do not have substantial nexus in the state, but do have an annual national sales volume above some reasonable threshold, to collect tax in the states into which they sell, and be it further

Resolved, that the authority to require remote sellers to collect tax should not require adoption of specified standards of nexus for other types of state and local taxes, but should be contingent on adoption, through state or federal law, of a requirement that collection and remittance of sales and use taxes, in and of itself, should not be considered

a factor in determining nexus for other state and local taxes.

Resolutions that expire in 2005

Resolution

Format Standard for Sourcing of Mobile Telecommunications Services

WHEREAS, states and the mobile telecommunications industry both acknowledge the difficulty of assigning a situs to mobile telecommunications services for purposes of imposing transactional taxes, and

WHEREAS, the Mobile Telecommunications Sourcing Act addressed the problem by sourcing all wireless calls to the "place of primary use," which essentially is the customer's residence or business address, and

WHEREAS, the Act provides that each state may provide vendors with an electronic database that designates, for every street address in the state, the appropriate taxing jurisdictions encompassing that address, and designates FTA and MTC to develop and approve a national-standard data format for use in such databases employed by states, and

WHEREAS, FTA and MTC created an eight-state Wireless Task Group to develop and seek American National Standards Institute approval for the development of this standard data format, and

WHEREAS, the American National Standards Institute Accredited Standards Committee X12 has now approved an Electronic Data Interchange-standards based Tax Jurisdiction Sourcing Transaction Set, and a database format derived from this standard has been approved by the FTA Board of Trustees in fulfillment of this task, now, therefore, be it

Resolved, that the FTA/MTC Wireless Task Group be commended for its efforts in this creation of a mobile sourcing data format standard, and be it further

Resolved, that the states and industry are encouraged to employ the standard data format created by the FTA and MTC in compliance with the Mobile Telecommunications Sourcing Act.

This resolution will be in effect until June 2005.

Resolution

Considering All Taxpayers When Developing Services

WHEREAS, 41 states plus the District of Columbia impose an income tax on individuals, and

WHEREAS, new technologies now allow governments to perform core functions and provide services to taxpayers in improved ways, including the ability to offer forms, instructions, basic guidance and computations via the Internet, and

WHEREAS, this new technology will allow government to perform its core functions in a way that virtually eliminates the common form-completion errors committed by both taxpayers and the government and to eliminate the direct cost to taxpayers of electronically filing their income tax returns, and

WHEREAS, the Internal Revenue Service, at the urging of the Office of Management and Budget, is working with certain private sector electronic filing interests to develop mechanisms that would allow certain taxpayers to electronically file their federal income tax returns without additional cost, and

WHEREAS, certain electronic filing private sector interests have indicated a willingness to offer free state electronic filing to certain taxpayers if state tax agencies discontinue offering their services of forms guidance, fill-in completion and tax calculation via the Internet, now, therefore, be it

Resolved, that state tax administrators assert it is their responsibility to improve the tax agency's delivery of services to all taxpayers in ways that reduce cost, eliminate errors and relieve the burden on taxpayers and also respect taxpayer privacy and security of the data, and be it further

Resolved, state tax administrators believe that state and federal programs offering free electronic filing should be coordinated to provide that the filing experience is as seamless as possible for taxpayers, and be it further

Resolved, that the tax agencies plan to continue to offer services and use whatever technologies they consider to be in the best overall interest of all taxpayers, and be it further

Resolved, the Internal Revenue Service should continue to work with state tax administrators to develop effective means of coordinating state and federal programs that offer electronic filing, and that the IRS should work with states to include free electronic filing to taxpayers.

This resolution will be in effect until June 2005.

Resolution
Consider State Systems When Modifying Federal Policies

WHEREAS, under the U.S. Constitution both federal and state governments have the right to establish their own, separate systems of taxation, and

WHEREAS, the large majority of states have traditionally conformed important aspects of their individual and corporation income taxes and estate taxes to the federal tax code as a means of easing the burden of compliance on taxpayers as well as simplifying administration and compliance for all parties, and

WHEREAS, this system of federal-state conformity has effectively created a tax base and tax system that is in many ways integrated and is effectively shared between the federal and state governments, and

WHEREAS, this integrated tax system means that changes to federal tax laws will often have a substantial fiscal and administrative impact at the state level,

WHEREAS, the U.S. Congress has recently enacted a series of changes in federal tax law that have had substantial impacts at the state level, including a phase-out of the federal estate tax, broadening of allowable deductions for retirement contributions and broadening the depreciation allowance for businesses, and

WHEREAS, these decisions failed to take into account or attempt to accommodate the fiscal, administrative and policy implications for states of such changes, and

WHEREAS, the impact of these federal enactments was to exacerbate difficult state fiscal conditions; and

WHEREAS, the fiscal impact of these enactments is such that a number of states have decoupled or are considering decoupling or enacting measures that will end or temporarily suspend conformity between state and federal income taxes, and

WHEREAS, the resulting nonconformity has resulted in considerable new complexities and recordkeeping burdens for taxpayers and tax professionals as well as affected the state tax infrastructure, compliance programs and levels of service to taxpayers,

WHEREAS, there are often alternative ways to achieve federal changes to policy that minimize or eliminate any need for states to make adjustments to their own tax systems to keep the federal and state systems in harmony, and

Resolved, that the state tax agencies respectfully urge Congress to formally consider the impact of federal tax measures on state income tax systems and to create procedures that will identify federal tax actions that can lead to nonconformity and estimate the impact of these actions, and be it further

Resolved, that states and taxpayers should work in concert to educate Congress on the effects of federal changes that force states to reduce conformity and to jointly seek the creation of procedures that will reduce or eliminate the need for such state action.

This resolution will be in effect until June 2005.

**Resolution
Coordinating motor fuel meetings**

WHEREAS, the Federation of Tax Administrators (FTA) is an organization composed primarily of state revenue and tax administration members, and

WHEREAS, the International Fuel Tax Agreement, Inc. (IFTA, Inc.) is an organization composed primarily of U.S. state and Canadian province finance, revenue, taxation, and commercial motor vehicle administration members, and

WHEREAS, nearly 100 percent of the FTA members are also members of IFTA, Inc., and

WHEREAS, the FTA's Motor Fuel Tax Section has demonstrated its leadership through member and industry support in developing uniform motor fuel tax definitions, in developing uniform motor fuel tax information reporting and exchange programs, in establishing basic and advanced training seminars, and in conducting administrative and enforcement conferences, and

WHEREAS, IFTA, Inc. has demonstrated its leadership through member and industry support in developing uniform motor fuel use tax reporting requirements, in developing a uniform auditing program, in developing uniform information reporting and exchange programs, in establishing and maintaining a jurisdiction-based tax payment reconciliation "clearinghouse" system, and in conducting administrative and enforcement conferences, and

WHEREAS, the FTA and IFTA, Inc. both strive to enhance member, industry, and taxpayer communications, compliance, and effective tax collections by conducting regularly scheduled administrative and compliance conferences and meetings, and

WHEREAS, combining and coordinating conferences and meetings will enable the agencies that belong to both organizations to save travel expenses and allow event attendees to acquire additional information during a time when travel budgets are severely restricted, now, therefore, be it

Resolved, that the FTA's Motor Fuel Tax Section is directed to explore the possibility of coordinating its conferences and meetings to coincide with conferences, committee meetings, and business meetings sponsored by IFTA, Inc.

This resolution will be in effect until June 2005.

Resolution
Federal Legislation on Jurisdiction to Tax

WHEREAS, some Members of Congress and certain segments of the business community have promoted the adoption of federal legislation that would establish standards of nexus for state corporation income, franchise and other business activity taxes, and

WHEREAS, each of the proposals that have been discussed would, to varying degrees, restrict the jurisdictional reach of state income, franchise and other business activity taxes when compared to current law, and

WHEREAS, efforts to define nexus in federal law by detailing the level of physical contacts required by a taxpayer will necessarily lead to lengthy and expensive litigation to determine the full meaning of such laws and to challenge their limits, and

WHEREAS, efforts to define nexus in federal law will necessarily discriminate in their impact across types of industries, and

WHEREAS, the established policy of the Federation of Tax Administrators has been consistently and throughout its history against the creation of federal definitions of nexus, and

WHEREAS, defining nexus in federal law would upset the tenets of federalism and the system of shared authority and responsibilities long practiced by the federal and state governments, now, therefore, be it

Resolved, that the Federation of Tax Administrators urges Congress not to insert itself into the exercise of establishing nexus standards for state corporation income, franchise and other business activity taxes, and be it further

Resolved, that the Federation of Tax Administrators commits itself to working with states, representatives of the business community and others to simplify and improve the uniformity of state corporation income, franchise and other business activity taxes.

Resolution
Extension of the Internet Tax Freedom Act

WHEREAS, the Internet Tax Freedom Act expires on November 1, 2003, and

WHEREAS, the Internet Tax Freedom Act imposes a moratorium on the imposition of new taxes on charges for Internet access and prohibits multiple and discriminatory taxes on electronic commerce, and

WHEREAS, Congress is considering various measures to modify and extend the Internet Tax Freedom Act, and

WHEREAS, electronic commerce business practices and electronic commerce technologies have changed since the enactment of the Internet Tax Freedom Act in 1998 and its extension in 2001, and

WHEREAS, certain of those changes, when coupled with an extension of the Act, could have unintended consequences and expose state and local revenue systems to substantial adverse consequences, now, therefore, be it

Resolved, if Congress chooses to extend the Internet Tax Freedom Act, the Federation of Tax Administrators urges it to do so in accord with the following guidelines:

- The Act should be extended for a limited period of time to insure that its impact on state and local revenues is examined periodically and that unintended consequences are not occurring.
- Any extension of the Act should preserve the ability of those states currently imposing a tax on charges for Internet access to continue to do so if they so choose.
- The definition of Internet access contained in the Act should be rewritten so that it does not create avenues to bundle otherwise taxable content, information and services into a single package of Internet access in a manner that would prevent states and localities from imposing their taxes on the otherwise taxable content, information and services.
- The definition of discriminatory taxes contained in the bill should be amended to insure that it does not create a situation in which a seller could avoid a tax collection obligation in a state even though the seller has a substantial nexus in the state.