Streamlined Sales Tax Project

Policymakers’ Briefing
Rosemont, Illinois
September 6, 2000
Streamlined Sales Tax Project

Background

• Simplification Project
• National Tax Association Project
• Advisory Commission on Electronic Commerce
• National Governors’ Association Proposal
Streamlined Sales Tax Project

- Project Focus - Modernization

- Project Vision
  - Simplification and Uniformity

- Project Mission
  - To develop measures to design, test, and implement a system that radically simplifies sales and use taxes
Streamlined Sales Tax Project

Project Organization

- Steering Committee
  - Seven Members
    - MI, MO, NC, SD, TN, WI, and WY
  - Work Groups
  - Project Meetings
    - Seven Meetings
      - Denver (2), St. Louis, Chicago (3), San Antonio
<table>
<thead>
<tr>
<th>Participating States (26)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Arkansas</td>
</tr>
<tr>
<td>Florida</td>
</tr>
<tr>
<td>Illinois</td>
</tr>
<tr>
<td>Iowa</td>
</tr>
<tr>
<td>Kansas</td>
</tr>
<tr>
<td>Kentucky</td>
</tr>
<tr>
<td>Louisiana</td>
</tr>
<tr>
<td>Maryland</td>
</tr>
<tr>
<td>Michigan</td>
</tr>
</tbody>
</table>
Observer States (13)

Alabama

California

Colorado

Connecticut

Georgia

Idaho

Indiana

Maine

Nevada

Pennsylvania

Texas

Vermont

Washington
Work Groups

- Technology, Audit, Privacy and Paying for the System
- Tax Base Uniformity and Exemption Administration
- Tax Rates, Registration, Returns and Remittances
- Sourcing and Other Simplifications
Technology, Audit, Privacy, and Paying for the System

- Technology solutions
- Privacy of purchasers
- Audit and certification standards
- Paying for system
Technology, Audit, Privacy, and Paying for the System

Models

- Certified Service Provider (CSP)
- Retailer Using Certified Automated System (CAS)
- Proprietary System as a Certified Automated System (CAS)
- Traditional collection systems
Certified Service Provider

- Retailer selects CSP to perform sales tax functions.
- CSP determines tax due, pays the tax to the states, and files the return with the states using a CAS.
- States will compensate a CSP.
- CSP is liable for tax collected and tax due on transactions using certified software.
- CSP is not liable for tax due as a result of errors by the state and fraud by the retailer.
- CSP is subject to audit and periodic system checks.
Retailer Uses Certified Automated System

- Retailer selects CAS to calculate tax due.
- Person who obtained CAS state certification is liable for failure of system to perform as certified and failure to timely correct errors.
- Retailer is liable for tax collected and tax due on transactions using CAS.
- Retailer is subject to audit on tax remittance and return filing.
- CAS is subject to periodic system checks.
Proprietary System as a Certified Automated System

- Retailer obtains certification of sales tax system from states.
- Retailer is liable for tax collected and tax due on transactions using system.
- Retailer is subject to periodic system checks.
- Retailer is subject to audit on tax remittance and return filing.
Traditional Collection Systems

- Current practice
- Uniform laws will apply (existing taxpayers get benefits)
Tax Base Uniformity and Exemption Administration

- Exemption Processing
  - Relax good faith requirement
  - Exemption database
- Product codes/classifications
  - Exploring coding systems
- Definitions
Tax Rates, Registration, Returns and Remittances

- Rate issues
- Matching rates to jurisdiction
- Notice of tax rate changes
- Single registration
- Simplified filing
Sourcing and Other Simplifications

- Uniform treatment of bad debts
- Uniform rounding
- Uniform sourcing
The Project

Accomplishments

• Reviewed Features and Issues
• Met with Software Providers
• Met with Retailers
• Recruited Resource People
• Increased State Participation
• Issued RFP for Pilot Program
• Awarded Contracts for Pilot Program
Pilot Project

- **Purpose** - Test Linkage
- **Features** - Existing Tax Law and Some Uniformity Features
- **States**: Kansas, North Carolina, Michigan, Wisconsin
- **Projected Date** - October 1, 2000
- **Certified Service Providers**
  - esalestax.com
  - Pitney Bowes (Vertex)
  - Taxware International (Hewlett-Packard)
  - Taxware International (Pitney Bowes)
Streamlined Sales Tax System

Model Legislation

Uniform Features
- Rate Simplifications
- Initial Uniform Definitions
- Exemption Administration
- Uniform Sourcing Rule
- Uniform Bad Debts Treatment
- Uniform Rounding Rule
- Certification Authority
- Payment Provisions

Additional Development (Phase II)
- More Uniform Definitions
- Product Coding
- Uniform Return
- Review of Pilot Results

Jan 2001
Streamlined Sales Tax System

Pilot Project
- RFP's Issued
- Proposals Received
- Proposals Due
- Contracts Awarded (Aug 2000)
- Pilot Begins (Oct 2000)
Streamlined Sales Tax System

Model Legislation (Uniform Features and Procedures)

Legislative Adoption of Model Legislation (Phase I) Project (Phase II)

Pilot Project
Project Timeline

Sept 13-15  Project Meeting
Sept 19    Draft Work Products Posted to Website
Sept 29    Public Comment Day
October   Project Meeting
October   Drafting of Model Legislation
December  Approval of Model Legislation
2001      Legislative Adoption of Model Legislation
2001      Additional Development
Website

- www.streamlinedsalestax.org
  - Structure and Rules
  - Participating States
  - Meeting Announcements
  - Agendas
  - Press Releases
  - Project Updates