

STREAMLINED SALES AND USE TAX PROJECT

Overview

The Streamlined Sales Tax Project (SSTP) was organized in March 2000. The project is an effort by state governments, with input from local governments and the business community, to create uniformity among the states and to simplify sales and use tax compliance, collection and audit. With significant effort from all participating parties, an official agreement, known as the Streamlined Sales and Use Tax Agreement (SSUTA), was adopted on November 12, 2002.

The business community has actively been involved in the project by offering expertise and input, reviewing proposals, suggesting language, and testifying at public hearings. Participants from the business community includes retailers, trade associations, manufacturers, technology companies, public accounting firm, and others.

The driving force behind SSTP is no doubt a desire by states to prompt Congress to abolish the physical presence test articulated by the U.S. Supreme Court case (Quill vs. North Dakota - 1992). If successful, remote sellers will be required to register and collect sales tax on their taxable sales. It is the hope of state administrators that the adoption of SSTUA will lead to the desired federal legislation.

Streamlined Simplification and Uniformity Goals

- 1) **Uniform definitions within tax laws.** The agreement requires the adoption of common definitions for key items in the tax base. State Legislatures continue to decide what is taxable and what is not in their state.
- 2) **Rate simplification.** States will be limited to two rates – a standard rate as well as a secondary rate in limited circumstances (food and drugs). Each local jurisdiction will be limited to a single local rate. States will be required to provide an online rate/jurisdiction database.
- 3) **State level tax administration.** Businesses will no longer file tax returns with each local government within the state, all sales tax reporting and auditing will be administer through the state.
- 4) **Uniform sourcing rules.** All member states will be required to adopt “destination/delivery” based sourcing relative to intrastate transactions. Special sourcing rules will apply for unique industries.
- 5) **Simplified exemption administration.** With the receipt of a valid exemption certificate or a “standard set of exemption data elements”, the seller will be relieved of the “good faith” requirements that currently exist and will not be held liable for uncollected tax.
- 6) **Uniformed audit procedures.** No audit liability or limited audit scope depending on the technology model selected by sellers.
- 7) **State funding of the system.** States will assume responsibility for funding some of the technology models.

Participating States

To date, there are 43 states that are participating in the project which include: Alabama, Arizona, Arkansas, California, Connecticut, District of Columbia, Florida, Georgia, Hawaii, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Maine, Maryland, Massachusetts, Michigan, Minnesota, Mississippi, Missouri, Nebraska, New Jersey, New York, Nevada, North Carolina, North Dakota, Ohio, Oklahoma, Pennsylvania, Rhode Island, South Carolina, South Dakota, Tennessee, Texas, Utah, Vermont, Virginia, Washington, West Virginia, Wisconsin and Wyoming.

Member States

In order for a state to become a member of Streamlined Sales Tax, their sales/use laws, rules or regulations, and policy must be in “substantial” compliance with each of the requirements of the SSUTA.

To date, there are 19 states that have adopted legislation (with various effective dates) to bring their law into compliance with the SSUTA. They include the following: Arkansas, Indiana, Iowa, Kansas, Kentucky, Michigan, Minnesota, Nebraska, Nevada, North Carolina, North Dakota, Ohio, Oklahoma, South Dakota, Tennessee, Utah, Vermont, West Virginia and Wyoming.

Technology Models

Under the SSUTA, sellers will have the opportunity to use one of three technology models:

- 1) **Model 1.** Under Model 1, a seller will have the opportunity to select a Certified Service Provider (CSP). A CSP will perform all the seller's sales tax functions, and will be compensated by the member states. If a seller utilizes a CSP, they will shift their sales tax liability to the CSP and will not be audited by the states for sales tax purposes. Sellers will still be subject to use tax audits.
- 2) **Model 2.** Under Model 2, a seller can use a Certified Automated System (CAS) to perform only the tax calculation function. The seller maintains the reporting responsibility and liability.
- 3) **Model 3.** Under Model 3, a seller can develop their own proprietary sales tax software that is certified by the member states collectively. The seller maintains the reporting and liability.

Implementation of Streamlined

Under the provisions of the SSUTA, Streamlined goes into effect when at least 10 states, representing at least 20% of the population of states imposing a sales tax have come into compliance with the requirements of the agreement. Most believe that with continued work and ongoing cooperation between participating states and the business community, implementation of Streamlined could go into effect by 01/06.