

Streamlined Sales Tax Governing Board and Business Advisory Council Update

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NCSL SALT Taskforce Meeting - 6/18/16

Agenda

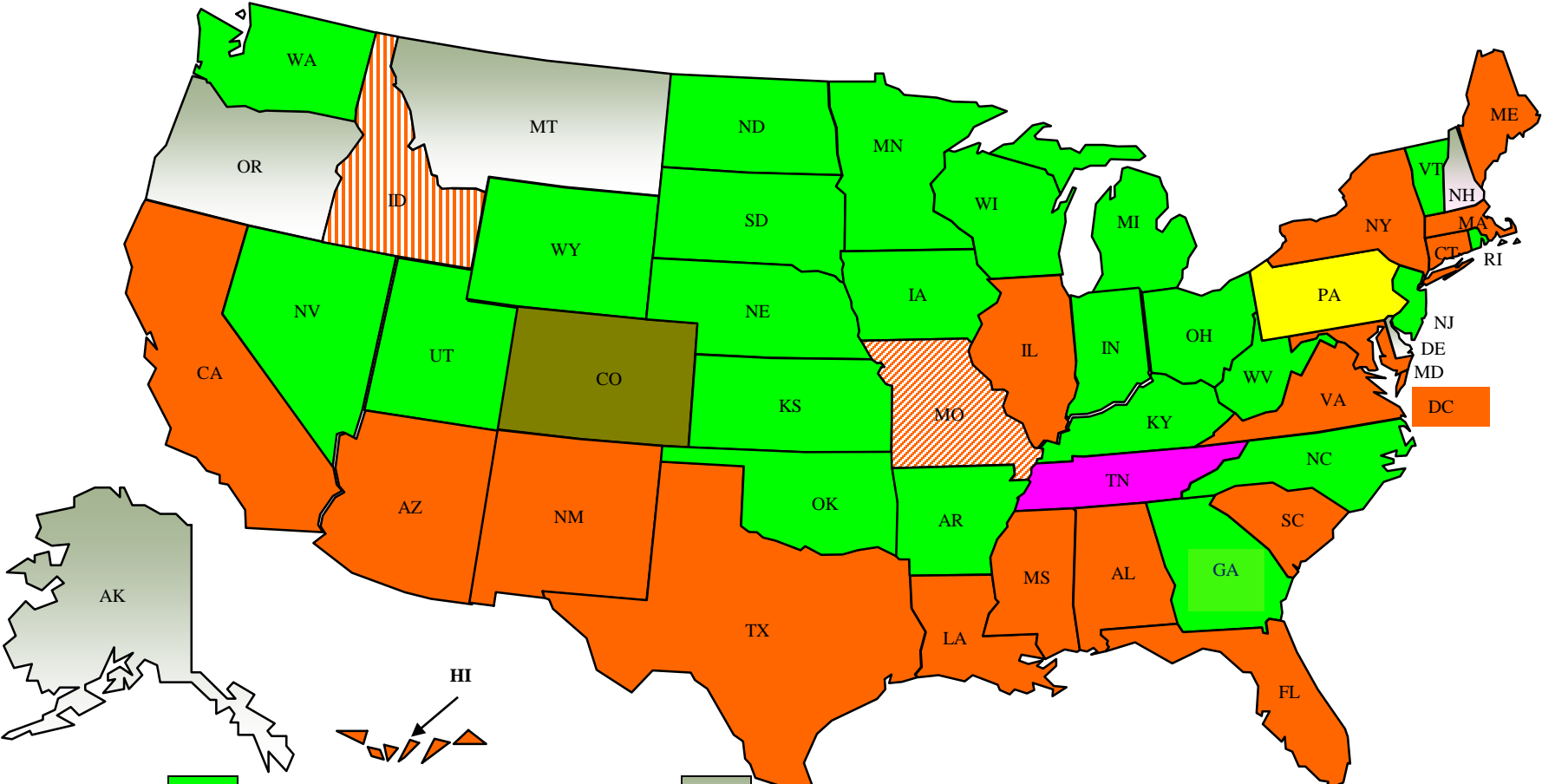
- ▶ **Federal Legislation**
- ▶ **SSTGB will assist state legislators/DORs in drafting their legislation**
 - ▶ **States Considering Legislation**
 - ▶ Idaho, Missouri, and Puerto Rico
- ▶ **State and Local Advisory Council Issues**
- ▶ **States' Compliance w/Agreement and Potential Sanctions**
- ▶ **BAC Activity**
- ▶ **Tax Credits**
- ▶ **Liability Relief**
- ▶ **Limited Power of Attorney**

SSTGB - 2016

▶ Federal legislation

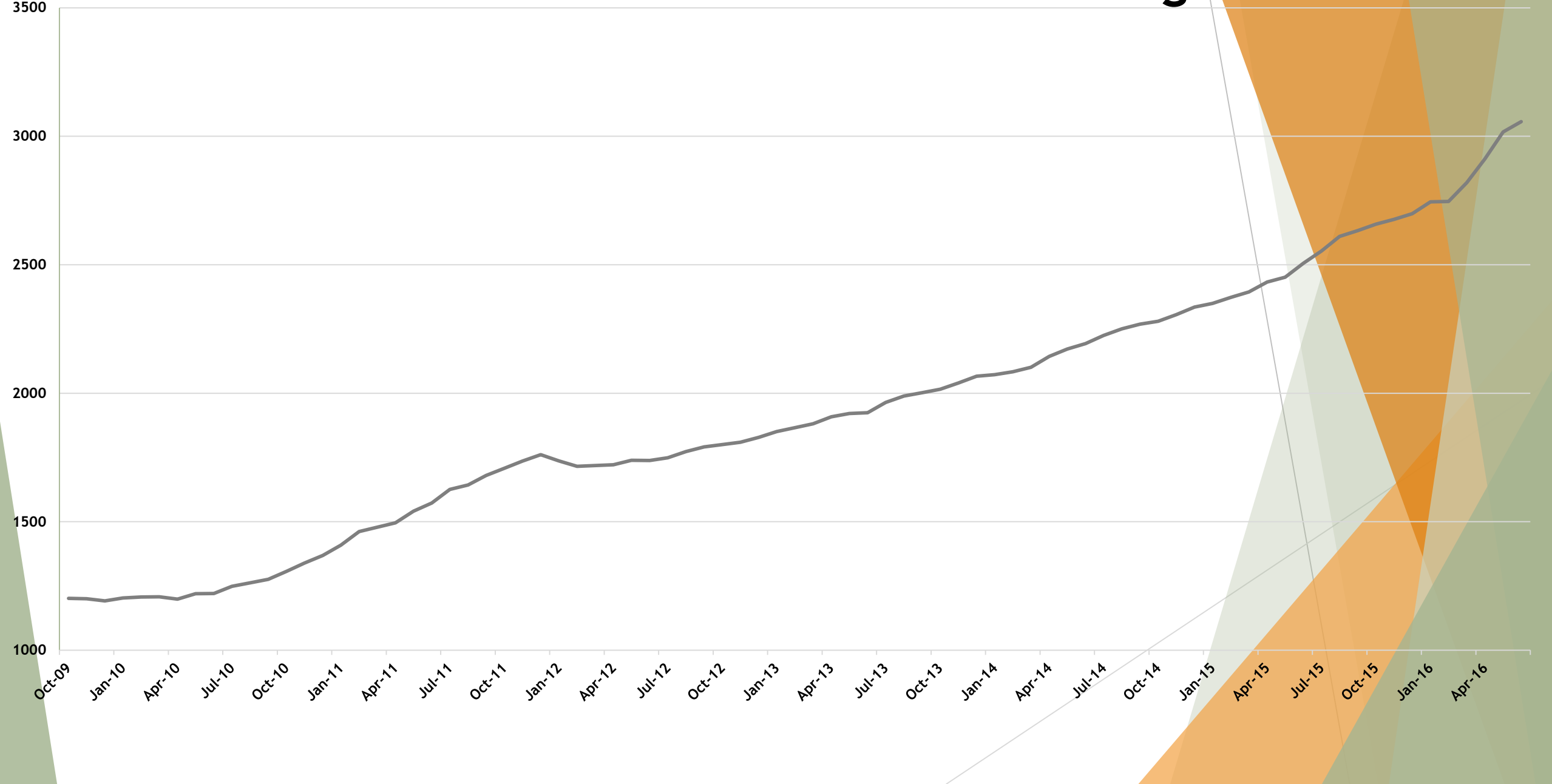
- ▶ Continue to support RTPA and educate members of Congress
- ▶ SSTGB's 10 years of experience shows it works
- ▶ Origin sourcing of interstate sales does not level the playing field
- ▶ Continue to coordinate with NCSL, NGA and others

Streamlined State Status 06-01-16



- Full Member States
- Associate Member States – flex to full
- Advisory States – Not Conforming
- Advisory States – Considering SSUTA
- Non-sales tax states
- Project states – Not Advisory
- Non-participating state

Number of Active Streamlined Registrants



SSTGB - 2016

- ▶ **State and Local Advisory Council issues**
 - ▶ Tax Administration Practices
 - ▶ Post transaction issues
 - ▶ Voluntary Disclosure agreements
 - ▶ Allowing sellers to register while working through the process
 - ▶ Limited Power of Attorney
 - ▶ Digital Goods
 - ▶ Hot topic - watching federal legislation in this area

SSTGB - 2016

▶ **Governing Board**

- ▶ New central registration system in place
 - ▶ Allowing Non-SST states to use central registration system
- ▶ Barriers to entry for other states
- ▶ Consideration of sanctions

SSTGB - 2016

▶ State compliance issues

- ▶ GA - good faith, acceptance of SERs and local option sales tax issue
- ▶ IN - acceptance of SERs from certain sellers
- ▶ MI - direct mail sourcing/definitional issues - legislation enacted
- ▶ RI - clothing cap and threshold - ssuta amended
- ▶ WI - local tax sourcing issue - legislation enacted

▶ Sanctions process - next steps

BAC - Proposed Sanctions

- ▶ BAC proposed a hierarchical sanctions approach
- ▶ Goal is to encourage states to stay compliant with the SSUTA - understanding that flexibility is needed to address unique circumstances:
 - ▶ **Level 1:** For minor issues, unintentional and newly identified - the sanction would be to require the state to cure the noncompliance within two years with public notice;
 - ▶ **Level 2:** Continuation of a Level 1 or a state that adopted a conflicting law, regulation, or policy change after becoming a member of the Agreement would have one year to cure the compliance issue and the state would lose its right to vote on other states' compliance issues;
 - ▶ **Level 3:** Continuation of Level 2 or a state with a severe non-compliance issue would have one year to return to full compliance (or a reasonable period) and the state would lose its right to vote on any issues that an Associate Member state is not authorized to vote;
 - ▶ **Level 4:** Continuation of level 3 or a state with an extreme non-compliance issues would either have to agree to revert to Associate Member status, or reimburse impacted persons for the financial cost of the state's noncompliance, or voluntarily withdraw from the Agreement; and .
 - ▶ **Level 5:** Continuation of Level 4 that failed to cure within a reasonable amount of time or a state that intensified its non-compliance with the Agreement by increasing the number of compliance issues should result in the Governing Board initiating the expulsion process

BAC - Recent Activity

(Since the last NCSL SALT Taskforce Meeting)

- ▶ **BAC unanimously passes resolution encouraging non-streamlined sales tax states to join the Agreement**
- ▶ **BAC sends letter to Michigan legislature encouraging them to pass direct mail sourcing legislation**
- ▶ **BAC sends letter to Nevada tax department suggested revisions to regulation to prevent compliance issue with Agreement (catalog sales tax rate issue)**

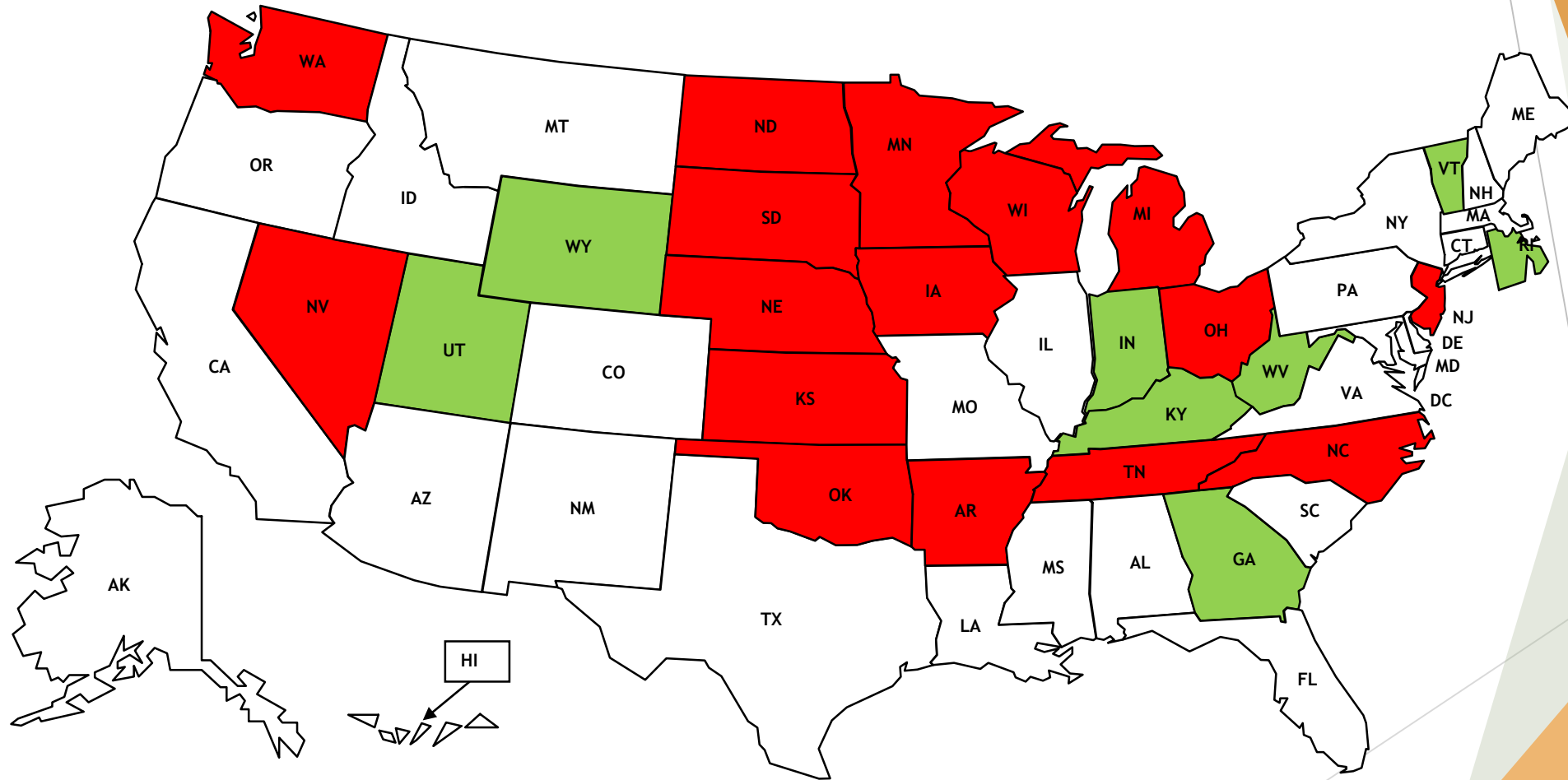
Sales & Use Tax Credit Issues

Multiple Issues - Focus on “Big Five”

- ▶ Credit Against Sales Tax
- ▶ State only Sales Tax States
- ▶ State v. State and Local v. Local States
- ▶ Credit for “Similar” Taxes
- ▶ Credit Based on Priority to Tax
(Possession v. Title Transfer & Leases)

Tax Credit Against Sales Tax

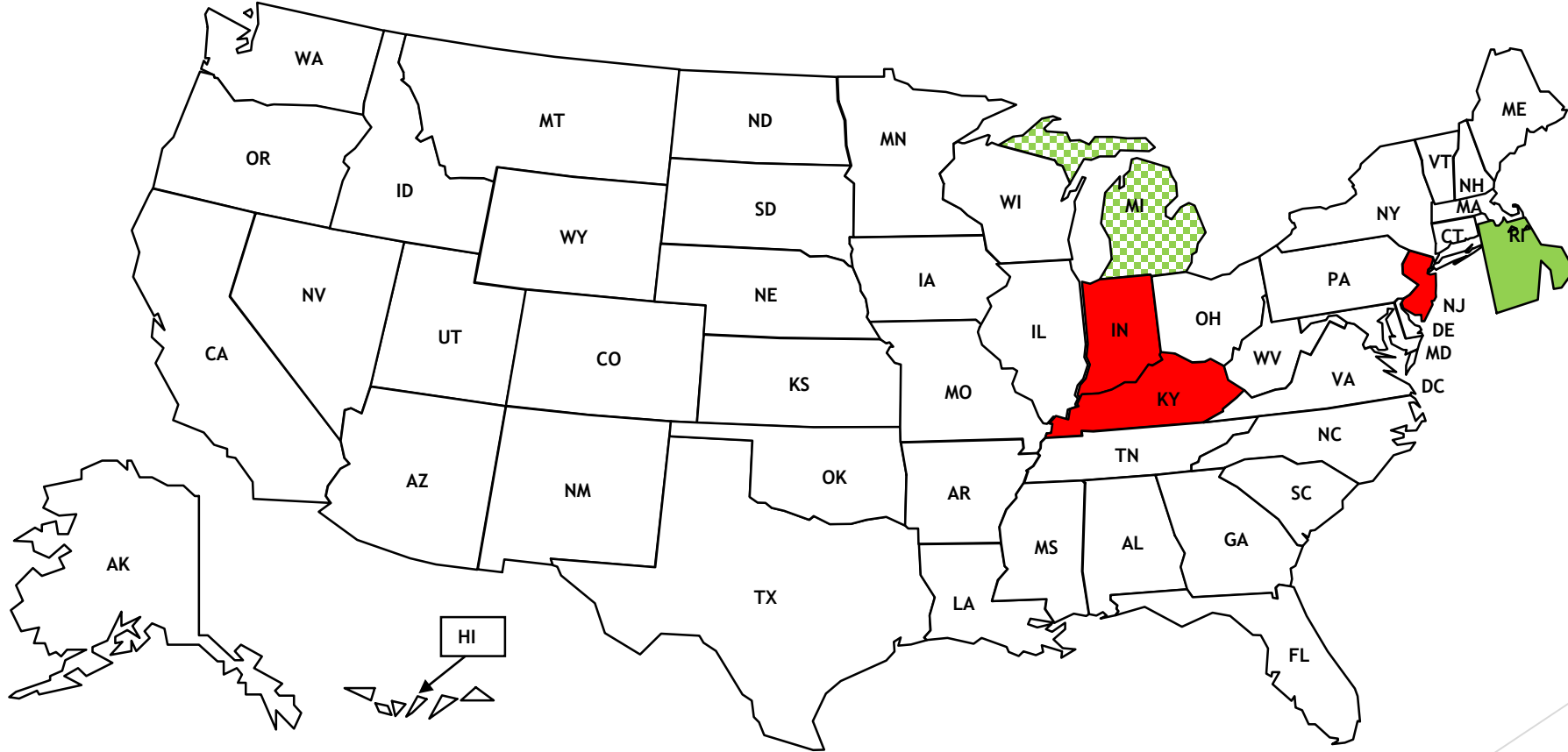
● No credit against sales tax ● Allows credit against sales tax



Source: SSUTA States' Taxability Matrix

State Tax Only States Credit Other States' Local Taxes

● No local tax credit ● Allows local tax credit



Source: SSUTA States' Taxability Matrix

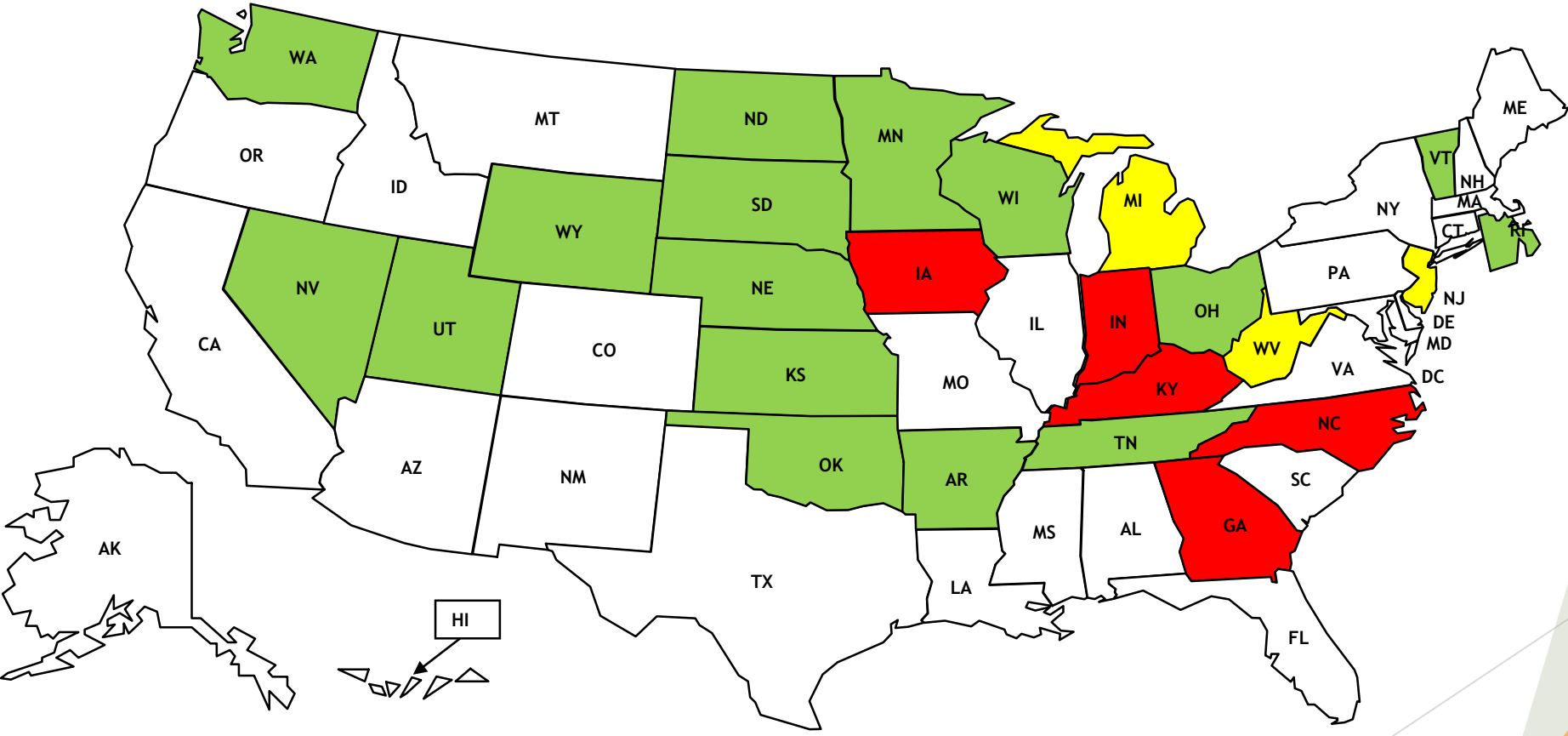
MI did not respond to 2.4b (blank) and NJ included (NJ imposes no use tax on local sports & ent. tax)

Full Credit For Other States' State & Local Taxes

 Full credit not allowed

 Full credit allowed

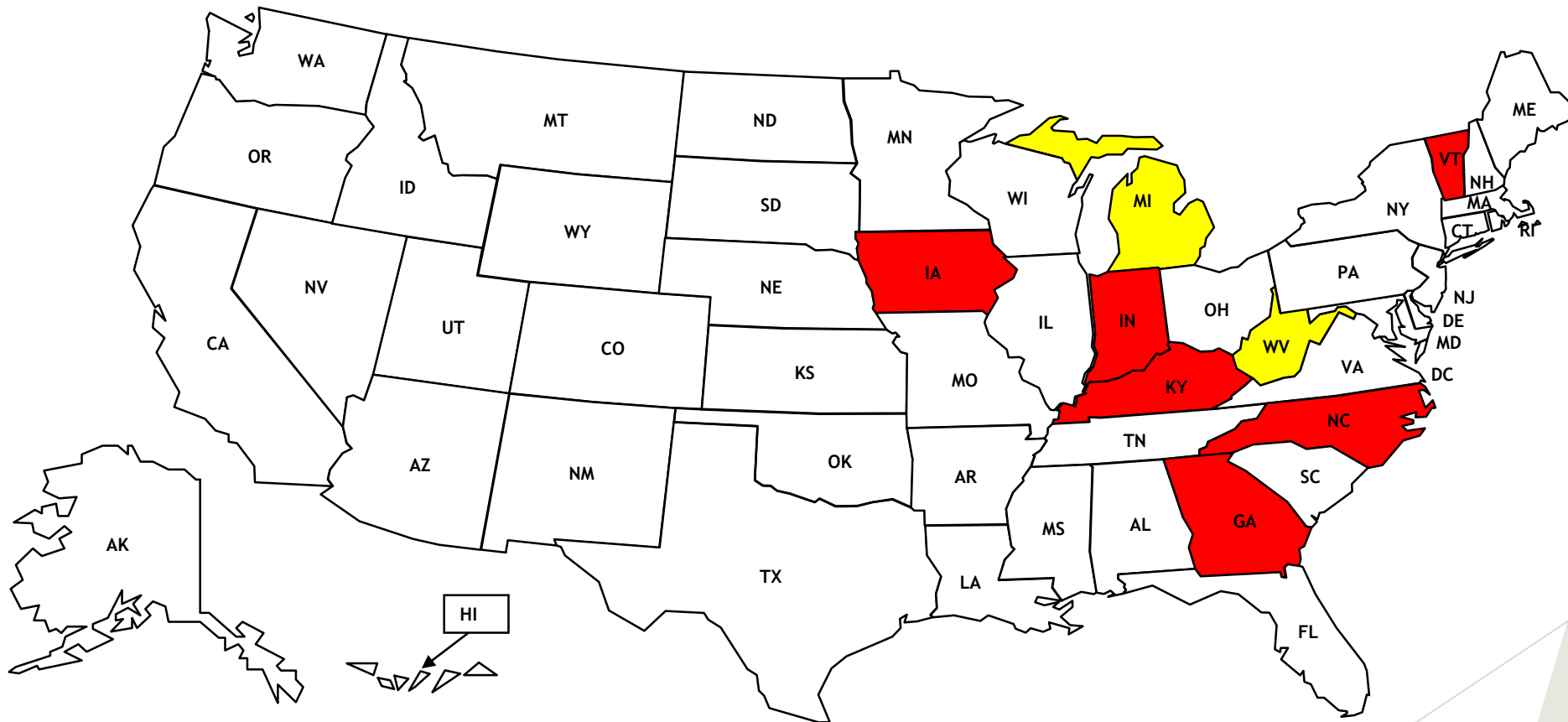
 State's response needs verification



Source: SSUTA States' Taxability Matrix
It's suggested states in yellow confirm responses to 2.4a and 2.4b are correct

Partial Credit For Other States' State & Local Taxes

● Partial credit ● Response needs verification

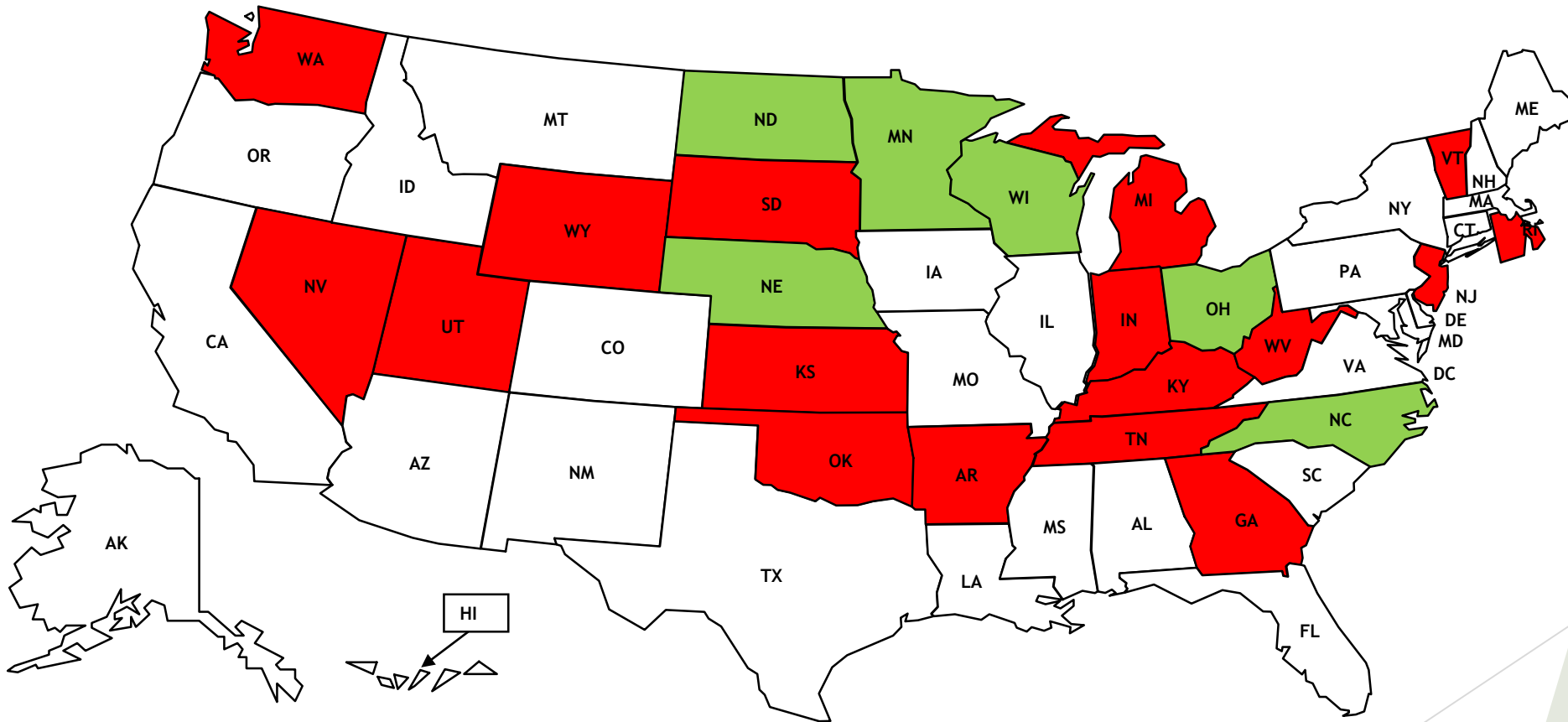


Source: SSUTA States' Taxability Matrix

IA's 2.4b response was blank - assume response was intended to be "yes"

Credit For Similar Taxes Paid to Other States

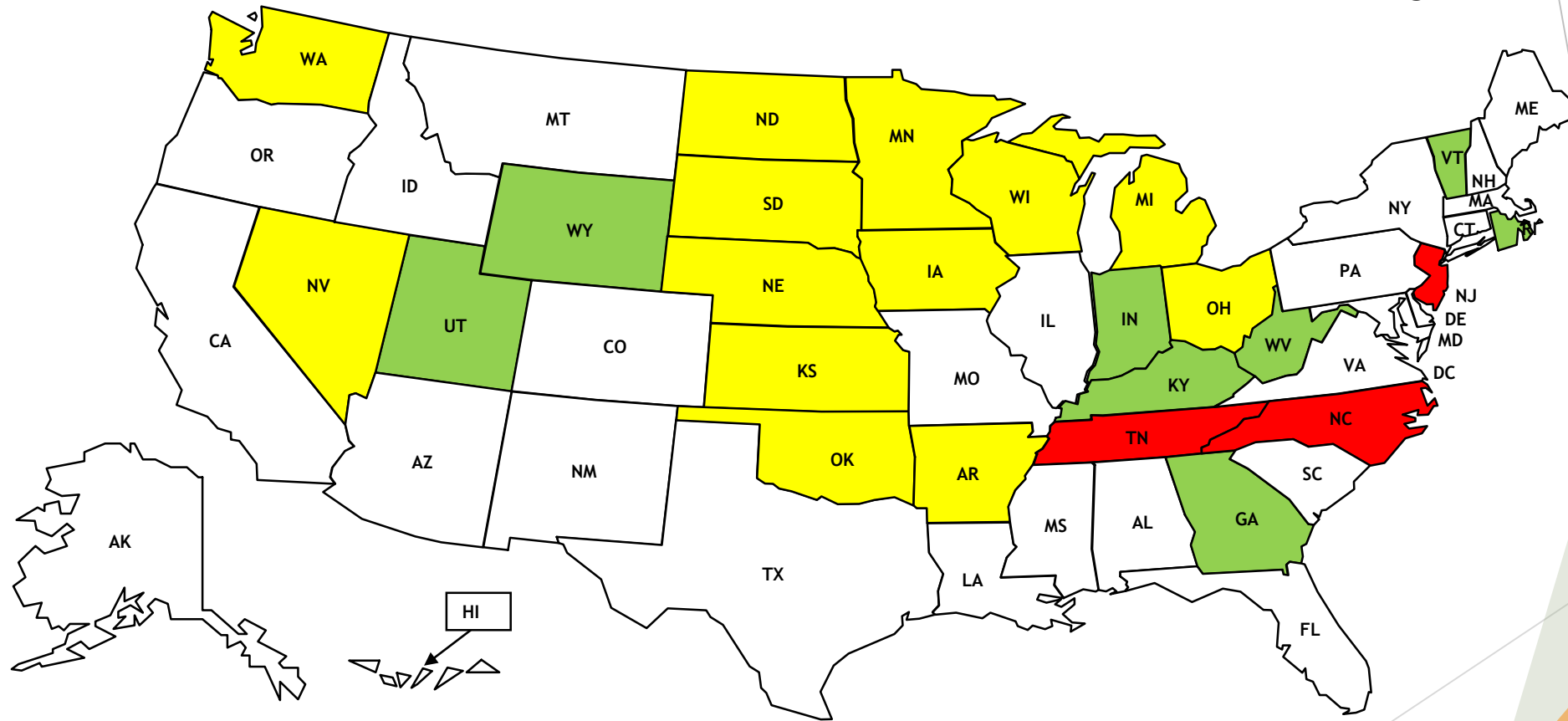
● No credit for similar taxes ● Allows credit for similar taxes



Source: SSUTA States' Taxability Matrix

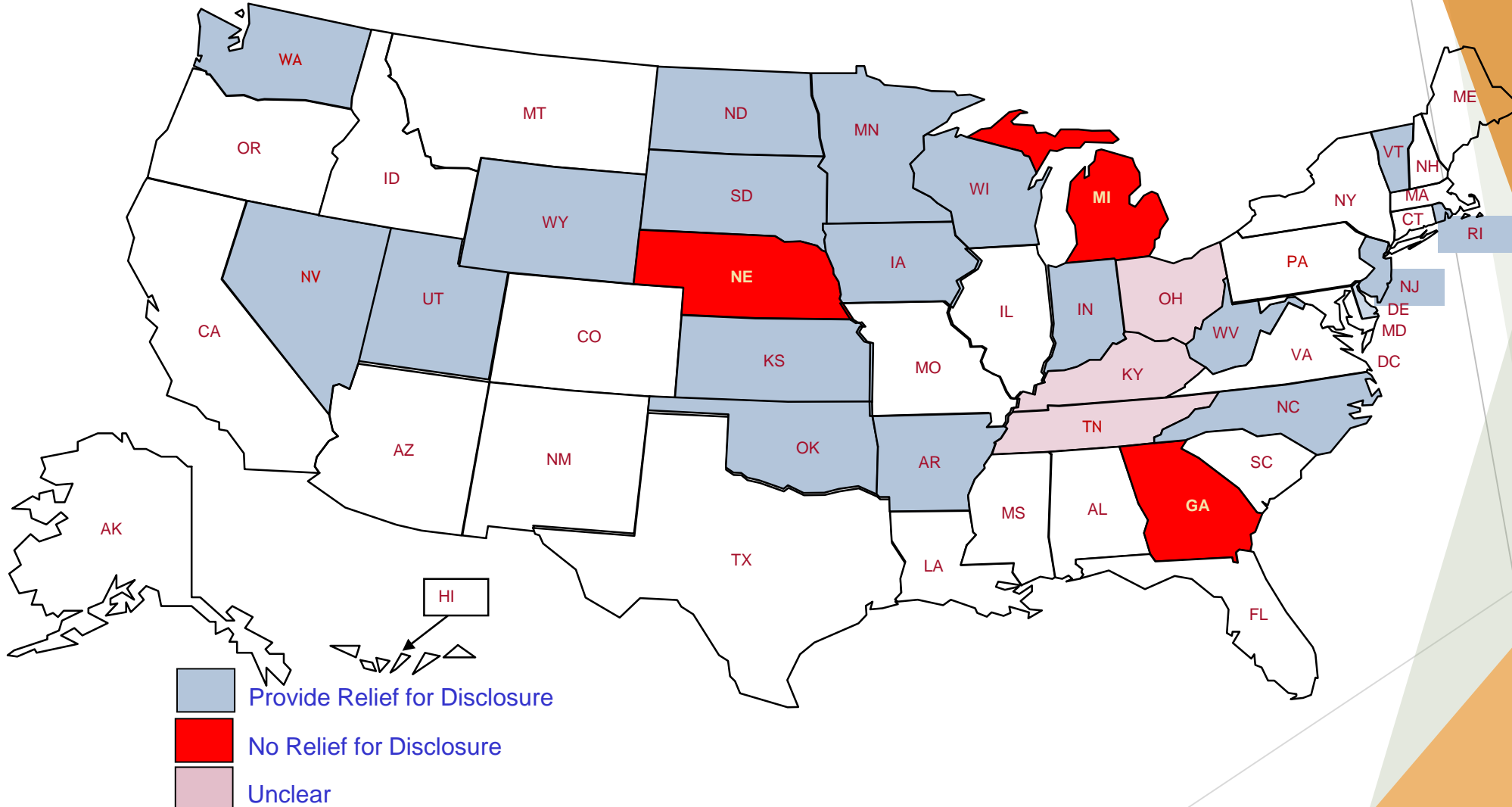
Credit For Taxes Based on Priority Tax Paid/Owed

● Not based on priority ● Follows priority ● Follows priority but no credit against “sales tax”



Source: SSUTA States' Taxability Matrix

Administrative Practices Liability Relief



Limited Power of Attorney

- ▶ Reviewed issue with State and Local Advisory Council
 - ▶ Draft being reviewed with states to identify potential issues

Questions

The background features abstract, overlapping geometric shapes in shades of orange and green, primarily concentrated on the right side of the frame. The shapes are semi-transparent, creating a layered effect. The overall aesthetic is clean and modern.