Streamlined Sales Tax
The Next Step

Presented by

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And

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Streamlined Sales Tax Governing Board, Inc.

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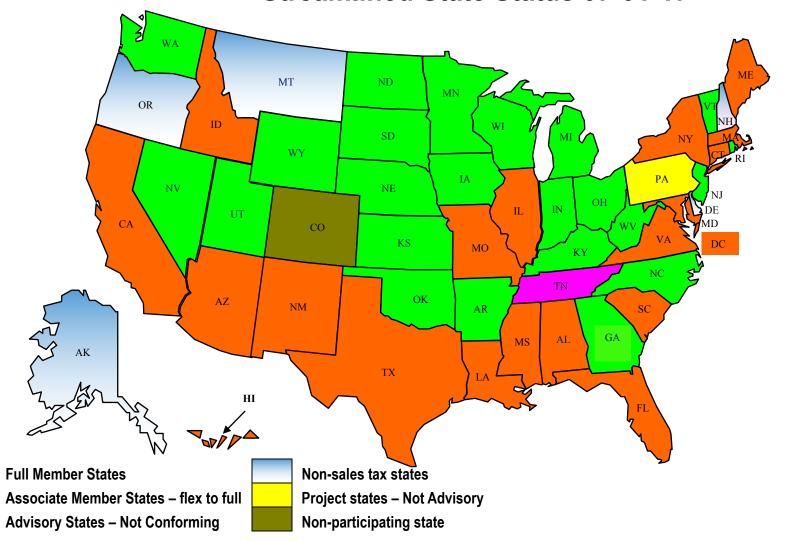- Employees:
  - Craig Johnson, Executive Director
  - Jody Bartels, IT Director
  - Bobbie Stellner, Executive Assistant
  - Pam Cook, Research Director

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SSTGB Technical Responsibilities

- Monitor problems and changes of the SST registration system

- Maintain SSTGB web site, list servs, and ShareFile area
  - Website link to sign-up for list servs:
    http://www.streamlinedsalestax.org/index.php?page=JoinOurEmailList

- Maintain Testing Central

- Provide support to all states, taxpayers, CSPs and CASs

Streamlined State Status 07-01-17

Legend:

- 🟩 Full Member States
- 🟪 Associate Member States – flex to full
- 🟧 Advisory States – Not Conforming
- ⬜ Non-sales tax states
- 🟨 Project states – Not Advisory
- 🟫 Non-participating state

Volunteer Registrants and Dollars Collected

- Sellers could begin to register through SST beginning in October 2005.

- Currently have nearly 3,500 active companies volunteering to collect in all member states regardless of physical presence.

- Revenue collected through the 1st Quarter of 2017 is about $2.9 billion

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New Registration System

- System Upgrade Implemented in 2016
    - Simple and intuitive system
    - Single place for sellers to register (and update registrations) for all member states
    - Single unique identifying number used by all member states

New Registration System

- System Upgrade (continued)
  - Improved instructions and communications with sellers (automated messages when registering)
  - Improved communications with states
    - States can query system at any time
  - Improved communications with CSPs
  - Easy to start/stop using CSPs
  - Easy to unregister if going out of business

Registration System Changes

- Bulk Registrations (Used by CSPs)
  - Register single or multiple sellers at once
  - Update single or multiple registrations at once
    - Allowance indicators, out of business, etc.
  - Uniform schemas used by all CSPs

- Non SST States ability to use the system

- Technology Implementation Guide

The "Certified Service Provider" (CSP)

- Who or what is a CSP?

  - SSUTA Definition

    "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."

  - CSP is a third party that provides "cradle to grave" tax services

The "Certified Service Provider" (CSP)

- ## Requirements

  - Uses a Certified Automated System (CAS)
    - Taxability rules reviewed and approved by each state
      - Taxability matrix
    - Determines applicable state and local tax rates
      - Rate and jurisdiction database
    - Determines amount of tax due to each jurisdiction for each reporting period
    - Can generate and file returns required
    - Can make remittances required
    - Meet other requirements set by SSTGB

The "Certified Service Provider" (CSP)

- ## Requirements (cont'd)

  - Integrates it software with client's order system

  - Agrees to file returns as required by the states

  - Agrees to protect the privacy of tax information

  - Enters into a contract with the SSTGB and agrees to comply with those terms

Current CSPs and CASs

CSPs

Accurate Tax

Avalara

Exactor

ShipCompliant

Sovos

TaxCloud

Taxometry

Current CASs

Sovos

Certification Committee

- Handles issues such as:
  - Minimum standards for certification of CSP candidates;
  - Testing of transmissions of SERS by the CSPs;
  - Maintaining the schemas for return transmissions and the registration system;
  - Coordinating quarterly testing of CSP systems to ensure correct tax rules and rates and boundaries are being used; and
  - Maintains Technology Implementation Guide to provide guidance to new SST states and new CSP candidates.

Certification Committee

- Made up of representatives from all full member and associate member states.

- Committee meets in person twice a year and on phone conferences as needed throughout the year.

- Participation by all SST states is encouraged to address issues both with the CSPs and also to coordinate with other states.

Rate and Boundary Files

- Current files for all states are available for down loading at
  http://www.streamlinedsalestax.org/index.php?page=alias-11

- Current file information is located at
  http://streamlinedsalestax.org/ratesandboundry/

- Uniform layout for all states

Simplified Electronic Return

- SST States must accept Simplified Electronic Returns (SERs) from CSPs and non SST registrants

- SERs are submitted thru Web Service utilizing XML schemas maintained by the FTA E-Standards group (formerly TIGERS)

- Schemas can be found on the SSTGB web site
  - Technology tab

SST Reports

- Compensation Report
  - Required only from Certified Service Providers
- Audit Work File (Appendix F)
  - Required from Model 1 (CSP) and Model 2 seller
- All reports are formatted as .csv
- File specifications and requirements contained in Appendix F, Article V of SSUTA

Federal Remote Sales Tax Collection Legislation

Federal Legislation: Intent of the Proposals

- Provide states and local governments with sales and use tax collection authority over businesses making remote sales into their taxing jurisdictions

- Require states and local governments to enact a minimum level of simplification

- Protect small businesses

- Establish a framework for software providers to provide remote sellers what they need to calculate and file returns in states where they are remote sellers

The Marketplace Fairness Act

- Passed Senate in 2013

- Re-introduced April 27, 2017 (S. 976)

- Provides a state two options for gaining the Congressional authorization to require remote sellers to collect sales tax:
  - SSUTA member states have to provide 180 days notice that they will exercise authority under the Act;
  - Non-SSUTA members must comply with minimum simplification requirements.

The Marketplace Fairness Act

- The minimum simplification requirements include:
    - Central administration of state and local taxes;
    - One audit per state;
    - Uniform sales and use tax base among all state and local jurisdictions;
    - Uniform sourcing rules;
    - Information on the taxability of products and services;
    - State must provide software, free of charge, capable of calculating sales tax due on remote sales and filing returns;

- Small seller exception of $1M in remote sales

- One year delayed effective date

The Remote Transactions Parity Act

- Introduced April 27, 2017(H.R. 2193)
  - Bi-partisan support in House

- Provides states with two options for gaining Congressional authorization, similar to the MFA

- Includes the minimum simplification requirements contained in the MFA, plus additional protections for remote sellers and certified software providers

The Remote Transactions Parity Act

- Additional Protections include:
  - If a remote seller uses a certified software provider, audits must go through that provider and not the seller;

  - Software must include integration, set-up and maintenance;

  - Remote sellers with less than $5M of gross receipts in the taxable year may not be audited, except in cases of fraud;

  - A mandatory 3 year statute of limitations for assessments;

  - The state must provide a taxability and exemption table;

  - The state must provide rates and boundary database;

  - Central registration system

Online Sales Simplification Act (Goodlatte Proposal – Not Introduced)

- **<u>Hybrid origin</u>** sourcing

- Remote seller collects at destination rate
  - Destination rate is limited to one rate per state

- Tax base (e.g., taxability) determined by origin state laws

- Remittance by remote seller is to origin state

- Origin state remits to clearinghouse

- Clearinghouse remits to destination state

Online Sales Simplification Act (Goodlatte Proposal)

- Concerns:
  - Tax parity is not achieved
  - Taxation without representation
  - Steps on State (and local) sovereignty
  - Tax increase
  - Additional taxing regime

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