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STREAMLINED SALES TAX PROJECT

Definitions for School Related Supplies

Proposed Amendments to SSTP Agreement

November 11, 2003

Background

Section 322 of the Streamlined Sales and Use Tax Agreement provides that only items that are specifically defined in the Agreement may be exempted for sales tax holiday exemption periods that occur after December 31, 2003. Several states (Georgia, North Carolina, and West Virginia) currently have sales tax holiday exemptions for school supplies, and several other states may choose to enact exemptions for school related supplies in the future. Without specific definitions for school related items, these states will not be able to comply with the Agreement while keeping their current sales tax holiday exemptions for school supplies in place.

Recommendation

The Sales Tax Holiday work group believes the Agreement should be amended to provide specific product-based definitions for school related supplies in a list so that retailers may know with some certainty what items are exempt. The work group developed a combined list of current school related exemptions from the states that either currently exempt, have recently exempted, or with recent legislation proposed to exempt various school supplies. The work group reviewed and discussed the list and determined that the best approach is to break down the definitions into four categories to give member states some flexibility in adopting school related exemptions. The definitions in the four categories are mutually exclusive of each other and may be taxed differently. These four categories are school supplies, school art supplies, school instructional materials, and school computer supplies. In the category of school instructional materials, definitions for "textbook" and "workbook" are included to distinguish these items from books primarily published and distributed for sale to the general public.

The work group recommends that the Agreement add the following school related definitions in Appendix C, Part II, Product Definitions:

SCHOOL RELATED

"School supply" is an item commonly used by a student in a course of study. The term is mutually exclusive of the terms "school art supply," "school instructional material," and "school computer supply," and may be taxed differently.

1. Binders;
2. Book bags;
3. Calculators;
4. Cellophane tape;
5. Blackboard chalk;
6. Compasses;
7. Composition books;
8. Crayons;
9. Erasers;
10. Folders; expandable, pocket, plastic, and manila;
11. Glue, paste, and paste sticks;
12. Highlighters;
13. Index cards;
14. Index card boxes;
15. Legal pads;
16. Lunch boxes;
17. Markers;
18. Notebooks;
19. Paper; loose leaf ruled notebook paper, copy paper, graph paper, tracing paper, manila paper, colored paper, poster board, and construction paper;
20. Pencil boxes and other school supply boxes;
21. Pencil sharpeners;
22. Pencils;

23. Pens;
24. Protractors;
25. Rulers;
26. Scissors; and
27. Writing tablets.

"School art supply" is an item commonly used by a student in a course of study for artwork. The term is mutually exclusive of the terms "school supply," "school instructional material," and "school computer supply," and may be taxed differently.

1. Clay and glazes;
2. Paints; acrylic, tempera, and oil;
3. Paintbrushes for artwork;
4. Sketch and drawing pads; and
5. Watercolors.

"School instructional material" is written material commonly used by a student in a course of study as a reference and to learn the subject being taught. The term is mutually exclusive of the terms "school supply," "school art supply," and "school computer supply," and may be taxed differently.

1. Reference books;
2. Reference maps and globes;
3. Textbooks; and
4. Workbooks.

5. For the purpose of defining an "instructional material" in subsection (C)(3), **"Textbook"** means a printed book that contains systematically organized educational information that covers the primary objectives of a course of study. A textbook may contain stories and excerpts of popular fiction and nonfiction writings, but does not include a book primarily published and distributed for sale to the general public. The term "textbook" does not include a computer or computer software.

6. For the purpose of defining an "instructional material" in subsection (C)(4), **"Workbook"** means a printed booklet that contains problems and exercises in which a student may directly write answers or responses to the problems and exercises. The term "workbook" does not include a computer or computer software.

"School computer supply" is an item commonly used by a student in a course of study in which a computer is used. The term is mutually exclusive of the terms "school supply," "school art supply," and "school instructional material," and may be taxed differently.

1. Computer storage media; diskettes, compact disks;
2. Handheld electronic schedulers, except devices that are cellular phones;
3. Personal digital assistants, except devices that are cellular phones;
4. Computer printers; and
5. Printer supplies for computers; printer paper, printer ink