

## **Streamlined Sales Tax Project Project Meeting Minutes June 14, 2002**

Ms. Hardt and Mr. Collins, Project Co-chairs, called the meeting to order at 10:00 a.m. All participants and guests were introduced.

Mr. Peterson moved that the minutes of the May Project meeting be amended to correct one typographical error by changing a reference to "Ms. Zakrzewski" to "Mr. Zakrzewski" and be approved as amended. Mr. Collins seconded the motion, and the minutes as amended were approved.

Ms. Hardt reported that white papers had been prepared and distributed entitled "State and Local Tax Collection Liability Customer Refund Remedy Procedures" and "Taxes Affected by SSTP Act and Agreement". The project will take up the customer refund remedy paper at its July meeting. Mr. Peterson moved that the white paper on "Taxes Affected by SSTP Act and Agreement" be forwarded to the implementing states for their consideration. Mr. Fox seconded the motion and the motion passed.

Ms. Hardt reported that the Food Marketing Institute (FMI) had proposed further changes to the definition of "prepared food" that was adopted earlier by the implementing states. FMI proposed removing the phrase "food heated by the seller", defining the term "plates" to exclude packaging materials, removing the term "napkins", including the term "salad bar", replacing the term "sliced" with "cut", and requiring (rather than allowing) states to exclude from the definition "Prepared Food" 1) bakery items, 2) food requiring cooking as recommended by the FDA 3) food sold in an unheated state by weight or volume, and 4) food sold by sellers with a NAICS classification of 311 sector .

Elizabeth Tansing representing FMI, Larry Gilstore of Meiers, Brandon Scholz of the Wisconsin Grocers Association and Nancy Christenson of the Minnesota Grocers Association provided public comment. Issues raised included "simple fairness and equity " between the grocer and the manufacturer as well as the grocer and the restaurant.

Mr. Collins moved that the project recommend to the implementing states that the definition of "Prepared Food" be amended to include a definition of plates and the term "sliced" be amended to "cut". Mr. Collins also asked Mr. Warren Townsend of Wal-mart Stores whether his stores could "deal" with the definition as approved by the implementing states. Mr. Townsend reported yes.

Ms. Engh of Minnesota spoke in favor of the motion. She indicated that Minnesota has already adopted the language and that further mandating Minnesota to exclude food sold in an unheated state by weight or volume from the definition of prepared food would cost \$10 million annually.

Mr. Peterson seconded the motion and the motion passed unanimously.

Ms. Hardt called upon the leaders of the various work groups to give progress reports. Mr. Reisenberger reported that the Sourcing Group had worked with the floral industry to

discuss the sourcing of wire transactions. A draft paper has been prepared regarding direct mail printers. They have also been discussing the sourcing of leased rail cars. Mr. Reisenberger also reported that Ms. Chumley has compiled the result of the lease survey. Copies have been distributed. All comments should be forward to Ms. Chumley. The results will be discussed at the July project meeting.

Mr. Kimmett reported that the initial meeting of the Telcom group has been held. They will be working on additional definitions including "internet" and "internet access". They will also seek input from the cable industry and welcome all interested parties to join the work group.

Ms. Harrell reported that the bundling group had drafted a basic plan for handling the bundling of taxable tangible products with exempt tangible products. They will move forward to address the bundling of tangible products with services and bundling of taxable services with exempt services. A teleconference will be held the last week of June.

Mr. Johnson reported on the preamble and the definition matrix. Copies of the proposed preamble will be distributed at the June implementing states meeting. He and Mr. Mastin have worked with the subgroups to determine different options available for the matrix. Drafts of the matrix will be available later today.

Ms. Fletcher reported that TPP workgroup would now be known as the Digital Property Workgroup. They have discussed nine major areas of activities that can occur. Efforts are underway to define these areas. The workgroup will suggest a minor change to the term "delivered electronically" at the July meeting to recognize delivery through a download or a load and leave method.

Mr. Zakrzewski reported the cost of collection study will cost \$875,000 and will be conducted by PricewaterhouseCoopers. Approximately one half of the money has been raised from business and government. The Council on State Taxation (COST) has agreed to collect and distribute these funds. The contracting body has not been established. MTC may be considered.

Ms. Griggs reported that the Local Government Study Group had been formed and met. Their concerns include state administration of local taxes, audits, one tax base, one rate per jurisdiction, and enforcement and accountability issues.

Mr. Peterson of the Nominating Committee reported that there were two slots vacant on the Project's Steering Committee. Nancy Taylor and Johnnie Burton have left their positions in state government. Mr. Peterson moved that Charlotte Quarles of Kentucky and Tom Kimmett of Pennsylvania be appointed to the Steering Committee to fill those vacancies. Mr. Collins seconded the motion and the motion was approved.

Ms. Hardt asked for public comment. Mr. Damien Littlejohn, auditor for the City of Birmingham, Alabama reminded the members that in lean economic times that states

often squeeze local governments and that there was a direct relationship between the amount of money received by the local governments and the amount of services provided.

Mr. King Wolf of eFile Solutions, Inc. advised that 5 states have locally collected taxes and that forcing local governments to adopt 1 rate will be very difficult for some local governments to adopt due to the fiscal impact. He urged both sides to work together.

Ms. Hardt announced that July Project and Implementing States meetings will be held July 10-11 in Salt Lake City. The format will be similar to the June meetings.

There being no further business before the Project, the meeting was adjourned.