

## **Streamlined Sales Tax Project Project Meeting Minutes July 11, 2002**

Ms. Hardt and Mr. Collins, Project Co-chairs, called the meeting to order. All participants and guests were introduced.

Mr. Collins moved that the Minutes of the June meeting be approved as submitted. Mr. Bill Reisenberger seconded the motion and the minutes were approved.

Mr. Collins distributed copies of the motion on direct pay permits and stressed the importance of direct pay permits for the business community and the states to simplify the administration of the tax for the vendor. Mr. Collins reported that most of the states provide for direct pay permits already.

Mr. Steve Olivier, Chevron-Exxon, spoke in support of the motion as a tool that has helped business and has benefited the states by providing a streamlined audit process. Mr. Bruce Christensen, South Dakota reported that direct pay permits are currently available in South Dakota. Mr. Collins made a motion to accept the project's recommendation on direct pay permits. Mr. Harry Fox seconded the motion and the motion carried.

Ms. Hardt distributed copies of the motion regarding Customer Refund Procedures. Ms. Hardt indicated that the business community supported the motion and that simplification would encourage businesses to voluntarily participate.

Mr. Wayne Zakrzewski, J.C. Penney Corporation, Inc., spoke in favor of the motion and indicated that the motion limited the incentive for customers to bring class action suits against the retailers where there are only small benefits to the customers and large benefits to legal counsel.

Mr. Rich Prem, Amazon.com, agreed that the motion provided benefits to the business community. Overtaxing is an expensive option and settlements are often much more than the tax is dispute.

Ms. Debra Bierbaum, AT&T, advised the members that the proposed procedures allowed the customer to come to the business before they do anything else. She also reported that about one half of the states have similar language for the wireless industry that will reduce the burden on collection on that industry.

Ms. Hardt made a motion to accept the projects recommendation on Customer Refund procedure. Mr. Scott Peterson seconded the motion and the motion carried.

Ms. Hardt called upon the leaders of the various work groups to give progress reports. She also advised the leaders that individual teleconferences would be scheduled with each of them to discuss timelines for completion of their work. Ms. Harrell reported that the Bundling group had discussed at this meeting the bundling of "free" gifts with tangible personal property. A white paper is being prepared to discuss the different elements of bundled transactions.

Mr. Riesenberger reported that the sourcing and leasing group had discussed three topics:

1. **Leasing issues** - Ms. Chumley is in the process of compiling the survey, and would ask those states who have not responded to do so as soon as possible. Industry representatives are working on a proposal to bring to the group. A teleconference will be scheduled later in July.
2. **Direct Mail** - Ms. Gibbons, Mr. Wilkie and Ms. Niccum had prepared a paper outlining the issues in direct mail and several possible solutions. Mr. Gale Lawler, PrintTax Services, provided suggested changes to the paper. The group discussed the paper and the proposed options, but no decision was made.
3. **Florist Industry** - The group discussed whether the current sourcing of wire sales of flowers should be changed to the general sourcing rules. The group will continue to work with the floral industry and a teleconference will be held in the next few weeks.

Mr. Kimmitt reported that the telecommunications group was working off the TTRI study. A questionnaire is being drafted and will be circulated to identify what states are taxing in this area and what definitions they need. Definitions of "Internet", and "Internet services" will be discussed at the next meeting. Mr. Kimmitt also indicated that they would be bringing in the cable industry to the discussion at the next meeting.

Ms Fletcher reported that the digital property group had spent time revisiting the definition of tangible personal property, services and whether a third "bucket" for digital property was needed. The true object test was also discussed as well as the possible overlapping of what groups is doing. She also reported that the group was still in the idea phase.

Mr. Collins reported on the progress of the local government study group. He reported that the project members had received a proposed amendment to paragraph 302 regarding state administration of taxes. A compromise has been reached to allow for an additional clarifying statement to be added at the end of the paragraph that allows for a single entity to perform the administrative duties. Mr. Robert (Sonny) Brasfield, Association of County Commissions of Alabama and Ms. Bettye Griggs, Birmingham, Alabama spoke in favor of the suggested changes.

Mr. Wayne Zakrzewski reported on the cost of collection study. He reported that they are still trying to raise the funding and that they had over one half of the money pledged.

There was no public comment offered during the public comment period.

Mr. Castelda asked for an update on the pilot program. Mr. Collins reported that the pilot is still operating with several vendors who are collecting under certified service providers for four states. The pilot is scheduled to be over the end of September but vendors want to continue until such time as a permanent procedure is in place.

Ms. Hardt reported that the next meeting would be in September. The time and place will be announced at a later time.

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