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Sales Tax Simplification Agreement Becomes Effective Today and Launches Key Element: Amnesty Program

The Streamlined Sales and Use Tax Agreement (Agreement), a multi-state agreement providing for simplification of the nation's varying sales tax laws, became effective today, marking the beginning of one of its key components, the amnesty program. The Agreement is the culmination of a multi-year, nationwide effort by 44 states, the District of Columbia, local governments and members of the business community to develop measures to design, test and implement a system that radically simplifies sales and use tax collection and administration by retailers and states. The Agreement takes effect just shy of three years from its initial approval date on Nov. 12, 2002.

Today's effective date of the Agreement triggers a Web-based centralized point of sales tax registration for the member states (<https://www.sstregister.org/sellers>), an amnesty period for sellers that have not been contacted by member states for audit, and finalizes the process for certification of software that will assist in sales tax collection responsibilities. The simplified system reduces the number of sales tax rates, brings uniformity to definitions of items in the sales tax base, significantly reduces the paperwork burden on retailers, and incorporates new technology to modernize many administrative procedures.

Full-member Streamlined states include Indiana, Iowa, Kansas, Kentucky, Michigan, Minnesota, Nebraska, New Jersey, North Carolina, North Dakota, Oklahoma, South Dakota and West Virginia. Associate-member states are Arkansas, Ohio, Tennessee, Utah and Wyoming. Nevada will become an Associate-member state on January 1, 2006. It is anticipated that other states will become members as this effort moves forward.

"Today's launch of the Streamlined Agreement brings the tireless work of so many from the state and local government communities and the business sector to fruition in the form of a more rational and efficient sales tax system for the nation as a whole," said Dwight Cook, president of the newly-formed Streamlined Sales Tax Governing Board, Inc., a not-for-profit entity established to manage and administer the Streamlined Sales and Use Tax Agreement.

Amnesty Program

The amnesty program will be available in all states participating as full members or associate members of the Streamlined Sales and Use Tax Agreement. Amnesty is available for sales or use taxes uncollected or unpaid on sales by retailers for any period prior to registration through the Streamlined Sales and Use Tax Central Registration System. Sellers who are not currently registered to collect sales taxes in a member state and who volunteer to collect or pay sales or use taxes in the member states by registering through the Streamlined Sales and Use Tax Central Registration System. While current law does not require e-commerce and direct mail companies to collect and remit sales taxes on transactions that occur in jurisdictions where they do not have a physical presence, the states expect some of these companies may come forward and volunteer to collect taxes under the simplified system.

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For full member states, the amnesty period will end on Sept. 30, 2006, unless a state otherwise provides for amnesty. For associate member states, the period will vary depending on the effective date of their compliance with the Streamlined Sales and Use Tax Agreement.

A seller is not eligible in a member state if:

- The seller is currently registered in the member state to collect sales and use tax, or
- The seller had been registered in the member state within 12 months of the state becoming a member state, or
- The seller has received notice of an audit by the member state and the audit is not yet fully resolved, including any related administrative and judicial processes.

The following are excluded from the amnesty:

- Sales or use taxes owed by the seller in its capacity as a buyer
- Sales or use taxes already paid or remitted to member states in which the seller was registered
- Sales or use taxes collected by the seller that are unpaid to member states
- Liability for taxes other than sales or use taxes

INFORMATION OBTAINED THROUGH THE STREAMLINED REGISTRATION SYSTEM MAY NOT BE AND WILL NOT BE USED BY THE MEMBER STATE FOR DETERMINING NEXUS FOR OTHER TAXES.

How amnesty works:

After Oct. 1, 2005, the seller visits the Web site of the Streamlined Sales and Use Tax Central Registration System (<https://www.sstregister.org/sellers>) to register to collect taxes for the member states in which the seller makes sales.

The information provided by the seller will be sent electronically to all of the full member states and to associate member states for which the seller has chosen to collect the sales or use tax.

The amnesty provisions in the Agreement require that a seller must maintain its registration and continue to collect and remit applicable sales and use taxes for at least 36 months after the date of registration through the Streamlined Sales and Use Tax Central Registration System in a member state.

Amnesty will be available for a seller who registers through the Central Registration System and indicates its intent to use a Certified Service Provider (Model 1). Since Certified Service Providers are not available at this time, the Governing Board expressed its intent to allow sellers to register and delay collection responsibility until such time as the Certified Service Provider service is available. Amnesty will be provided throughout this time frame.

If a registration is not maintained for the required 36 months or if a seller is found to have committed fraud or intentional misrepresentation in the application, the amnesty agreement may be voided by the member state.

Individuals and companies seeking more information on the Streamlined Sales and Use Tax Agreement and the new simplified system can refer to the Web site at www.streamlinedsalestax.org.

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