



State of Vermont
Department of Taxes
133 State Street
Montpelier, VT 05633-1401

Agency of Administration

October 26, 2009

Compliance Review and Interpretations Committee
c/o Streamlined Sales Tax Governing Board
4205 Hillsboro Pike, Suite 305
Nashville, Tennessee 37215-3339

Re: CRIC review of Vermont's 2009 Annual Recertification

Five issues, besides the 30-day rule, were raised by the committee in its annual review, and we address each of them separately below. We abide by the 30-day rule for notification of rate changes as a matter of internal policy.

- Vermont's response on the Certificate of Compliance in section 310.1, Election for Origin-Based Sourcing, is incorrect and the result of a misunderstanding of the phrase "where the order is received." It has been corrected and the certificate re-submitted on October 26.
- Regarding section 314 of the Certificate, Reg. § 1.9701-(8)-7 (C)(3) has been revised to specifically address the sourcing of prepaid wireless calling service. It now states: "*A sale of prepaid calling service or a sale of a prepaid wireless calling service is sourced in accordance with Reg. § 1.9701-(8)-3. Provided however, in the case of a sale of a prepaid wireless calling service, the rule provided in Reg. § 1.9701-(8)-3, subsection (A)(5) shall include as an option the location associated with the mobile telephone number.*"
- Regarding section 314 of the Certificate, Reg. § 1.9701-(8)-7 (E) has been promulgated to address the sourcing of ancillary services. It reads: "*The sale of directory assistance service (a taxable ancillary service) is sourced to the customer's place of primary use. See § 1.9771-(5)-2 (Tax not imposed on ancillary services, with the exception of directory assistance service; definitions of ancillary services).*"
- Regarding the treatment of software maintenance contracts, a new section has been added to our regulations on prewritten computer software—Reg. § 1.9701-(7)-2, which replicates the language of the Agreement on software maintenance contracts.
- Vermont's Taxability Matrix has been revised to correct an error in the taxability of "direct mail charges." The matrix now indicates that all direct mail charges separately stated on the bill are excluded from the sales price. (The CSPs were notified that the changes were ready for testing on 10/21/09.)

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The Department is in the process of submitting our revisions to the regulations to the Interagency Committee on Administrative Rules, and we hope to have the changes effective early next year. We appreciate the work of the committee and I believe the changes explained in this letter are sufficient to find Vermont in full compliance. If you have any questions, please address them to our delegates, Susan Mesner or Judith Henkin.

Sincerely,

Richard Westman

Commissioner Richard Westman
Vermont Department of Taxes