

State and Local Advisory Council
Annual Report to the Governing Board
September 2015

Introduction

I would like to thank President Deb Peters and the Executive Committee of the Governing Board for the opportunity to serve as the Chair of the State and Local Advisory Council (SLAC) this past year. This is my final year in the role and I feel greatly honored to have had this opportunity.

I would also like to thank Phyllis Shambaugh and Alison Jares who have both served as SLAC Vice-Chairs during 2015, the SLAC Steering Committee, the workgroup chairs, the local government representatives, the BAC, the full SLAC membership, Craig Johnson, David Thompson, Pam Cook, Sharon Tolbert-White, Fred Nicely, and all other government and business representatives who participated in SLAC during the past year.

In addition to the in-person SLAC meeting in Burlington, Vermont this past May, the SLAC held two other in-person meetings in Minneapolis, Minnesota and Omaha, Nebraska respectively. These meetings were productive and well attended. Thanks to the states that hosted those events.

2015 SLAC Priorities

The SLAC priorities for 2015 were as follows:

- Disclosed and best practices: In May 2014, Governing Board referred to the SLAC a proposal to amend Section 335 and 328 of the Agreement. The intent was to redesign the existing best practice mechanism in SSUTA § 335 so that § 335 would contemplate a method of first selecting a set of disclosed practices for identified tax administration issues and then from among those disclosed practices to select a best practices. A workgroup was formed to develop recommendations in coordination with the full SLAC membership. This item was again made an express priority of the SLAC for 2015. This item was brought to completion in May of 2015 – See “*SLAC’s 2015 Anticipated Accomplishments*” below.
- Sanctions and compliance: In May of 2014, the Governing Board referred to the SLAC a request to look at the current Agreement provisions governing member state sanction and compliance and to recommend appropriate changes. A workgroup was formed to develop recommendations in coordination with the full SLAC membership. This item was again made an express priority of the SLAC in 2015. The product of the SLAC’s efforts is up for consideration at this Governing Board meeting – See “*Items Anticipated For the Governing Board’s Final Consideration*” below.
- Disclosed and best practices for liability relief: In May 2015, the Governing Board assigned to the SLAC the task of concurrently developing disclosed and best practices for liability relief under Section 328 of the Agreement. The practices were to address liability relief encouraged of member states under Section 328 “to the extent possible.” A workgroup was formed shortly thereafter and developed draft practices in coordination with the full SLAC membership. The product of these efforts is up for consideration at this Governing Board meeting – see “*Items Anticipated For the Governing Board’s Final Consideration*” below.
- Post-transaction issues: The business community has asked that member states consider disclosing how they address certain post-transaction issues that not now addressed under the Agreement. Post-transaction issues relate to transactions taking place after the sale has

occurred. The Governing Board has referred this item to the SLAC under the auspices of developing disclosed practices. The SLAC formed a workgroup in spring of 2014 and continues to work on the issue.

SLAC's 2015 Anticipated Accomplishments

In 2015, the SLAC successfully executed or anticipates executing the following:

- Disclosed and best practices: This effort was successfully brought to completion at the May 2015 Governing Board Meeting.
- Sanctions and compliance: As of the time of this report, it is anticipated that the full SLAC will complete its work with respect to sanctions and compliance and forward the product of its efforts to the Governing Board for consideration at its meeting in September 2015 – see “*Items Anticipated for the Governing Board's Final Consideration.*”
- Disclosed and best practices for liability relief: As of the time of this report, it is anticipated that the full SLAC will complete its work with respect to sanctions and compliance and forward the product of its efforts to the Governing Board for consideration at its meeting in September 2015 – see “*Items Anticipated for the Governing Board's Final Consideration.*”

Items Anticipated for the Governing Board's Final Consideration

- Disclosed and best practices for liability relief: We anticipate that proposed disclosed practice numbers 3, 3.1, 3.2., and 3.3 will be up for final consideration by the Governing Board for adoption and selection as best practices. The practices would establish disclosed practices under Appendix E of the Agreement related to liability relief for erroneous information and changes to the tax administration practices section of the taxability matrix and extend liability relief for changes to the library of definitions and tax administration practices sections of the taxability matrix. *See AM15004.*
- Sanctions and compliance: We anticipate that proposed amendments to Agreement Sections 803, 805, 805.1, and 809 and Governing Board Rules 803, 805.1, 904.1, 905 relating to member state sanctions and compliance will be up for final consideration by the Governing Board for adoption. *See AM14008A02, RP15007, RP15009.*

SLAC On-Going Efforts

- Post transaction Issues – Alison Jares (SD)
The workgroup has met many times since its inception and has worked to develop possible a survey for states relating to identified post-transaction issues. This survey is nearly complete and has been developed in coordination with the full SLAC membership. The survey will be sent out to member states in order to solicit feedback on how their states address the identified post-transaction scenarios. Based on survey feedback, the workgroup will develop draft disclosed practice for consideration of the full SLAC membership. The ultimate goal will be for the Governing Board to consider adoption of disclosed practices.
- Member states voluntary listing of exemptions and services – Richard Dobson (KY)
The Federal Implementation Committee, in anticipation of federal remote seller legislation, is working on the creation of disclosure matrices relating to the disclosure of exemptions and taxable services. While not assigned directly to the SLAC, the SLAC has worked to coordinate the Federal Implementation Committee efforts with the larger SLAC membership. The Federal Implementation Committee efforts have been taken up for discussion at the 2015 September SLAC meeting.