

EXECUTIVE COMMITTEE MEETING MINUTES

Open Session Teleconference

March 20, 2015, 2:15 PM CDT

- **Call to order and roll call**

President Deb Peters called the open session of the Executive Committee Meeting to order by teleconference at 2:26 pm central. The roll of the Committee was called and present were President Deb Peters (SD), Richard Dobson (KY), Senator Dwight Cook (ND), Victoria Daniels (IA), and Michael Eschelbach (MI). The quorum was not established with 5 of 10 Committee members present, however no votes were required during the open meeting. Absent were Eric Wayne (NC), Representative Reuven Carlyle (WA), Representative Brian Kennedy (RI), Rep. Kelley Linck (AR) and Diane Hardt (WI).

- **Report on Closed Session**

Craig Johnson said the closed session Executive Committee meeting was held to discuss and vote on whether a particular CSP should be allowed to reduce the bond/letter of credit that is required under the CSP contract down to the \$100K that is generally required. Under the CSP contract, the Executive Committee can increase the amount of security required based on a number of factors, including the controls over the trust account required under the CSP contract. Beginning January 2014, the Audit Core Team confirmed that when they conducted the contract compliance audits last year, this CSP is now using a trust account in accordance with the CSP contract. Therefore, the Executive Committee discussed the contract issue, voted and the motion passed to allow this CSP to drop their performance bond/security down to the minimum amount of \$100K. Craig will send written confirmation to the CSP.

- **Status of Federal Legislation – Randi Reid**

- Marketplace Fairness Act / Online Sales Simplification Act

The Federal e-fairness legislation, commonly known as the Marketplace Fairness Act, continues to be considered a top issue to be addressed in the new 114th Congress.

In January, House Judiciary Committee Chairman Bob Goodlatte released a draft bill called the Online Sales Simplification Act. It outlines his desire for an origin sourcing model and the use of a central clearing house. The bill has not been officially introduced to date. It remains a discussion draft and Chairman Goodlatte has been meeting with some external stakeholders to determine if there is a path forward with his bill. To date, we are not aware that he or his staff have specifically reached out to the state groups for input, although the Governing Board continues to request meetings with his staff when in DC to express their concerns and inability to support an origin sourcing bill. No resolution for next steps has occurred to date.

Chairman Jason Chaffetz continues to work on a bill that outlines his desire to pursue a destination sourcing model for remote sales tax collection. A draft of the bill has appeared previously in some news articles. The draft bill would address specific policy concerns raised during the 2013 Senate floor e-fairness debate, including but not limited to a different smaller seller exception, modified audit procedures language, and clarification regarding software implementation and costs. His bill is called the Remote Tax Parity Act and it has not been officially introduced yet. Although the specifics of what may or may not be in the bill when it gets introduced are unknown, the Governing Board is very supportive of the Chairman's efforts and will continue to provide technical guidance and input based on the

experience and knowledge it has gained over the last 15+ years in developing the Streamlined Sales and Use Tax Agreement.

As stated, Chairman Goodlatte and Chairman Chaffetz have not formally introduced bills, but each continue to work toward a legislative product, soliciting comments about various policy concepts from interested stakeholders. The SSTGB will continue to work with Chairman Goodlatte and Chairman Chaffetz to find a solution that is fair to all parties involved – sellers, purchasers and the states.

Since the overwhelming passage of the Marketplace Fairness Act in the Senate in May 2013, the Senate sponsors have been working with all stakeholders to enact the bill into law.

On March 10, 2015, Senators Michael Enzi (R-WY) and Dick Durbin (D-IL) introduced S. 698, The Marketplace Fairness Act of 2015. The current cosponsors total 11 Senators, including Senators Enzi, Durbin, Lamar Alexander (R-TN), Heidi Heitkamp (D-ND), Roy Blunt (R-MO), Jack Reed (D-RI), Bob Corker (R-TN), Sheldon Whitehouse (D-RI), Angus King (I-ME), Lindsey Graham (R-SC), and Amy Klobuchar (D-MN).

The legislation is identical to the 2013 Senate-passed bill, with the addition of the Collins/King amendment, which delays the date that states can exercise authority of the Act and exempts the first holiday shopping season after enactment. For instance, if the MFA is enacted on September 1, 2015, states can start exercising authority on September 1, 2016. If enacted on October 1, 2015, states cannot start exercising authority until January 1, 2017.

Ms. Reid reported the current actions and next steps. The House and Senate supporters of the e-fairness policy concepts continue to work together to find a solution. The SSTGB remains positioned as a leader during Congressional policy negotiations on how to best proceed this year on e-fairness legislation.

- **Reports of Committees**

- Finance Committee – Victoria Daniels, Chair
 - Second Quarter Financial Report

Chair Daniels provided the Second Quarter Financial report summary which was approved by the Finance Committee on March 16. The expenses were less than anticipated. The total assets are \$1,184,999. The budget continues to reflect the stable financial conditions of the Governing Board. Chair Daniels reported that the FY2016 state membership dues invoices have been completed and will be mailed on May 1. She reminded the call participants that this dues cycle is the second and final increase that was voted on at the October 2013 Governing Board meeting. She said a Bank and Credit Card Fee line item had been added because they were previously showing up as a negative in interest income. She commended Craig Johnson on his work in having some of the unnecessary monthly fees waived going forward. Chair Daniels reported that the electronic payments have been going very smoothly as well. There were no questions or comments.

- State and Local Advisory Council – Tim Jennrich, Chair
 - Upcoming In-Person SLAC Meeting

Chair Tim Jennrich, reported that the upcoming SLAC in-person meeting will be held in St. Paul on March 23 and 24. The agenda has 5-items, including sections 335 and 328 to allow for a mechanism for identifying disclosed and best practices. He said hopefully at the end of

the SLAC meeting they will be in a position to move forward to the Governing Board vote at the May meeting. SLAC will also discuss sanctions and compliance as well as post transaction issues.

- Certification Committee – Tim Bennett, Chair

- Upcoming In-Person Certification Committee Meeting

Chair Bennett said they will meet in St. Paul next week on Thursday and Friday. The agenda has been sent to the Committee and CSP's. He said they will use that opportunity to discuss the new Central Registration System and are currently working with possible testing. In June a small task force is coming together. They want to focus on moving the new Central Registration System forward and get all the states on board to ensure it's working correctly. He said they have a new CSP candidate and feel that they are moving forward to test with them. The Agreement provides five months to complete the testing to determine if we can move forward with a contract. Craig Johnson said, from a state's perspective, we are only as fast as the slowest state. He asked the states to make this as much of a priority as possible.

- Audit Committee – Darrel Engen and Ellen Auger, Co-Chairs

- Upcoming In-Person Audit Committee Meeting

Co-Chair Ellen Auger said next week in the closed session they will discuss the tax compliance audits conducted by the states. They will review the revised CSP contract which is in place now and the implications of the audit. In the open meeting they plan to review the audit rules to see if there are any changes that will be required.

- Compliance Review and Interpretations Committee – Myles Vosberg, Chair

- New Interpretation Request to be Considered

Chair Vosberg said this month the CRIC received an Interpretation request from Suzanne Beaudeliare regarding continuous glucose monitoring treatment. CRIC accepted the request during yesterday's teleconference meeting. Craig Johnson said that the public comment period has been noticed and ends on March 31 due to the approved expedited consideration. CRIC will meet on April 2 to discuss the issue.

- Federal Legislative Implementation Committee – Richard Dobson, Chair

Richard said one of the pending issues is the exemption and taxable services matrices. The plan is to begin further discussion on this. Obviously there are other discussions and ongoing work within SLAC. This matrix that is being developed would at this time be completed on a voluntary basis and is not a mandate. However it is hoped and all states are encouraged to complete this once it is approved. The Committee is working on this from the context of being proactive for Federal Legislation with member and non-member states to voluntarily put these guidelines up on state websites to see how it works. He said they want to focus on the instructions and guidance that relates to these documents so the public can understand how it is to be used in the particular jurisdiction where it's posted. Craig Johnson said he had led the Frequently Asked Questions (FAQ) Workgroup. These were questions and answers related to the MFA that passed the Senate in 2013. He said Congressman Chaffetz is going to be releasing a discussion draft of his proposal hopefully very soon. At that time the FAQ Workgroup will meet to determine questions related to that bill.

- New Central Registration System Update – Craig Johnson/David Thompson

Craig Johnson said the Committee continues to move forward in developing the new Central Registration System. He thanked David Thompson and the states who provided personnel to help as well as a couple of CSPs. The wire frame process outlines how it will function and

how the seller will move from screen to screen has been completed. He reported that he and David Thompson have seen the initial design and are still working with Azavar on that as well. They have had discussions with Azavar on what the system can do from the administrative standpoint that the Governing Board, the states and David will be able to do. For instance recalling specific transactions on their own. They can perform other look-ups of the SST registrations that are registered in their states as well. The Registration System Group, states and CSPs continue to meet and have a testing plan in place to test every one of those fields. The business systems are very detailed. Once the registration group ensures that the system passes all of the test, they will released it to the member states to do their testing and determine any potential problems. Still looking at July 1 as the go-live date, assuming all testing, etc. is completed. The states have everything they need as well as the schema changes. Mr. Johnson encouraged the member states to reach out to David Thompson if their programmers, etc. had any questions. He said the registration group has started work on drafting all the instructions for the users to follow with clear directions as they work their way through the system.

- **Upcoming Executive Committee Meetings**

- May 12, 2015 – Spring meeting, Burlington, Vermont (10:00 am eastern)
- July 31, 2015 – Teleconference (2:00 pm central)
- September 16, 2015 – Annual meeting, Louisville, KY (10:00 am eastern)
- December 11, 2015 – Teleconference (10:00 am central)
- January 15, 2016 – Teleconference (10:00 am central)

- **Upcoming Governing Board Meetings**

- Spring meeting, May 11-13, 2015 – Burlington, VT
- Annual meeting, September 15 - 17, 2015, Louisville, KY
- December 18, 2015 - Teleconference

- **Old Business**

None

- **New Business**

None

- **Adjournment**

With no further business, Senator Peters adjourned the meeting at 3:06 pm central.