

## Federal Implementation Workgroup Call

April 15, 2013

### Workgroup Participants

Richard Dobson (KY) Chair  
Russ Brubaker (FedTax)  
Charles Collins (Taxware)  
Christie Comanita (AZ)  
Tim Jennrich (WA)  
Scott Peterson (Avalara)  
Nancy Prosser (TX)  
David Thompson (SSTGB)  
Ellen Thompson (NE)  
Joan Wagnon (FedTax)  
Pat Calore (MI)  
Diane Yetter (Sales Tax Institute)

### Others Participants

Lynn Mitchell (IL)  
Warren Townsend (WalMart)  
Joe Crosby (Multistate Associates)  
Dan Noble (WY)  
Tim Bennett (KY)  
Guy Childers (NV)  
Kristin Shogren  
Harry Fox (NJ)  
Larry Paxton (IA)  
Kristen Peterson (VA)

- **Introductions and Roll Call**

Richard Dobson, Chair reported that several subgroups are working through issues and reporting back to the Federal Implementation Workgroup. On the Streamlined website, the Federal Implementation Workgroup link is located under Committees. He said there are several documents available online under meeting materials, i.e. the analysis of the MFA of 2013, teleconference minutes, and so forth. He asked the subgroups to provide updates.

- **Contact Survey Responses - Ellen Thompson**

Ellen Thompson, Fred Nicely and Tim Jennrich have worked on a contact survey. Ellen said she has received thorough responses from 22-states of the 45 that have sales tax. There are 6-member states that she has not heard from and will send a reminder. She said they have a good start on websites, mailing and email addresses. Most of the states are completing most of the areas on the survey regarding retail, business, accounting, and attorney groups. Three states have indicated that they prefer their departments of revenue be the main distributor of

information until the federal bill passes. Richard stated that hopefully those state departments of revenue have their own contact lists.

- **Central Registration System Subgroup - David Thompson**

Richard said there have been several calls on central registration. Also, there ~~were~~ was Central Registration discussion at the Dallas State and Local Advisory Council (SLAC) meeting as well. David Thompson reported that they also discussed it at the recent Certification Committee meeting in Louisville. There are multiple Streamlined state issues with the Central Registration System. He said they plan to put together two smaller groups: one for the Streamlined states and one for the non-Streamlined states. He said the bulk registration went into production on April 8 and two Certified Service Providers (CSP's) have passed all of the testing. They have not entered any transactions to date, but may do so at this time. He reported that Bulk Registration is ready for anyone who would like to do multiple registrations. Richard said they will continue to reach out to additional states and expressed his appreciation to Illinois, Texas and Virginia for their participation on the calls. Based on the current input from the states, it would work for the non-Streamlined states as well. Richard said there will need to be some programming changes. They will focus as a subgroup on ~~certification on~~ those that need to be done. Some of the CSP's have been discussing the Central Registration System with other states. He asked for suggestions for the next steps and for candidates to reach out to. Richard said they want to present the system and let people know how it works today. Joan Wagon said that she and other CSP's, Scott Peterson and Charles Collins have visited several states. She reported that everybody has been very open to using the Central Registration System and are pleased to have the opportunity. If the registration system, as it stands now, doesn't meet 100% of their needs, they could contact the retailers for follow information required by respective state registration systems ~~to determine their needs~~. Joan will provide David Thompson and Craig Johnson with the state contact information that they have. She said the CSP's have stressed that it would be to their advantage. Nancy Prosser (TX) said Joan and Charles have visited Texas. She said that one of the main questions with her colleagues is the cost if their state wanted to take advantage of the registration system. Craig Johnson said they don't know what the states plans are. He asked if they may want an additional download. Nancy said they are still waiting to see what the final bill looks like and what the requirements would be. She said that currently they simply want to be aware of the options. Craig asked Kristen Peterson (VA) if they have discussed this. She said they would probably want to do it beyond the initial for all new registrations under the registration system, but they haven't discussed it in detail. Charles said they had talked to a number of states about this and showed them the screens from the system. The first couple of screens provide the basic information that every state uses: ID, demographics and so forth. They have made no commitments of Streamlined making additional changes. He said they could possibly let them get into the system as a tentative registration if it helps the states. Streamlined will have thousands of

retailers in the system. When a new state comes on, they could immediately download and have 20,000 to 30,000 immediately. It's a benefit to the remote seller. A remote seller that has ~~not~~is registered in Streamlined doesn't have to do anything additional to get registered in, for instance Texas or Virginia. That makes it simpler ~~of them~~for both states and vendors. From a remote seller perspective, they would probably encourage the Streamlined and non-Streamlined states to do that in the future for them so they only have to register in one place rather than multiple places going forward.

Joan said they plan to visit a lot more of the non-Streamlined states. They are asking a lot of questions. They don't know right now what's in the legislation and haven't been able to think about how they want to implement it. She said to survey them on their current needs is premature. She said the Streamlined Sales Tax Governing Board should discuss what they can make available, i.e. the cost, etc. She agreed with Charles Collins that if they treat it as a temporary registration system, it would be of ~~beneficial~~benefit to them.

Richard said they would like to know what the CSP's are doing and follow-up. The purpose of their contact is to demonstrate what the Central Registration System does today. He said that ideally, they would welcome non-Streamlined states to use the system initially, then on an ongoing basis. At the same time, they should look internally at what changes need to be made to the current system in order to allow the non-Streamlined states to participate, for determination by the Governing Board, as to the cost or structure. He said they would have to look at it from a development standpoint as to what the cost would be.

- **Federal Bill Analysis Follow up - Tim Jennrich, Craig Johnson and Pat Calore**

Richard said the Federal Bill analysis is posted on the Streamlined website. He said the workgroup has discussed the analysis, during two entire teleconferences. He asked if anyone had a particular question that should be discussed. One of the items that there was a lot of feedback on is the component of the Bill about states being allowed to publish a notice of intent to gain remote collection authority. He said they would work on that more and get a couple of others involved. He said this issue will probably be a little different in every state as to what constitutes legal notice from an administrative standpoint, legislative standpoint, etc. They plan to research the general guidelines on this to bring back to the Workgroup. Tim Jennrich said the idea is to start working on the next issue for states who want to exercise authority. It would give states an idea of what may be a common practice. Craig stressed in the discussions that he had with, Tim, Pat, and Richard, that all agreed on the need to look at their each state's laws on this on what may constitute proper notice in each jurisdiction.

- **Others – Frequently Asked Questions (FAQ)**

Craig said he is waiting to hear from a couple of people who are on this subgroup. Basically the goal of this group is to develop the questions and answers for the Streamlined and non-

Streamlined states. They will also develop educational information for the states and the business community. They will also look at ~~as~~ the analysis of the federal Bill as a number of questions were raised. Those questions will be addressed. He stated that he has encouraged everyone on the calls previously to email to him questions that they have. ~~They~~ Fully developed questions and answers will help ensure ~~that~~ consistency from state to state and throughout the country. It's important to obtain as much input as possible.

- **Consolidated Provider Provision - Charles Collins**

Richard said this concept is not in the current language of the Bill. It has been out there as a concept and whether it's in the Bill or not. This is a topic that they felt should be aired for discussion to understand it. He asked the CSP's ~~will~~ to go through this discussion for questions and issues.

Charles Collins said the subgroup looked at how this concept could be implemented and how it might work. They have prepared a spreadsheet to reflect the new federal Bill. This is a provision that a state could offer as an option if they wanted to do it. They might do it administratively or may need legislative authority ~~if they wanted to do it~~. It would allow a provider, i.e. a CSP ~~or a ??? that represented and sold a lot of businesses to collect a~~ report tax ~~the tax~~. They could collect an aggregated report split out by the local jurisdictions within the state. This could simplify filing for remote sellers, especially those who are located in just one or two states that handle remote sales only through ~~but use one~~ or more ~~form of sales channels~~ that have the capacity to calculate the tax and report on their behalf ~~outside of a shopping cart~~. For instance, Amazon or eBay and if those channels could collect and report the tax separately it might exemplify some in that particular area. There are many sellers who have their own commerce ~~card~~ cart or a ~~card~~ cart they interface with directly. They may want to report it on one ~~term~~ return and not use a consolidated provider. It is an option that could make it simplified in some areas. From a provider standpoint, the ~~CPS~~ CSP in some situations may want ~~to use it~~. Most of the sellers would probably want to continue on one return to simplify the accounting on the CSP's end. There will be situations where it will simplify compliance. He didn't think all CSPs would use it for certified service providers.

Harry Fox (NJ) asked Charles if he had thought about sellers that wanted to use one certified filer. Charles said, yes the way it was written in the federal Bill last year was remote seller "x", located in, i.e. NJ or NC and reports most of his sales there. If he uses, i.e. Amazon, eBay and another, ~~if they~~ those companies would report sales from ~~those that~~ sellers directly on ~~those~~ consolidated returns, ~~there wouldn't be anything consolidated~~. In this example, NJ and ~~NJ~~ NC ~~would~~ may also receive ~~report~~ sales tax reported by the individual seller on each state's ~~from their regular return~~. Therefore, states would be receiving some of the tax from an individual company's sales through the company's own state return and another portion of the tax

through the consolidated provider's return. It would be up to the states as to how they look at any reconciliation on the backend ~~it for instance by Amazon.~~ The state may not want to try to pull the portion of their sales from Amazon, etc. and marry it up with the return as part of return processing reconciliation. Instead, they a state may want to just look at it on audit. ~~They would have "x" amount of sales reporting on their regular return. They would audit with that return.~~ On the audit is when you would try to consolidate within the states rather than each ~~individual concern~~ individual return. Harry said they would have to do some programming because the second time they received a return for the same period with the same ~~an~~ ID number it rejects. Charles said there wouldn't be a second ID number. The consolidated provider would file one return that would be the aggregate of all the states going through their sites. It would send New Jersey a breakdown, comparison, etc.

Richard asked if the other CSP's had updates from previous discussions. Charles and Joan said they thought they had covered it.

- **New Business**

Tim Jennrich said he is trying to follow-up on a request from Christie Comanita regarding the Implementation Workgroup, as to whether there is information for non-Streamlined states. He and Craig have developed a forum for non-Streamlined states. There have been discussions with the FTA and at their next meeting in June they will be checking for states' interests. It may be an opportunity where certain issues affecting non-Streamlined states would progress. He said that FTA will discuss whether they should take this up or not. Tim asked the Streamlined states to take this up as well as to whether there are common issues and to share their issues.

Richard said there will be a lot of cross sharing and some duplication. In Craig's subgroup with FAQ's there may be a further application on the FTA website as they deem it appropriate.

Richard referenced the analysis of the federal Bill, some of the terms used, generally with federal legislation enabling remote collection authority. He said it will still behoove each state respectively to look at their own statutes from an imposition standpoint, any language to be sure things are synchronized. He said we need to be sure we have our own authority to ~~oppose~~ impose tax with what Federal Law provides for it. One example is in a Streamlined state where we use a term called voluntary seller. Using the definition in the CSP contracts, if a state has that term in its law that would be something that would obviously go away. ~~#~~ A vendor may not be deemed to be a voluntary seller any longer. However, we would expect there to be some registrants that are underneath the smaller seller threshold that would be collecting and remitting tax as we go forward.

Richard reported that the next meeting is tentatively scheduled for Monday, April 29.