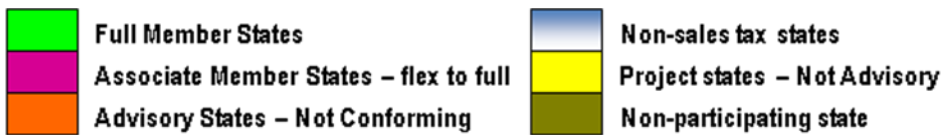
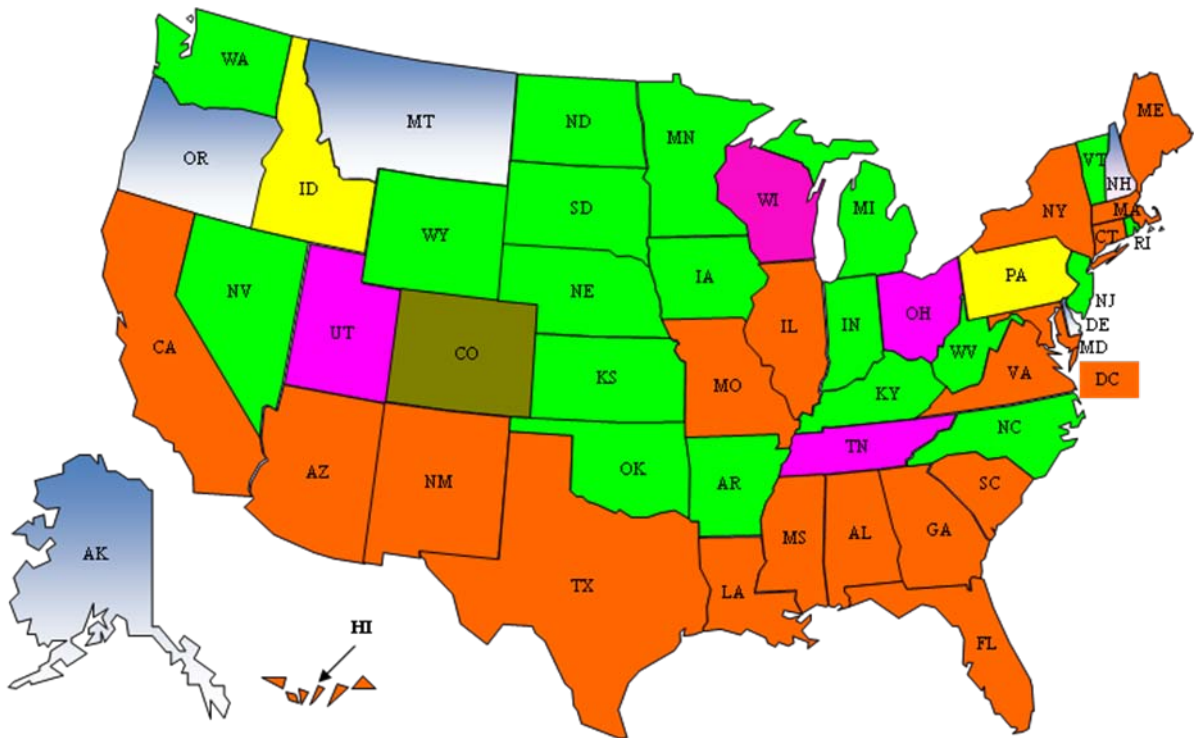


Streamlined Sales Tax Governing Board, Inc.

2009 ANNUAL REPORT



Message from President John Doyle:

Since I was elected president in September of 2008 in Charleston, much has been attempted and some has happened. Wisconsin became an associate member state, on schedule to become a full member October 1. We changed our rules to permit a low-priced clothing exemption to a state's sales tax, to make membership more attractive to states that wish to have such an exemption. We adopted a policy of subsidizing the attendance of one legislator per member state at the annual Meeting. And we had our most successful lobbying day ever, during our meeting in May in Arlington, Virginia.

Unfortunately, no new state has joined as a result of the "essential clothing" exemption. More ominously, no "origin" state has joined as a result of our adoption of the origin sourcing option over a year ago. The Executive Director and I travelled to Virginia, Maryland and California, meeting with the legislatures of California and Maryland and with the governors of Maryland and Virginia (I have also met personally with the Virginia House speaker), but with no results in hand from any of those states.

While the record is so far mixed, I have high hopes that by the time my term ends on December 30, passage of the federal bill will be imminent.

Member States:

Arkansas, Indiana, Iowa, Kansas, Kentucky, Michigan, Minnesota, Nebraska, Nevada, New Jersey, North Carolina, North Dakota, Oklahoma, Rhode Island, South Dakota, Vermont, Washington, West Virginia, Wyoming

Associate Member States:

Ohio, Tennessee, Utah, Wisconsin

Changes to the Streamlined Sales and Use Tax Agreement:

The Governing Board approved the following changes:

- Defined and adopted rules for prohibited replacement taxes.
- Revised how to source direct mail.
- Defined luxury clothing and prescribed how a state may use the definition.
- Revised the definition of delivery charges for direct mail.
- Defined software maintenance contracts.

Officers:

President
Delegate John Doyle
West Virginia House of Delegates

1st Vice President
Commissioner Jerry Johnson
Oklahoma State Tax Commission

2nd Vice President
Senator Luke Kenley
Indiana State Senate

Secretary/Treasurer
Richard Dobson
Kentucky Department of Revenue

Directors:

Senator Ron Amstutz
Ohio State Senate

Representative Rodney (Pete) Anderson
Wyoming House of Representatives

Commissioner R. Bruce Johnson
Utah State Tax Commission

Senator Dwight Cook
North Dakota State Senate

Andy Sabol
North Carolina Department of Revenue

Dale Vettel
Michigan Department of Treasury

Immediate Past President:

Secretary Joan Wagnon
Kansas Department of Revenue

Finance Committee:

Richard Dobson, Chair
Kentucky Department of Revenue

David Casey
Iowa Department of Revenue

Representative Rodney (Pete) Anderson
Wyoming House of Representatives

Senator Janis Lee
Kansas State Senate

Mary Cameron
Arkansas Bureau of Legislative Research

**Compliance Review and Interpretations
Committee:**

Andy Sabol, Chair
North Carolina Department of Revenue

Myles Vosberg, Chair
North Dakota Department of Revenue

Senator Luke Kenley
Indiana State Senate

Larry Wilkie
Minnesota Department of Revenue

Tony Mastin
Oklahoma State Tax Commission

Representative Deb Peters
South Dakota House of Representatives

FY 2009 Financial Report:

The Governing Board ended FY 2009 with a balance of \$832,238 with an operating deficit of \$10,541. When the budget was adopted in the fall of 2007 the projected balance was expected to be \$673,298 with an operating deficit of \$261,842. The FY2009 budget was amended in June 2008 and September 2008 to reflect changing priorities.

Receipts totaled \$679,512. Receipts came from the petition fees paid by full and associate member states (\$580,000), gross revenue generated from meetings (\$79,050), and interest income (\$15,133). Revenues were \$70,488 below budget and declined 26 percent from the previous fiscal year.

Expenses totaled \$690,054. Salaries and benefits, office expenses, travel expenses, and contractual expenses were all lower than anticipated. Expenses were \$321,788 below budget and increased 9 percent over the previous fiscal year.

Major budgetary developments in FY 2009 include:

- Contracts with two government affairs firms
- Beginning a new web site
- A study of uncollected use tax

At the end of FY 2009, assets of the Governing Board totaled \$950,699, of which

87 percent was held in the form of cash or cash equivalents. Much of the remainder was composed of deferred member dues, accounts receivable, with minor portions representing furniture and equipment, prepaid expenses, and rental deposit.

Streamlined Sales Tax Governing Board- Actuals Over Time

	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
	Actual	Actual	Actual	Actual	Actual
BEGINNING BALANCE	\$ 57,306.11	\$ 220,867.25	\$ 361,228.00	\$ 640,336.00	\$ 842,779.00
INCOME					
Member payments	\$ 80,000.00	\$ 300,000.00	\$ 604,000.00	\$ 600,000.00	\$ 473,455.00
Member payments held in escrow	\$ -	\$ -	\$ -	\$ 104,545.00	\$ 106,545.00
Publication sales	\$ -	\$ -	\$ -	\$ -	\$ -
Investment income	\$ -	\$ 7,048.00	\$ 29,622.00	\$ 31,101.00	\$ 15,133.00
Other income - unrealized gain	\$ -	\$ -	\$ -	\$ -	\$ 5,330.00
NGA/NCSL contributions	\$ 100,000.00	\$ -	\$ -	\$ -	\$ -
Meeting income	\$ 260,950.00	\$ 302,650.00	\$ 268,575.00	\$ 188,635.00	\$ 79,050.00
TOTAL INCOME	\$ 440,950.00	\$ 609,698.00	\$ 902,197.00	\$ 924,281.00	\$ 679,513.00
EXPENSES					
Salaries and Benefits					
Salaries	\$ -	\$ 60,096.00	\$ 212,316.00	\$ 238,654.20	\$ 242,153.00
Payroll taxes	\$ -	\$ 8,589.00	\$ 17,814.00	\$ 16,532	\$ 17,112.00
Health coverage	\$ -	\$ 1,783.00	\$ 7,243.00	\$ 9,980	\$ 9,772.00
Retirement expense	\$ -	\$ -	\$ 150.00	\$ 1,200	\$ 1,200.00
Subtotal- Salaries	\$ -	\$ 70,468.00	\$ 237,513.00	\$ 266,366.15	\$ 270,237.00
Office Expense					
Telecommunications	\$ 21,461.00	\$ 24,621.00	\$ 15,150.00	\$ 18,624	\$ 22,803.00
Printing	\$ 7,102.31	\$ 24,372.00	\$ 6,856.00	\$ 2,162	\$ 294.00
Materials and supplies	\$ 432.23	\$ 87.00	\$ 4,191.00	\$ 7,947	\$ 6,066.00
Postage and delivery	\$ 1,931.74	\$ 676.00	\$ 1,902.00	\$ 1,355	\$ 531.00
Law service and books	\$ -	\$ 743.00	\$ 1,147.00	\$ -	\$ 1,204.00
Computer equipment and furniture - dep.	\$ -	\$ -	\$ 3,347.00	\$ 4,756	\$ 4,226.00
Computer equipment and furniture	\$ -	\$ -	\$ 5,355.00	\$ 1,138	\$ 150.00
Other insurance	\$ -	\$ -	\$ -	\$ 1,082	\$ 1,049.00
Other - write off of conference receivabl	\$ 24,040.00	\$ 847.00	\$ 7,855.00	\$ -	\$ 3,400.00
Subtotal-Office Expense	\$ 54,967.28	\$ 51,346.00	\$ 45,804.00	\$ 37,064.41	\$ 39,723.00
Travel					
Employee travel	\$ -	\$ 31,867.00	\$ 29,180.00	\$ 48,925	\$ 50,752.00
Other travel	\$ 18,676.12	\$ 7,687.00	\$ 3,891.00	\$ 15,172	\$ 20,418.00
Subtotal- Travel	\$ 18,676.12	\$ 39,554.00	\$ 33,071.00	\$ 64,097.52	\$ 71,170.00
Contractual Services					
Rent - office space	\$ -	\$ -	\$ 8,287.00	\$ 10,452	\$ 10,941.00
Central registration	\$ -	\$ 72,938.00	\$ 52,594.00	\$ 8,094	\$ 6,500.00
Accounting services	\$ -	\$ 1,050.00	\$ 11,400.00	\$ 10,950	\$ 8,205.00
Legal services	\$ -	\$ 9,850.00	\$ 11,050.00	\$ 2,200	\$ -
Fund audit	\$ -	\$ -	\$ 9,000.00	\$ 9,000	\$ 10,000.00
Web site development and hosting	\$ -	\$ -	\$ 540.00	\$ -	\$ 17,178.00
Other	\$ -	\$ 20,890.00	\$ 5,429.00	\$ 28,218	\$ 113,392.00
Subtotal - Cont. Svcs.	\$ -	\$ 104,728.00	\$ 98,300.00	\$ 68,913.94	\$ 166,216.00
Meeting Expenses	\$ 203,745.46	\$ 202,855.00	\$ 208,402.00	\$ 195,036	\$ 92,546.00
Reserve	\$ -	\$ -	\$ -	\$ -	\$ -
SST portion of uncollected use tax study	\$ -	\$ -	\$ -	\$ -	\$ 50,000.00
TOTAL EXPENSES	\$ 277,388.86	\$ 468,951.00	\$ 623,089.00	\$ 631,478.00	\$ 690,054.00
Surplus/deficit for budget period	\$ 163,561.14	\$ 140,747.00	\$ 279,108.00	\$ 294,803.00	\$ (10,541.00)
ENDING BALANCE	\$ 220,867.25	\$ 361,614.25	\$ 640,336.00	\$ 935,139.00	\$ 832,238.00

SST Audit Committee:

- 1.) The Committee started the second round of contract compliance audits and tax compliance audits on Certified Service Providers on July 15, 2009. This is being conducted by the Audit Core Team which is comprised of: Steve Krovitz, Minnesota; Roger Wright, West Virginia; Bob Muller, Indiana; and Scott Elliott, Washington.
- 2.) The Audit Committee and the Certification Committee revised Appendix F, which was approved by the Governing Board at their May 2009 meeting.
- 3.) The Committee worked with the CSPs to get quarterly transaction information for July 2007 through June 2009. CSPs will send all future quarterly reports directly to the states.
- 4.) The Audit Committee drafted a paper to identify the steps Streamline states took to relax the Good Faith Requirement and proposed a Uniform Standard of Good Faith which was referred to the State and Local Advisory Council (SLAC).
- 5.) The Audit Committee held a training session for state auditors on July 15, 2009 for the current round of contract compliance and tax compliance audits on Model 1 Sellers using a CSP.
- 6.) The Audit Committee developed a paper to explain the need for a Confidentiality and Information

Sharing Agreement between Streamline states.

- 7.) The Audit Committee developed guidelines for state auditors conducting tax compliance audits on Model 1 and Model 2 Sellers. These guidelines will promote uniformity among states when they conduct tax compliance audits on such sellers.
- 8.) To comply with the single audit option listed in the proposed Federal Streamline legislation, the Audit Committee established two workgroups to draft a single audit method. The single audit option is scheduled to be completed for review at the next Audit Committee meeting scheduled for March 2010.

Compliance Review and Interpretations Committee Report:

The Committee conducted the evaluation of state compliance with the Streamlined Sales and Use Tax Agreement (SSUTA). The Committee recommended that the Governing Board find Indiana, Iowa, Kentucky, and Michigan out-of-compliance. Because of action taken by the states after the Committee's recommendation, the Governing Board found only Iowa out-of-compliance.

The Governing Board approved the Committee's following interpretation recommendations:

**Approved Interpretation
Recommendations:**

- Software Finance & Tax Executives Council request concerning software license upgrades.
- Software Finance & Tax Executives Council request concerning the definition of direct mail.

