

Single Audit Recommendations

The SST Audit Committee has discussed the concept of a single audit for sellers as required by the proposed Federal Legislation and wish to make the following recommendations to the Governing Board.

Federal Legislation, H.R. 5660, Section 7 Minimum Simplification Requirements (a)(13), states “Audit procedures for sellers, including an option under which a seller not qualifying for the small business exception may request, by notifying the SST Governing Board, to be subject to a single audit on behalf of all Member States for sales and use taxes. The SST Governing Board, in its discretion, may authorize such a single audit.”

This version of the bill does not include the phrase “other than use taxes on goods and services purchased for the consumption of the seller”, which was in prior versions of the bill. The SST Audit Committee would like to see this language added to the current bill to clarify that the single audits performed will be for sales tax only and not include consumer’s use tax.

This committee recommends single audits be limited to remote sellers. The Federal Legislation defines “remote seller” and “remote sales” in Section 10 (subsections 5 and 6). The term “remote sale” refers to a sale of goods or services attributed to a particular Member State with respect to which a seller does not have adequate physical presence to establish nexus under the law existing on the day before the date of enactment of this Act so as to allow such Member State to require, without regard to the authority granted by this Act, the seller to collect and remit taxes with respect to such sale. The term “remote seller” means any seller who makes a remote sale. If sellers not meeting the definition of a remote seller request a single audit, this committee recommends the SST Governing Board review these sellers on an individual basis to decide if a single audit is appropriate.

Once Federal Legislation is passed, approved single audits will be conducted by a team of auditors as designated by the SST Governing Board.

For a seller to be approved for a single audit, the SST Audit Committee recommends the seller be required to maintain and provide electronic records in a prescribed electronic format.

Sampling methods as approved by the SST Governing Board may be used to conduct the audit of the seller’s records.

To simplify the audit process the SST Audit Committee recommends that contact with sellers be limited to members of the audit team. Questions from the sellers may be answered by either the audit team or the states, if necessary. The audit team will prepare a standardized audit report for each state and supply these reports to each state.

It will be the responsibility of each member state to review the audit findings and issue a final report to the seller. The applicable states’ procedures for filing appeals will apply.