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Streamlined Sales Tax Project Rates and Boundary Databases

(Jan, 2004)

The Streamlined Sales Tax Agreement has language regarding databases and formats to provide regarding rates and boundaries. This paper describes a state's responsibility in this area. The paper also includes the applicable SSTP Agreement language as well as selected Mobile Telecommunications Sourcing Act (MTSA) excerpts.

A state, depending on the degree of multiple taxing jurisdictions, will have different needs regarding the level of granularity necessary to effectively apply local rates. For example, New Jersey has no local jurisdictions and will have fewer data requirements than Texas who has many local and special taxing jurisdictions.

Local Rate and Boundary Databases - Section 305

Provide and maintain a **rates and jurisdiction** database that associates rates to jurisdictions using the Federal Information Processing Standards (FIPS) codes, with extension for special taxing jurisdictions as needed.

Provide and maintain a **rate** database that associates **Zip and/or Zip+4 to jurisdiction**.

- The format will be determined by the Governing Board. The TIGERS group recommends utilizing the attached format.
- States must apply the lowest combined tax rate imposed in the zip code area if the area includes more than one tax rate in any level of taxing jurisdictions.
- If a nine digit zip code designation is not available for a street address or if a seller is unable to determine the nine digit zip code designation of a purchaser after exercising due diligence to determine the designation, the seller may apply the rate for the five digit zip code area. Query instructions for the zip code table will provide the correct jurisdiction code if either a zip + 4 or 5 digit zip is used.
- There is a rebuttable presumption that a seller has exercised due diligence if the seller has attempted to determine the nine digit zip code designation by utilizing software approved by the Governing Board that makes this designation from the street address and the five digit zip code of the purchaser.

- States have the option of developing the rates and boundary tables using individual jurisdiction tax rates or a composite (combined state and local) tax rate. The table format allows each method and one standard query can process either method. Use of individual or composite tax rates effect how the boundary and tax rate tables are constructed and how the data will be received on the simplified electronic return (SER) and the information return. Rules governing the standards for the building of the tables will be forthcoming. The TIGERS group recommends utilizing the attached format.
- The tax rate table must provide the ability to process two (2) state tax rates and local jurisdictions with an in-state sales tax but no tax on out-of-state sales. The table format has been developed to follow the SSTP agreement requirements that are effective January 1, 2006. States using the table with more than two state tax rates prior to January 2006 will be required to supply query instructions on how to process the exceptions. All states will be required to complete each tax rate field for a jurisdiction to provide for uniformity of processing. The TIGERS group recommends utilizing the attached format.

Provide and maintain a database, or web page, describing local rate and boundary **changes** that include all jurisdictions, descriptions, and effective date of change.

- Provide 60 days notice.
- Effective date of rate and boundary changes must be first day of calendar quarter.
- Rate changes on printed catalogs with published local rates are applicable with 120 days notice.

Participate with other states in the development of an **address-based system**.

- This system must meet the requirements developed by MTSA.
- The Governing Board may allow a member state to require sellers that register under this Agreement to use an address-based system provided by that member state.
- States that have or will develop an address-based system will also be required to create and maintain a zip code table for purposes of continuity and meeting the needs of the sellers until such a time that the Governing Board, as stated in 309G, decides to allow a member state to require sellers that register under this Agreement to use an address-based system provided by that member state. If any member state develops an address-based assignment system pursuant to the Mobile Telecommunications Sourcing Act, a seller may use that system in place of the system provided for in subsection (F) of this section, which is the zip+4 database.

State Rate Changes - Section 304

Lessen the difficulties faced by sellers due to changes in state rates.

- Provide sellers with as much notice as practicable of state rate changes.
- Limit the effective date of a rate change to the first day of a calendar quarter.
- Failure to follow these guidelines does not relieve a seller's obligation to collect the tax.

Effective Date for Rate Changes - Section 329

Each member state shall provide that the effective date of rate changes for services covering a period starting before and ending after the statutory effective date shall be as follows:

- For a rate increase, the new rate shall apply to the first billing period starting on or after the effective date.
- For a rate decrease, the new rate shall apply to bills rendered on or after the effective date.

Relief from Certain Liability - Section 306

- States will relieve sellers and CSPs from liability for incorrect collection of sales or use tax resulting from reliance on erroneous tax rates, boundaries, or taxing jurisdiction assignments.
- States that provides an address-based system for assigning taxing jurisdictions will not be required to provide liability relief for errors resulting from the reliance on the information.

Databases Requirements and Exceptions - Section 307

- Will be provided in a downloadable format.
- The provisions in Section 305 (F & G) do not apply when sales are made at the business location of a seller.
- The databases are not required by states prior to entering into the Agreement; the Governing Board will establish dates for availability and use of databases.

ZIP+4 Table Format

Field Name	Length	Type
ZIP Code Low	5	Integer
ZIP Extension Low	4	Integer
ZIP Code High	5	Integer
ZIP Extension High	4	Integer
State FIPS Code	2	Integer
County FIPS Code	3	Integer
Named Place FIPS Code	5	Integer
Class of Place Code	2	Alphanumeric
Spec Tax District-1	5	Integer
:	5	Integer
Spec Tax District-20	5	Integer
Effective Begin Date	8	Date
Effective End Date	8	Date

Rate Table Format

Field Name	Length	Type
State	2	Integer
Jurisdiction Type	3	Alphanumeric
Jurisdiction FIPS Code	5	Integer
General Tax Rate - In-state Sales	4	Decimal
General Tax Rate - Out-state Sales	4	Decimal
Food/Drug Tax Rate – In-state Sales	4	Decimal
Food/Drug Tax Rate – Out-state Sales	4	Decimal
Effective Begin Date	8	Date
Effective End Date	8	Date

Streamlined Sales Tax Agreement Language

Section 304: NOTICE FOR STATE TAX CHANGES

A. Each member state shall lessen the difficulties faced by sellers when there is a change in a state sales or use tax rate or base by making a reasonable effort to do all of the following:

1. Provide sellers with as much advance notice as practicable of a rate change.
2. Limit the effective date of a rate change to the first day of a calendar quarter.
3. Notify sellers of legislative changes in the tax base and amendments to sales and use tax rules and regulations.

B. Failure of a seller to receive notice or failure of a member state to provide notice or limit the effective date of a rate change shall not relieve the seller of its obligation to collect sales or use taxes for that member state.

Section 305: LOCAL RATE AND BOUNDARY CHANGES

Each member state that has local jurisdictions that levy a sales or use tax shall:

A. Provide that local rate changes will be effective only on the first day of a calendar quarter after a minimum of sixty days' notice to sellers.

B. Apply local sales tax rate changes to purchases from printed catalogs wherein the purchaser computed the tax based upon local tax rates published in the catalog only on the first day of a calendar quarter after a minimum of one hundred twenty days' notice to sellers.

C. For sales and use tax purposes only, apply local jurisdiction boundary changes only on the first day of a calendar quarter after a minimum of sixty days' notice to sellers.

D. Provide and maintain a database that describes boundary changes for all taxing jurisdictions. This database shall include a description of the change and the effective date of the change for sales and use tax purposes.

E. Provide and maintain a database of all sales and use tax rates for all of the jurisdictions levying taxes within the state. For the identification of states, counties, cities, and parishes, codes corresponding to the rates must be provided according to Federal Information Processing Standards (FIPS) as developed by the National Institute of Standards and Technology. For the identification of all other jurisdictions, codes corresponding to the rates must be in the format determined by the Governing Board.

F. Provide and maintain a database that assigns each five digit and nine digit zip code within a member state to the proper tax rates and jurisdictions. The state must apply the lowest combined tax rate imposed in the zip code area if the area includes more than one tax rate in any level of taxing jurisdictions. If a nine digit zip code designation is not available for a street address or if a seller is unable to determine the nine digit zip code designation of a purchaser after exercising due diligence to determine the designation, the seller may apply the rate for the five digit zip code area. For the purposes of this section, there is a rebuttable presumption that a seller has exercised due diligence if the seller has attempted to determine the nine digit zip code designation by utilizing software approved by the Governing Board that makes this designation from the street address and the five digit zip code of the purchaser.

G. Participate with other member states in the development of an address-based system for assigning taxing jurisdictions. The system must meet the requirements

developed pursuant to the federal Mobile Telecommunications Sourcing Act (4 U.S.C. Sec. 119). The Governing Board may allow a member state to require sellers that register under this Agreement to use an address-based system provided by that member state. If any member state develops an address-based assignment system pursuant to the Mobile Telecommunications Sourcing Act, a seller may use that system in place of the system provided for in subsection (F) of this section.

Section 306: RELIEF FROM CERTAIN LIABILITY

Each member state shall relieve sellers and CSPs from liability to the member state and local jurisdictions for having charged and collected the incorrect amount of sales or use tax resulting from the seller or CSP relying on erroneous data provided by a member state on tax rates, boundaries, or taxing jurisdiction assignments. A member state that provides an address-based system for assigning taxing jurisdictions pursuant to Section 305, subsection (G) or pursuant to the federal Mobile Telecommunications Sourcing Act will not be required to provide liability relief for errors resulting from the reliance on the information provided by the member state under the provisions of Section 305, subsection (F).

Section 307: DATABASE REQUIREMENTS AND EXCEPTIONS

- A. The electronic databases provided for in Section 305, subsections (D), (E), (F), and (G) shall be in a downloadable format approved by the Governing Board.
- B. The provisions of Section 305, subsections (F) and (G) do not apply when the purchased product is received by the purchaser at the business location of the seller.
- C. The databases provided by Section 305, subsections (D), (E), and (F) are not a requirement of a state prior to entering into the Agreement. The Governing Board shall establish the effective dates for availability and use of the databases.

Section 329: EFFECTIVE DATE FOR RATE CHANGES

Each member state shall provide that the effective date of rate changes for services covering a period starting before and ending after the statutory effective date shall be as follows:

- A. For a rate increase, the new rate shall apply to the first billing period starting on or after the effective date.
- B. For a rate decrease, the new rate shall apply to bills rendered on or after the effective date.

Mobile Telecommunications Sourcing Act (MTSA)

Sec. 25. Provision of electronic database.

- a) The State may provide an electronic database to a home service provider or, if the State does not provide such an electronic database to home service providers, then the designated database provider may provide an electronic database to a home service provider.
- b) The electronic database, whether provided by the State or the designated database provider, shall:
 - 1) be provided in a format approved by the American National Standards Institute's Accredited Standards Committee X12, that, allowing for de minimis deviations, designates for each street address in the State, including to the extent practical, any multiple postal street addresses applicable to one street location, the appropriate taxing jurisdictions, and the appropriate code for each taxing jurisdiction, for each level of taxing jurisdiction, identified by one nationwide standard numeric code described in subsection (c); and
 - 2) also provide the appropriate code for each street address with respect to political subdivisions that are not taxing jurisdictions when reasonably needed to determine the proper taxing jurisdiction.
- c) The nationwide standard numeric codes shall contain the same number of numeric digits with each digit or combination of digits referring to the same level of taxing jurisdiction throughout the United States using a format similar to FIPS 55-3 or other appropriate standard approved by the Federation of Tax Administrators and the Multistate Tax Commission, or their successors. Each address shall be provided in standard postal format.

(Source: P.A. 92-474, eff. 8-1-02.)

MTSA Format (to be used for address-based systems)

	Field	Length	Comment/Description
1	Beginning Effective Date	8	Date in CCYYMMDD format
2	Ending Effective Date	8	Date in CCYYMMDD format
3	Low Address Range	10	(If Record Type = PO Box, Box Range Listed)
4	High Address Range	10	(If Record Type = PO Box, Box Range Listed)
5	Odd/Even "Range" Indicator	1	
6	Street Pre-Directional Abbr.	2	Primary Address (Address Line 1)
7	Street – Name	20	Primary Address (Address Line 1)
8	Street - Suffix Abbr.	4	Primary Address (Address Line 1)
9	Street - Post Directional	2	Primary Address (Address Line 1)
10	Address Secondary Abbr.	4	Secondary Address (Address Line 2) -if Highrise or Firm
11	Address Secondary (Low)	8	Secondary Address (Address Line 2) -if Highrise or Firm
12	Address Secondary (High)	8	Secondary Address (Address Line 2) -if Highrise or Firm
13	Address Secondary (Odd/Even)	1	Secondary Address (Address Line 2) -if Highrise or Firm
14	City Name	28	
15	Zip Code	5	
16	Plus4	4	
17	FIPS State Code	2	
18	FIPS County Code	3	
19	FIPS Place (Municipality) Number	5	
20	FIPS Place Class Code	2	
21	Longitude Data	7	
22	Latitude Data	7	
23	Special Tax District Code Source (#1)	2	VD for vendor defined, "ST" for state defined
24	Special Tax District Code (#1)	5	This is the actual code from the source
25	Type of Taxing Authority Code (#1)	2	From X12 Data Element 1721
26	Special Tax District Code Source (#2)	2	
27	Special Tax District Code (#2)	5	
28	Type of Taxing Authority Code (#2)	2	
29	Special Tax District Code Source (#3)	2	
30	Special Tax District Code (#3)	5	
31	Type of Taxing Authority Code (#3)	2	
32	Special Tax District Code Source (#4)	2	
33	Special Tax District Code (#4)	5	
34	Type of Taxing Authority Code (#4)	2	
35	Special Tax District Code Source (#5)	2	
36	Special Tax District Code (#5)	5	
37	Type of Taxing Authority Code (#5)	2	
38	Special Tax District Code Source (#6)	2	
39	Special Tax District Code (#6)	5	
40	Type of Taxing Authority Code (#6)	2	

41	Special Tax District Code Source (#7)	2
42	Special Tax District Code (#7)	5
43	Type of Taxing Authority Code (#7)	2
44	Special Tax District Code Source (#8)	2
45	Special Tax District Code (#8)	5
46	Type of Taxing Authority Code (#8)	2
47	Special Tax District Code Source (#9)	2
48	Special Tax District Code (#9)	5
49	Type of Taxing Authority Code (#9)	2
50	Special Tax District Code Source (#10)	2
51	Special Tax District Code (#10)	5
52	Type of Taxing Authority Code (#10)	2
	Total Number of Positions	239

*A state may have an unlimited number of special taxing districts.