

Ideas for encouraging seller participation in the Streamlined central registration system

Purpose The purpose of this document is to suggest ideas for encouraging seller participation in the Streamlined central registration system.

Background As new states join the Governing Board, new voluntary registrants are only eligible for amnesty in new states and in associate member states. Potential new registrants are concerned about their liability in current full member states. They are concerned because of confusion about varying nexus standards among the states and which goods and services are taxable in a particular state.

As new Certified Service Providers are approved, they encounter difficulty recruiting new voluntary registrants because of the lack of amnesty as an incentive to sign up.

There are also concerns about whether there will be a need to provide some form of amnesty to newly registering sellers if remote seller collection authority is granted under federal Streamlined legislation.

The concept The Governing Board should consider new programs:

- To encourage more voluntary registrants prior to federal legislation (other current amnesty requirements would remain in place), and
- To provide Amnesty for Streamlined registrants in the event federal Streamlined legislation takes effect.

Benefits The benefits of these proposals include:

- They would bring more sellers into the program. The more sellers, the easier to persuade Congress to pass legislation and to get other states to join.
- They would provide additional revenue to member states.
- They would bring sellers into the program before the effective date of federal legislation, thus reducing, to some extent, the number of registrants that will contact the states.
- They will allow the Governing Board to increase the visibility and usefulness of the CSP model because more sellers are likely to use CSPs.
- They would encourage sellers to register quickly with the Streamlined central registration system after federal legislation passes.

Amnesty survey In July of 2011, the Governing Board conducted a survey related to amnesty. Fourteen states responded to the survey. The highlights of this survey are as follows:

- The majority of respondents are open to the some form of amnesty conceptually. A number of respondents alternatively indicated they were “uncertain”. A number of states indicated that while they were not supportive of the proposals described in the survey, they may be open to such ideas if certain changes were made
- Most states would be required to make law changes, which for some states may take up to 24 months.
- Most respondents are opposed to inclusion of taxes other than sales and use taxes.
- Many respondents commented that a time limitation should be included in any pre-federal legislation proposal as well a limitation to sellers with no nexus or questionable nexus.
- Respondents want only member states to be included in any pre-federal legislation proposal.
- Member states should determine if there are synergies with the member states’ voluntary disclose agreement programs.

Note: There were a couple of states that could not support amnesty in any case. Nevada indicated it may have statutory restrictions that would prohibit it from providing amnesty to fewer than all taxpayers.

Discussion draft Based on the survey results a discussion draft has been created, which includes proposals for seller relief as follows:

- A proposal for seller relief, that is established for a limited period for those sellers with questionable nexus prior to federal Streamlined legislation, to encourage seller registration.
- A proposal for seller relief for the period immediately after federal legislation becomes effective.

The proposals are intended to provide a framework for further discussions and do not represent a formal position at this time.

Next Steps Discuss draft and related concepts.
