

Rounding Rules
Streamlined Sales Tax Implementing States
July 26, 2002

Approved at the Dearborn meeting on April 13:

- A. Allow multiple rounding algorithms: (1) round up to the nearest cent and (2) round up for amounts of tax of one-half cent or more, round down or disregard for amounts of tax less than one-half cent.
- B. Sellers are required to calculate tax to three decimal places.
- C. Sellers may elect to compute tax due on transactions on an item or invoice basis.
- D. Eliminate bracket systems.
- E. Rounding rules shall be applied to the aggregated state and local taxes.

13 Yes votes: AR, DC, IN, ME, MD, MI, NJ, ND, OH, OK, SD, TN, WV

10 No votes: KY, MN, NE, NV, NC, TX, UT, WA, WI, WY

3 did not vote: IL, LA, RI

1 abstained: FL

States That Want to Re-Visit

AL, DC, FL, IA, IN, KY, LA, MI, MN, MO, NE, NV, NJ, NC, SC, SD, TN, UT, WA, WI, WY

Alternatives to Be Considered

- A. Allow only one rounding rule after December 31, 2005. This rule will provide that amounts of tax less than one-half cent will be rounded down or disregarded and amounts of tax of one-half cent or more shall be rounded up to the nearest cent. All other rounding requirements remain the same.

- B. Allow 2 methods of rounding but require states to provide the common method for multi-state sellers who want one method.
- C. Provide for a Statement of Intent as we did for the “two rates” issue.

It is the intent of the Implementing States that states with other than the standard rounding rule (disregarding amounts of tax less than one-half cent and rounding up to the next cent for amounts of tax of one-half cent or more) will provide additional retailer compensation for the complexity. Since the Cost of Collection Study is not completed and no decisions have been made by Implementing States on retailer compensation provisions, we can only state our intent at this time.

Attachments

SSTP Rounding paper

Letter from the Direct Marketing Association dated June 6, 2002

Letter from Stephen Cordi, Maryland Office of the Comptroller, dated June 25, 2002