

March 19, 2008

Mr. Scott Peterson
Executive Director
Streamlined Sales Tax Governing Board
4205 Hillsboro Pike
Hobbs Building, Suite 305
Nashville, TN 37215-3339

Re: Public Comment **OPPOSED** to AM07034A01 and Proposed Rule 313 RP07016A01

Dear Mr. Peterson:

The Printing Industries of America (PIA) worked closely with the Streamlined Sales Tax Project (“the Project”) to develop the direct mail sourcing rules found in Section 313. Please find attached our Public Comment letter written November 6, 2002 after unanimous adoption of section 313 by the Streamlined Sales Tax Project on October 31, 2002. Our earlier letter acknowledges that we understood the direct mail sourcing rules were designed to promote compliance under Section 313.A.

Nonetheless, we are firmly in agreement with the broader business community that credits need to be allowed for sales tax paid under Section 313.B against any use tax owed by the purchaser on the distribution of the printed material. This issue will be avoided to the extent that each state continues to allow interstate commerce, processing, printed material shipped out of state and other exemptions when a transaction is sourced under Section 313.B. In such states, tax under Section 313.B would only be collected on the portion actually delivered to mailboxes within the state and the purchaser has less risk of paying tax twice on the same transaction.

The direct mail rules were written broadly to encompass all types of direct mail in order to maximize simplicity and uniformity. Just as important, the direct mail sourcing rules strike a balance between allowing the purchaser to self-remit tax on direct mail while also providing safe harbors to the seller in the event he does not receive the information from the purchaser needed to properly collect tax. PIA remains proud of the cooperation between the Project and the industry in developing these rules and does not support removing business correspondence from section 313 because such action will reduce purchaser ability to self-remit tax and will alleviate important safe harbors which currently exist for printers. The attached Exhibit A is a two page PowerPoint illustrating the design of Section 313. The attached Exhibit B is a two page PowerPoint illustrating how the current Section 313 works for business correspondence. Additional guidance in the taxability matrix would be helpful for both purchasers and sellers and we have indicated in Exhibit B where such information would improve compliance.

PIA understood that all bulk mail was included in direct mail regardless of whether the mail was business correspondence or advertising material. Printers have been accepting

direct mail exemption certificates for business correspondence. Printers have applied the direct mail delivery charge exclusion to common carrier charges for shipments of business correspondence to USPS bulk mail centers. If business correspondence is sourced under Section 313.B, printers have correctly remitted tax under this sourcing rule based on whether the printer's state regards the transaction as a sale of printed material or as a non-taxable service. Removing business correspondence from Section 313 will create complexity, reduce purchaser options and will strip printers of much-needed safe harbors.

What was not understood was whether the direct mail sourcing rules would be interpreted to source separately stated data processing and/or mail processing services, as opposed to separately stated printing charges, based on the mailing list. If we assume that the Governing Board agrees with the interpretation that all these services should be sourced to the jurisdiction where the recipient's mailbox is located, but regards it as an unintended consequence, the issue can be most easily corrected, with minimum disruption, by clarifying the sourcing rule within Section 313. This may be accomplished within Section 313 by designating that separately stated services and/or business correspondence are sourced to a single location. This approach will retain the purchaser options and seller safe harbors established in 2002 within Section 313. We regard the current business correspondence proposal as a step backwards for both our members and their customers.

We have actively participated in SLAC's direct mail work group for the past fourteen months and the approach noted in the preceding paragraph has not been considered. It is premature to amend Section 313 for this issue without considering this option. We are **OPPOSED** to any amendment to the Agreement which will remove safe harbors which were so carefully drafted in 2002.

Sincerely,

A handwritten signature in black ink that reads "Lisbeth Lyons". The signature is written in a cursive, flowing style.

Lisbeth Lyons
Printing Industries of America, Inc.
Vice President, Government Affairs

Cc: Ms. Sherry Harrell
Ms. Judy Niccum
Ms. Ellen Thompson