

**Minutes of Sales Tax Simplification Governing Board, and Executive Committee of
the Governing Board
October 1, 2005
Washington, DC**

The following state delegates participated in the inaugural meeting of the Governing Board.

Arkansas (Associate Member) Tom Atchley Senator Jim Hill	Ohio (Associate Member) Senator Ron Amstutz Fred Nicely
Indiana (Full Member) Joe VanDevender	Oklahoma (Full Member) Jerry Johnson
Iowa (Full Member) Don Cooper David Casey	Senator Angela Monson Thomas Kemp
Kansas (Full Member) Joan Wagnon Richard Cram	South Dakota (Full Member) Representative H. Paul Dennert Scott Peterson
Kentucky (Full Member) Robert Cox Richard Dobson	Senator Orville Smidt Gary Viken
Michigan (Full Member) Dale Vettel	Tennessee (Associate Member) Loren Chumley Connie Hardin
Minnesota (Full Member) Larry Wilke	Utah (Associate Member) Representative Wayne A. Harper Bruce Johnson
Nebraska (Full Member) Mary Jane Egr Edson Tom Gillaspie	West Virginia (Full Member) Delegate John Doyle Senator Walt Helmick
New Jersey (Full Member) Harry Fox	Virgil T. Helton Dale Steager
North Carolina (Full Member) Andy Sabol	Wyoming (Associate Member) Rodney Anderson Dan Noble
North Dakota (Associate Member) Senator Dwight Cook Representative David Drovdal Senator Herb Urlacher Myles Vosberg	

Welcome

Commissioner Bruce Johnson of Utah and Senator Angela Monson of Oklahoma opened the meeting at 8:55 am. This was followed by a roll call of the member and associate member states.

Acknowledgement of Full Member Status for New Jersey and North Dakota

Bruce Johnson noted that New Jersey and North Dakota are full members with an effective date of October 1, 2005. He explained that full members, including these states, would be voting on the bylaws and operating rules.

Vote on Bylaws, Articles of Incorporation and Operating Rules

Loren Chumley explained that the organization was incorporated in Indiana and has obtained a federal tax identification number. Joan Wagnon of Kansas moved adoption of the bylaws and incorporation of the Governing Board. This was seconded by Tennessee. Bruce Johnson indicated that this could be approved with a voice vote. The motion passed and Bruce Johnson ruled that the motion had passed.

Following an explanation of the operating rules, Tennessee moved their adoption. This was seconded by North Dakota and passed. Following the vote, the Conforming States and, in particular, Loren Chumley and Joan Wagnon, were commended for their hard work.

Election of Officers and Directors

Angela Monson then nominated the following as officers and members of the Executive Committee:

Senator Dwight Cook (ND)	President
Secretary Joan Wagnon (KS)	1 st Vice President
Delegate John Doyle (WV)	2 nd Vice President
Commissioner Jerry Johnson (OK)	Secretary/Treasurer
Deputy Director Harold Fox (NJ)	Member (through 2006)
Senator Orville Smidt (SD)	Member (through 2006)
Senator Ron Amstutz (OH)	Member (through 2007)
Commissioner Loren Chumley (TN)	Member (through 2007)
Commissioner Bruce Johnson (UT)	Member (through 2007)

The nominations were seconded by Nebraska. There were no nominations from the floor and the officers and members of the executive committee were elected by a unanimous voice vote.

Bruce Johnson then turned over the meeting to the President of the Governing Board, Dwight Cook. Following recognition of Angela Monson, Bruce Johnson, and Loren Chumley for their accomplishments, Dwight Cook noted the dedication and talent of those in the room and expressed his confidence in a successful implementation of the Agreement.

Loren Chumley then moved approval of the following as members of Nominating Committee:

Tom Atchley (AR)
Senator Luke Kenley (IN)
Dale Vettel (MI)
Don Trimble (MI)
Mary Jane Egr-Edson (NE)
Representative Paul Dennert (SD)
Representative Mark Maddox (TN)
Senator Lyle Hilliard (UT)

The nominations were seconded by Kansas and passed.

The Governing Board then recessed for a meeting of the Executive Committee [minutes of this meeting can be found at the end of the Governing Board minutes].

Ratification of Pre-Governing Board Business Actions

Following the resumption of the meeting, Tennessee moved and Ohio seconded ratification of the Memorandum of Understanding Pertaining to FTA's Activity as a Contracting Agent on Behalf of the Conforming States Committee This was passed.

New Jersey moved and South Dakota seconded approval of the Memorandum of Understanding for an Interim Director of the Conforming States Committee. This was passed.

Scott Peterson provided a status report on the Central Registration system which was developed by TaxWatch and is operational as of October 1. Tennessee moved and Kansas seconded ratification of the agreement with TaxWatch.

Consideration of Matters Assigned to the Governing Board by the Agreement

[Editorial Note: the text of adopted database formats and amendments were included in the delegate notebooks and are not repeated here.]

A motion to approve software for satisfying the due diligence requirements of Section 305 of the Agreement was made by Oklahoma, seconded by New Jersey and passed.

A motion to approve the database formats as required by Section 307 of the Agreement and Appendixes C, D, and E of the Rates and Boundaries Database Instructional Paper was moved by Oklahoma, seconded by Iowa and passed.

A motion on effective dates for the availability of databases was laid over pending the outcome of an amendment.

A motion for acceptance of tax return formats as required under Section 318C of the Agreement was moved by Oklahoma, seconded by Tennessee and passed.

A motion to establish the staggered system for return information as required by Section 318C of the Agreement was moved by Oklahoma, seconded by North Dakota, and passed. This allows for states that ask for additional reports to provide written notice to the Governing Board

A motion to approve tax type and payment type codes as required by Section 319F of the Agreement was moved by Oklahoma, seconded by Tennessee and passed.

A motion to approve the format of the taxability matrix as required by Section 328 A of the Agreement was moved by Oklahoma and seconded by Kentucky. Bruce Johnson noted that potential changes to the taxability matrix were referred by the Implementing States to the State and Local Advisory Committee. The motion was then passed.

Oklahoma then moved that the subject of state notification of changes in the taxability matrix as required by Section 328 A of the Agreement be directed to the CRIC. This was seconded by Nebraska and passed.

Minnesota then moved adoption of requirements for claiming exemptions as required under Section 317 of the Agreement. This was seconded by North Dakota and passed.

Minnesota moved adoption of the format for exemption certificate as required by Section 317 C of the Agreement. This was seconded by New Jersey and passed. Bruce Johnson noted that this action does not affect paper returns.

A review of the obligations on direct pay permits and a review of language in Section 328 by the CRIC was moved by Minnesota, seconded by Ohio and passed.

A motion to recognize the SST Technical Implementation Guide, the SSTP Rates and Boundary Databases Instructional Paper (August 2005), the paper entitled SSTP Registration (August 2005) and the paper entitle SSTP Returns and Remittances (August 2005) as instructional material for purposes of implementing the Agreement was moved by Oklahoma and seconded by North Dakota. Following a discussion of the status of issue papers, including technical items and legislative history, the motion was passed.

Petition for Membership by the State of Nevada

Following a review of Nevada's application by Sherry Harrell, and comments from the business community and governing board states, Utah moved approval of Nevada as a member state. This was seconded by New Jersey and failed on a roll call vote. (All states voted "No.") Tennessee then moved and Utah seconded a motion that Nevada be accepted as an associate member under Section 704 C of the Agreement. This was passed on a voice vote with a "No" vote from Ohio.

Proposed Amendments and Requests for Interpretations of Streamlined Sales and Use Tax Agreement

A motion to Amend Section 204, 214, 316 and the Library of Definitions relating to exemption administration was moved by New Jersey, seconded by Iowa and passed.

A motion to amend section 305, 306, and 307 relative to rate and jurisdiction databases was moved by Oklahoma, seconded by North Dakota and passed.

A motion to amend Section 309 relative to the application of sourcing rules for florist sales was moved by Oklahoma, seconded by New Jersey and passed.

A motion to amend Section 319 relative to rules for uniform remittances of funds was moved by Oklahoma, seconded by South Dakota and passed.

A motion for an interpretation of who is the seller for floral orders through floral delivery networks was moved by South Dakota, seconded by Oklahoma and passed.

A motion to refer to the CRIC the interpretation of "provided by the seller" in the prepared food definition was moved by Minnesota, seconded by North Dakota and passed.

Delegates then discussed amnesty under the Agreement in light of the fact that certified service providers are not up and running. Comments from state participants recognized that an amendment to the Agreement to extend amnesty beyond 12 months was unlikely and that several states would need statutory changes to accommodate the longer amnesty period.

Following lunch, the Governing Board held a closed session for the purpose of addressing certified service provider information.

At the resumption of the open session, Jerry Johnson reported on the closed session, stating that the CSP evaluation committee has been working with seven companies responding to the RFP. In addition, he stated that he was happy to announce that they are

in the testing phase with Taxware and Avalara, and will soon be in testing phase with EDS Government Solutions, and will be in the testing phase soon with other companies in the CSP process. Oklahoma then moved the following:

That at such time as the Executive Committee determines that candidates are likely to meet the minimum certification standards set out in the Streamlined Sales Tax Project Certification Paper dated May 25, 2004 to be designated a Certified Service Provider (CSP), the Executive Committee is authorized to begin negotiations with such CSP candidates on an operating agreement which shall be presented to the Governing Board for possible ratification; and

That upon successful completion of all testing and ratification of the operating agreement between the Governing Board and said candidates, said candidates will be designated as a Certified Service Provider (CSP).

This was seconded by Kansas and passed.

Upon further discussion of the implications of having volunteers register prior to the availability of CSPs, Loren Chumley stated that any extensions of amnesty should only be made for Model 1 sellers, since the primary concern is with reducing taxpayer burdens for this type of seller. Kristi McGill then commented that some businesses are Certified Automated System (CAS) eligible but not CSP eligible.

Following additional discussion of the time period between central registration, CSP arrangements and actual transaction processing, Bruce Johnson stated his expectation that the Executive Committee would craft language that allows for an extension period for amnesty until it is practical and feasible to start collecting. Loren Chumley then cited the numerous amnesty questions that will require a response and suggested that the business community designate some representatives to work with the Governing Board on this.

Streamlined Sales Tax Project

Diane Hardt reviewed current Streamlined Sales Tax Project activities. Jerry Johnson moved that the CRIC look at the process for dealing with issue papers. This was seconded by Nebraska and passed.

Recognition of State and Local Advisory Council

It was noted that nominees have been received from three of the four local government organizations and 26 states as to designees to the SLAC. Dwight Cook then appointed Diane Hardt as chair of the SLAC. He also noted that the Business Advisory Council has been formed and that its bylaws will be submitted to the Governing Board.

Administrative Matters

It was noted that under the Governing Board, the FTA, Scott Peterson and MTC (for the SST website) would continue the support activities that have been provided for the Streamlined Sales Tax Project and the Conforming States.

Harley Duncan then reviewed the financial position of the Governing Board, as the successor to the SSTP and the Implementing States. He then noted \$800,000 has been spent by the business community on the cost of collection study, and that about \$20,000 is needed to complete the current phase of the work.

Wayne Zakrzewski then provided a review of data collection for the cost of collection study—stating that following some additional review, that the academic advisory board and the Governing Board will have access to the data. Tennessee moved that \$20,000 be spent as final payment on the cost of collection study. This was seconded by Nebraska and passed.

Future Meetings

It was noted that there would be an Executive Committee meeting on October 11 and a meeting of the Governing Board in about 30 days.

Approval of Minutes

Approval of minutes from the June 30-July 1 meeting of the Petitioning States was moved by John Doyle, and seconded by Tennessee. This was passed.

Other Business

Dale Steager's retirement from the West Virginia Department of Tax and Revenue was noted. Dwight Cook cited the progress made by those in the room in establishing the foundation for a streamlined sales tax system and adjourned the meeting at 3:30 pm.

Executive Committee of the Governing Board

Dwight Cook opened the meeting of the Executive Committee which approved the membership of the following committees:

Finance Committee

Jerry Johnson (OK)—Secretary/Treasurer of the Governing Board, as Chair
Senator Jim Hill (AR), Don Cooper (IA), Senator Janice Lee (KS), and Bob Cox (KY) as members.

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Compliance Review and Interpretations Committee

Larry Wilke (MN) as Chair

Joseph VanDevender (IN), Dale Vettel (MI), Andy Sabol (NC), Myles Vosberg (ND),
Tony Mastin (OK), and Dan Noble (WY) as members

Issues Resolution Committee

Royal G (Mac) McCracken (SD) as Chair

Mary Cameron (AR), Richard Dobson (KY), Craig Rook (NJ) and Virgil Helton (WV) as
members.

The Executive Committee then adjourned.

Respectfully submitted

Kenneth R. Beier

Multistate Tax Commission