

**Meeting of Governing Board of Streamlined Sales Tax
January 13, 2006
Phoenix, Arizona**

The following state delegates, other members, and staff participated in the January 13, 2006 meeting of the Governing Board. Votes reported here are by unanimous voice vote unless otherwise indicated.

Arkansas (Associate Member) Senator Jim Hill Representative Chris Thomason Tom Atchley Aaron Black	Ohio (Associate Member) Senator Ron Amstutz Representative Bob Gibbs Fred Nicely
Indiana (Full Member) Joe VanDevender	Oklahoma (Full Member) Jerry Johnson Thomas Kemp
Iowa (Full Member) Don Cooper	South Dakota (Full Member) Senator Orville Smidt Gary Viken
Kansas (Full Member) Senator Janis Lee Joan Wagnon Richard Cram	Tennessee (Associate Member) Loren Chumley Connie Hardin
Kentucky (Full Member) Robert Cox Richard Dobson	Utah (Associate Member) Bruce Johnson
Michigan (Full Member) Dale Vettel	West Virginia (Full Member) Delegate John Doyle Rob Alsop Tonja Oakes
Minnesota (Full Member) Larry Wilke	Wyoming (Associate Member) Dan Noble
Nebraska (Full Member) Tom Gillaspie	State and Local Advisory Council Diane Hardt (ex officio) Business Advisory Council Warren Townsend (ex officio) Steven Kranz (ex officio) Scott Peterson (Executive Director)
New Jersey (Full Member) Harry Fox	
North Carolina (Full Member) Andy Sabol	
North Dakota (Full Member) Senator Dwight Cook (President) Representative David Drovdal	

Welcome and Roll Call

Senator Dwight Cook of North Dakota opened the meeting at 8:35 am. Following an introduction of delegates, the chair announced there was a quorum.

Approval of Minutes

Approval of minutes from the October 1 and November 9 meetings was moved by Kansas and seconded by Iowa. This was passed. Later in the meeting the minutes were corrected to identify Tennessee as an associate member.

Discussion of Items Related to Certified Service Providers

Senator Cook reported on the January 12 closed session of the Executive Committee by stating that progress is being made on compensation arrangements for certified service providers.

Delegates who were participating via telephone were then introduced

Finance Administration Rules

Jerry Johnson noted that the proposed Rule 806.1.2, Finance Administration Policies were reviewed on the previous day and suggested temporary approval of the rules. He moved that they be in effect through the next meeting of the Governing Board. This was seconded by New Jersey and passed.

Governing Board Budget for January 1, 2006 – June 30, 2006

Senator Janis Lee of Kansas explained the six month budget, which was documented on a handout to the delegates. Jerry Johnson moved the addition of \$25,000 for travel expense, explaining that the additional travel was for the sole purpose of attending executive committee meetings. This was seconded by Kansas and passed. Approval of the budget, as amended, was moved by Oklahoma, seconded by Kansas and passed.

Governing Board Budget for July 1, 2006 – June 30, 2007

Senator Lee explained the budget for the next full fiscal year and noted that approval was not needed at this time. Scott Peterson noted that the budget may need an adjustment for travel expenses consistent with that made for the previously passed six month budget.

Records Retention

Jerry Johnson noted that the group is looking for assistance with records retention and establishing formats for Governing Board documents.

Review of Certified Service Providers and Other Tasks Related to Implementation of the Agreement

Loren Chumley noted the importance of state engagement with CSP certification to ensure that the proper tax is collected under these arrangements.

Business Advisory Council

Senator Cook noted that bylaws have been received from the Business Advisory Council.(BAC) Bruce Johnson noted that review of the bylaws is still needed and moved that the group be given provisional recognition by the Governing Board. Following discussion of the desirability of having the BAC President (Warren Townsend) and Vice President (Steve Kranz) at the table during the discussion of amendments later in the meeting, Kansas seconded the motion. This was passed. It was noted by Loren Chumley that recognition will be on the agenda for the next meeting of the Governing Board.

Amendment Regarding State Review and Certification of Certified Automated Software

Jerry Johnson explained recent changes to the amendment (Section 502) to the Streamlined Sales and Use Tax Agreement. Bruce Johnson noted the advantage of meeting the concerns about liability by certified service providers. Oklahoma moved and Tennessee seconded acceptance of the amendment. All full member states (Indiana, Iowa, Kansas, Kentucky, Michigan, Minnesota, Nebraska, New Jersey, North Carolina, North Dakota, Oklahoma, South Dakota, and West Virginia) present at the meeting voted for approval of the amendment.

(See Addendum to these minutes for a copy of Section 502 as amended.)

Amnesty

Jerry Johnson noted the difficulty that some states have with providing amnesty between the time of registration (by a vendor) and the availability of CSP services. He added that an interpretation on amnesty is currently under consideration by the Compliance Review and Interpretations Committee. In response to a comment from Fred Nicely of Ohio, Jerry Johnson noted that the adequacy of CSP services would be judged by the Executive Committee. He explained that a quantitative standard, such as the availability of 1 or more CSPs, might not be “adequate” if the CSP(s) were not serving all types of volunteers.

State and Local Advisory Council Rules

Bruce Johnson explained the stake that local governments have in the streamlined sales tax effort and the desirability of having a local government representative as an ex officio

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member of the Governing Board. Bruce Johnson moved and New Jersey seconded adoption of an amendment to add a local government representative. Following discussion of the relationship of this appointment to the SLAC Steering Committee and the desirability of keeping both the Chair and Vice Chair of the SLAC as ex officio members of the Governing Board, Bruce Johnson withdrew the amendment. New Jersey concurred with this. Mr. Johnson then moved that the President of the Governing Board designate a local government representative to serve as an ex officio member of the Governing Board. This was seconded by Tennessee and passed. Sonny Brasfield of the County Commissions of Alabama thanked the Governing Board for approving this and Bruce Johnson for working on the amendment. Bruce Johnson noted the need formalize the local government appointment at a future meeting.

Amendment to Governing Board Rule 810.2 D and E

Following an explanation of an amendment to Sections D and E of Rule 810 regarding officers and the Steering Committee of the State and Local Advisory Council, Loren Chumley moved their acceptance. This was seconded by Kansas and passed. Ms. Chumley then offered to clean up the format on the Governing Board rules.

(See Addendum to these minutes for the text Sections D and E of Rule 810 as amended.)

Update and Review of Governing Board Committees

Dianne Hardt, Chair of the State and Local Advisory Council, reviewed plans for updating the Streamlined Sales Tax website. Joan Wagnon moved that the Governing Board authorize Ms. Hardt to solicit bids for upgrading the website and bring those back to the group with a recommendation for action. This was seconded by Oklahoma and passed.

Other Business

Following a break, Senator Cook noted that a lot of work needs to be done by October 1, 2006. He suggested that the Governing Board meet quarterly with special meetings as needed.

Bob Gibbs of Ohio cited the need for attracting more states as members, which may result in lower fees for CSPs. In response to this, Senator Cook noted that amendments to the agreement, including those making membership more attractive, are still possible.

Loren Chumley then cited the need to have data on volunteers who came in prior to creation of the Governing Board—both through the National Nexus Program and directly with the states. She noted a proposal from Professors Fox and Bruce on potential revenue from a voluntary system. Jerry Johnson then commented on the need for understanding the characteristics and motivations of volunteers, in addition to their contribution to sales

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tax revenues. It was noted that one of the states may ask for a similar proposal. Joan Wagnon suggested it would be valuable for the NGA and NCSL to play a leading role in evaluating the impact of volunteers and communicating this to a broader audience.

Senator Cook reported that the Cost of Collection Study is not ready. Sometime after the meeting of the Academic Advisory Board on January 18, the Governing Board will have access to the results. In addition, results are expected be available at the NCSL meeting in Santa Barbara later in January

Senator Cook encouraged all Governing Board members to participate in the weekly teleconference meetings of the Executive Committee. He then noted the significant progress that had been made at meetings this week, thanked the participants for their work, and adjourned the meeting at 10:45 am.

Respectfully submitted

Kenneth R. Beier
Multistate Tax Commission

Addendum

Amendment to SSUTA--Section 502 (new version with amendment)

Section 502: STATE REVIEW AND APPROVAL OF CERTIFIED AUTOMATED SYSTEM SOFTWARE AND CERTAIN LIABILITY RELIEF (Effective on and after January 1, 2008)

- A. Each member state shall review software submitted to the governing board for certification as a CAS under Section 501. Such review shall include a review to determine that the program adequately classifies the state's product-based exemptions. Upon completion of the review, the state shall certify to the governing board its acceptance of the classifications made by the system.
- B. Each member state shall relieve CSPs and model 2 sellers from liability to the member state and local jurisdictions for not collecting sales or use taxes resulting from the CSP or model 2 seller relying on the certification provided by the member state.
- C. Each member state shall provide relief from liability to CSPs for not collecting sales and use taxes in the same manner as provided to sellers under the provisions of section 317.
- D. The governing board and the member states shall not be responsible for classification of an item or transaction within the product-based exemptions certified. The relief from liability provided in this section shall not be available for a CSP or model 2 seller that has incorrectly classified an item or transaction into a product-based exemption certified by a member state. This paragraph shall not apply to the individual listing of items or transactions within a product definition approved by the governing board or the member states.

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- E. If a member state determines that an item or transaction is incorrectly classified as to its taxability, it shall notify the CSP or model 2 seller of the incorrect classification. The CSP or model 2 seller shall have ten (10) days to revise the classification after receipt of notice from the member state of the determination. Upon expiration of the ten (10) days, CSP or model 2 seller shall be liable for the failure to collect the correct amount of sales or use taxes due and owing to the member state.

Amendment to Rule 810.2 (New version of Section D and E with amendment)

D. Officers. The President of the Governing Board, with the consent of the Executive Committee of the Governing Board, shall appoint from among the membership described above a Chair and Vice Chair of the Council (the "Officers") to serve a one-year term. An individual may serve no more than two consecutive terms as Chair or Vice-Chair, except to fill an unexpired term. The Chair and Vice-Chair will serve as *ex officio* members of the Governing Board, without a vote. The Officers shall preside over all Steering Committee and Council meetings, shall ensure that public notice of meetings is provided in accordance with these rules, and shall fulfill such other responsibilities as delegated to them by the Governing Board.

E. Steering Committee.

1. The Council shall have a Steering Committee comprised of no more than nine (9) members. The Officers shall be members of and shall preside over the Steering Committee meetings. The Council shall annually elect from among the representatives of the membership the remaining members of the Steering Committee. At least two (2) and no more than three (3) of the nine Council Steering Committee members will be local government representatives.

2. Duties of Committee

- a. Planning agendas for meetings,
- b. Recommending to the Council the organization of work groups or project committees,
- c. Recommending to the Council such actions and procedures as are necessary for the Council to fulfill its mission, and
- d. Assisting and advising the Officers in fulfilling their responsibilities.