

**Minutes for the Governing Board Meeting
Detroit, Michigan
June 22-23, 2007**

Welcome and Introductions:

Senator Dwight Cook called the meeting to order at 8:30 am. All states were present except Nevada.

Michigan Treasurer Mr. Robert J. Kleine welcomed everyone to Michigan and the City of Detroit. He introduced Senator Nancy Cassis as a new delegate to the Governing Board. He explained some of the sales tax issues Michigan was facing and also expressed his growing interest in the Streamlined Sales Tax Governing Board.

Approval of the Minutes from the previous meeting:

Secretary Joan Wagnon moved and Representative David Drovdal seconded a motion to adopt the minutes from the previous meeting. That motion was approved on a voice vote.

Executive Director's Report:

Mr. Scott Peterson informed the Governing Board that the next meeting will be in September in Kansas City, Kansas at the Great Wolf Lodge. He explained that this will be the annual meeting when Governing Board officers are elected. He said the Nominating Committee would meet directly after the meeting to plan for the election.

Mr. Peterson reported that the CSP application window had closed and one company applied to become a CSP. He also said that the CAS certification process had not progressed as quickly as hoped, but there was a new applicant to become a CAS. He said that Senator Enzi had introduced S. 34 and encouraged the states to contact their members of Congress for their support.

Mr. Peterson reported that states had collected \$84 million in sales tax from October 1, 2005 through March 2007 and if their collections continued at the same pace could approach \$100 million in this calendar year.

Proposed amendment to the SSUTA relating to the definition of delivery charges (AM06009):

The sponsor of this proposal asked that it be withdrawn.

Proposed amendment to the SSUTA relating to the definition of "delivery charges (AM07017):

Mr. Mike Eschelbach explained the purpose of the proposal and requested additional time to resolve outstanding issues. He requested that the proposal and the corresponding rule be deferred until the September meeting. There was no objection to the deferral.

Proposed amendment to the SSUTA relating to Section 502 to clarify the effect of software certification (AM07011):

Commissioner Jerry Johnson explained that Section 502 of the SSUTA did not reflect how the states certified a CSP. He said his proposal will require states to review the CSP's system to confirm that the taxability of product categories matches a state's law. Commissioner Jerry Johnson moved and Delegate John Doyle seconded a motion to adopt this amendment. That motion was approved unanimously on a roll call vote.

Proposed amendment to the SSUTA relating to Section 305 regarding when databases must be submitted (AM07002A01):

Secretary Joan Wagon stated that this amendment was deferred from the March meeting and assigned to the State and Local Advisory Council (SLAC) and the Certification Committee. Ms. Sherry Harrell reported that there was a unanimous vote by SLAC to recommend that states be required to provide their databases at least 30 days prior to the start of a quarter. She said that the proposal should be amended to read "the first day of the month prior to the first day of the calendar quarter" instead of "the 15th day of the month prior to the first day of the calendar quarter". Secretary Wagon moved and Commissioner Jerry Johnson seconded a motion to amend and then adopt the proposal. That motion was approved unanimously on a roll call vote.

Proposed amendment to the SSUTA relating to replacement taxes (AM07005):

Mr. Stephen Kranz asked that the Business Advisory Council and the State and Local Advisory Council be given additional time to continue to work together to reach an agreement on this issue. Mr. Peterson reported that this issue was on the agenda for the August NCSL Electronic Commerce Taskforce meeting. In response to a question from Mr. Richard Dobson, Mr. Peterson said that he thought it was the intent of the NCSL task force to find a resolution and bring it to the September meeting. Commissioner Bruce Johnson moved and Representative Paul Dennert seconded a motion to defer this issue until the September meeting. That motion was approved on a voice vote.

Proposed amendments to the SSUTA relating to Section 309 relating to the sourcing of florist transactions (AM07010 and AM07016):

Commissioner Jerry Johnson explained that requiring florists to change to destination sourcing had been deferred in order to find a technological solution. He explained that not enough had been accomplished to resolve this and it was necessary to defer this requirement for another 2 years in order to find a solution. Commissioner Jerry Johnson said he supported the Ohio and South Dakota amendment over the Oklahoma

amendment. Ms. Diane Hardt explained that SLAC had a committee working diligently on this issue and that a majority of SLAC voted to extend the date. Commissioner Jerry Johnson moved and Representative Bob Gibbs seconded a motion to adopt AM07016. In response to a question from Ms. Cathy Wicks about the impact of this motion on states that had already changed their law, Commissioner Jerry Johnson said that if a state has already changed its law, like Minnesota, it was not required to change back. Commissioner Johnson's motion was approved on a roll call vote with 12 states voting yes and Minnesota and Vermont voting no.

New Business:

Mr. Virgil Helton moved and Secretary Wagon seconded a motion to accept the items listed under New Business. That motion was approved on a voice vote.

Proposed amendment to the SSUTA relating to the explanatory language in Part II of Appendix C of the Library of Definitions (AM07025):

Commissioner Jerry Johnson asked that this amendment be withdrawn.

Proposed amendment to the SSUTA relating to the definition of durable medical equipment (AM07026):

Mr. Craig Rook explained that under this proposal repair and replacement parts will include all components or attachments used in conjunction with durable medical equipment. Ms. Hardt explained that a majority of SLAC voted to approve this proposal. Mr. Rook moved and Mr. Tom Gillaspie seconded a motion to adopt the amendment. That motion was approved unanimously on a roll call vote.

Proposed amendments to the SSUTA and rules relating to digital products (AM07012, AM07012A02, AM07013, AM07014A01, AM07015, AM07027A01 and AM07028A01):

Commissioner Jerry Johnson requested that AM07013 and AM07015 be withdrawn. There were no objections.

Commissioner Jerry Johnson asked that AM07012 be withdrawn and replaced with AM07012A02. There were no objections.

Commissioner Jerry Johnson explained that states and the Business Advisory Council are still working together to reach an agreement and have narrowed it down to one difference. Ms. Diane Hardt reported that SLAC debated the issue and voted to approve the state version.

Mr. Kranz asked that a decision be delayed so they may continue to work on it. Commissioner Jerry Johnson also asked that this be delayed to the September meeting so

they can continue to work to resolve the outstanding issue. He said that he didn't think it was in the best interest of the Governing Board to go forward with a rule or amendment that is opposed by the Business Advisory Council.

Senator Cook expressed his concern that it could be December before this issue is actually addressed if the bylaw amendment is adopted requiring two Governing Board votes to pass an amendment. Commissioner Bruce Johnson agreed, saying that the Governing Board should discuss this in more detail so that when it comes up at the September meeting, it can possibly move forward. He explained that there has been much discussion on digital goods and an agreement has still not been reached. He said the issue has expanded since the debate started in 2000 and a definition that satisfies both the business community and the states has not been found. He said that it would be better to satisfy 95% instead of none at all. Commissioner Jerry Johnson agreed with Commissioner Bruce Johnson and added that the states need to provide business with as much certainty as possible.

Commissioner Jerry Johnson explained that amendment labeled AM07012A02 has the definition of specific digital products and that it includes three items. He said that includes a section that specifies how the definitions can be used. He said that under this proposal states would be prohibited from including these definitions within ancillary services, computer software, telecommunication services, or tangible personal property. Commissioner Jerry Johnson stated that any state that currently taxes these items must adopt these definitions and specifically impose the tax. He explained that this proposal does not provide guidance on the digital photo question before the Compliance Review and Interpretations Committee. He said the states were being surveyed to decide how those states tax or exempt digital photos.

Senator Curt Bramble expressed his opposition to adopting something that would put some legislators in the position of being viewed as imposing a new tax even though all they are doing is maintaining their current tax structure. He said this action may cause states problems being or becoming full members. Commissioner Jerry Johnson agreed and said he is trying to limit that difficulty while trying to resolve the situation where states have a definition that is not uniform. Delegate John Doyle stated that he shared Senator Bramble's concern but supported Commissioner Jerry Johnson's hard work. He said he would like to see more legislative participation so that legislators hear explanations first hand. Commissioner Jerry Johnson stated that they are also trying to communicate with their legislators to make them aware of the consequences. He explained that this is an action that requires caution.

Senator Cook reminded the Board that the full member states adopted the same definition of tangible personal property and there are differences between the states. He said it is important to address this issue. Commissioner Bruce Johnson explained that everyone knew the states had a different interpretation of this definition. Mr. Kranz explained that the states have been working very hard on this issue and only one item is delaying

moving forward on digital products. He said the state version would allow states to administratively make the decision on how the undefined items are taxed.

Commissioner Jerry Johnson disagreed with Mr. Kranz's statement. He stated that he did not believe any state would make this decision administratively and that this decision is in the hands of the legislatures. He said the ultimate responsibility rests in individual state legislatures and if the Governing Board adopted the Business Advisory Council version many legislatures would have their previous decision taken away. He said the Oklahoma Legislature has never imposed tax on this subject, but if they had done so through their definition of tangible personal property the business version would force them to change.

Mr. Kranz said very few states that would have to impose a separate tax. He asked if the Board was going to adopt the state version to accommodate those few states or narrow it down and try to get those states to comply. Mr. Richard Dobson explained that anyone who implies there is a hidden agenda in the state version is wrong. He would like to encourage the Governing Board to see that this is a positive development and that it is ok to say that we are not in agreement.

Mr. George Phillips explained that Vermont is uncomfortable with states having varying interpretations of tangible personal property. He said there needs to be a transition rule that allows the states to maintain their current position while working toward a uniform definition. Mr. Kranz explained that the business community could support a transition rule that will two legislative sessions to change the law.

Mr. Peterson stated that it is imperative that this not be written so as to put states in the position of being told that they have been misinterpreting their definition of tangible personal property. He said that could have the effect of exposing them to lawsuits.

Mr. Warren Townsend explained that this project is not done and as a retailer and a purchaser he needs clarity on this issue and asked that they come back with a decision at the meeting in September. Mr. Terry Ryan explained that Apple Computer is the major retailer of digital downloads and need clear definitions.

Commissioner Jerry Johnson moved and Mr. Kranz seconded a motion to defer documents AM07014A01, AM07012A02, AM07027A01, and AM07028A01 to the September meeting and that the rules for digital goods be referred to the State and Local Advisory Council. That motion was approved on a voice vote.

Mr. Kranz moved and Secretary Wagon seconded a motion to defer the interpretation request currently before the Compliance Review and Interpretation Committee to the September meeting. That motion was approved on a voice vote.

Proposed amendments to the SSUTA relating to Associate Membership (AM07019, AM 07019A01, AM07019A02 and AM07019A03):

Commissioner Jerry Johnson explained that the workgroup chaired by Senator Kenley spent considerable time debating the concept of associate states. He said the compromise was to create a new process for states that apply for membership after January 1, 2007. He said that under this concept associate state membership would be granted to a state whose law would go into effect no later than twelve months from the date they became an associate member.

Commissioner Jerry Johnson stated that the version submitted for the meeting also included a provision that would let a state request a six month extension over and above the twelve months. He said the additional six months could be granted if approved by a unanimous vote of the Governing Board after the requesting state has shown just cause.

Mr. Kranz said the Business Advisory Council endorsed the proposal, but is not in favor of a six month extension. Commissioner Jerry Johnson said he was not in favor of the extra six months but the remainder of the workgroup did favor the six month extension.

In response to a question from Delegate Doyle about paragraph E, Commissioner Jerry Johnson explained that it says that if an associate state falls out of compliance their associate state status ends and they would have to wait one year before they can reapply. Senator Cook said that all current associate states would have to reapply under this proposal. Mr. Peterson explained that Nevada could be affected by the elimination of the six month extension as some of their law cannot take effect until approved by their voters at the November 2008 general election, even though it was passed by their legislature.

Ms. Cathy Wicks asked if this amendment impacted only those states petitioning for the first time or would it apply to a full member state that might be found out of compliance. She said her concern related to certain Minnesota compliance issues that did not go into effect because they were part of legislation that was vetoed. She also expressed concern about a full member becoming an associate member and having to offer the amnesty again. Commissioner Jerry Johnson explained that those issues had not been discussed.

In response to a question from Mr. Dobson, Commissioner Jerry Johnson said that after a state is granted the extension it would not make a difference if they took a couple of steps back during the extension period. He added that once they get their extension, they get it no matter what happens.

Senator Bramble stated that what the Governing Board was debating differed from the solution found in the letter from NCSL. He said the NCSL letter was brought forward by legislators who would have to defend the decision. In response to a question from Senator Bramble, Mr. Peterson reported that there were two legislators on Senator Kenley's twelve person workgroup. Senator Cook said he appreciated the letter from NCSL and respected the decision of those legislators. He went on to say that when he appointed the workgroup Senator Kenley chaired he wanted a diverse group and one that included members of the private sector. Senator Bramble reiterated that the NCSL letter

made no reference to a time limit on how long a state can be an associate member and the proposed amendment imposes a time certain. He said he prefers that there not be a twelve month time frame.

Mr. Kranz said the members of the Business Advisory Council want a limited version of associate member status. He asked that all of the issues be voted on separately. Commissioner Jerry Johnson said that the order is important and they should address the two individual issues first and then whatever is left will require a three-fourths vote.

In response to a question from Delegate Doyle about paragraph D in AM07019A02, Commissioner Jerry Johnson explained that it allows the Board to approve a state as an associate if the state is almost in compliance.

Commissioner Jerry Johnson moved and Mr. Kranz seconded a motion to remove the language in paragraph C that starts "Such twelve month period" and goes for 2 sentences.

Ms. Wicks asked if Minnesota would remain a member under Section D. Commissioner Jerry Johnson said that language could allow Minnesota to be a member if they are not in full compliance after that, it would be discussed. Delegate Doyle argued to keep the sentences in for the flexibility.

Ms. Sherry Harrell said that Tennessee supported keeping the two sentences as they worked hard to come into compliance and if the six month extension were removed Tennessee would stop being an associate member for six months. Mr. Joe Vandevender said that even though Senator Kenley was unable to attend the meeting, he and the rest of the Indiana delegation supported the six month extension. Commissioner Jerry Johnson's motion to remove the sentences failed on a voice vote.

Commissioner Jerry Johnson moved and Mr. Kranz seconded a motion to strike paragraph D. Commissioner Bruce Johnson expressed his support for this amendment. He said that he would respect the wishes of the Business Advisory Council. The motion to delete paragraph D failed on a roll call vote.

Senator Cook said he did not understand what it was about associate member states that put everyone off. He said those states are committed to paying dues and trying to come into compliance. Senator Bramble said he appreciated the point Senator Cook was making. He said the organization needs to think about the message it sends to new states and others.

In response to question from Senator Cook about how this would affect Utah's decision to stay a member, Representative Wayne Harper explained that Utah has made a lot of progress and will soon be very close to being in full compliance. He said there are options that can be dealt with and they could be in full compliance in the next couple Legislative sessions.

Mr. Kranz explained that the business community struggles with this issue and he believed that taking a new approach to this had some attraction. He said that even though the Business Advisory Council has a position it would be beneficial to look at it again and find a solution. Senator Cook explained that a solution that had the support of the Business Advisory Council would be more beneficial to the Governing Board.

Representative Harper explained that they are prepared to propose an amendment to say that a state can be an associate member until 2009. Senator Bramble said this amendment would be helpful because it could solve Washington's problem. Commissioner Bruce Johnson explained that the Utah amendment would not address anything involving new members from here on out. He said a state that is an associate member as of January 1, 2007 would be able to extend its status until 2009. Senator Cook asked why it doesn't deal with newer states that might want that position and only those states that have been with the group for a while. Commissioner Bruce Johnson replied that it gives those that have been here for a while, more time to comply. Senator Ron Amstutz explained that he sees value in reaching back to help those that have been here for a while but he thinks it time to find a permanent solution.

Commissioner Bruce Johnson moved and Ms. Sherry Harrell seconded a motion that Section 704 be stricken and 705 B read "December 31, 2009" instead of "December 31, 2007." Senator Cook clarified that it would not affect the newer states and would only affect current associate states. Commissioner Jerry Johnson said that he appreciates the statements Senator Cook made at the beginning however he wonders whether this amendment helps or hurts the process. He said he will vote against the proposal. Mr. Vandevender suggested that this be finalized in September.

Ms. Cindy Holmstrom said she wanted to thank those that have worked hard on this amendment and expressed Washington's appreciation. She said it would be fine with Washington to delay the resolution of the associate state issue until September however it would delay things in Washington. Mr. Virgil Helton asked if it would affect Utah to defer this and Senator Bramble said extending the date gives them two legislative sessions to come back into compliance. Ms. Sherry Harrell explained that Tennessee needed to know what was going to pass, if anything, as her state has a lot of work to complete to get ready. She said she is concerned about the adoption of the bylaw that requires two votes and would like to see this taken care of now. She said if it is not approved, we should revisit the different parts to see if we can come to some sort of an agreement.

Commissioner Bruce Johnson moved and Ms. Harrell seconded a motion to withdraw the Utah motion on the table for further work by the task group. That motion was approved.

Representative Paul Dennert moved and Secretary Wagon seconded to remove subsection D. That motion was approved on a voice vote. Commissioner Jerry Johnson moved and Secretary Wagon seconded a motion to adopt the amendment found in

AM07019A03. He said that he would make a motion to add associate state issues to the sourcing taskforce. That motion was approved on a roll call vote.

Commissioner Jerry Johnson moved and Representative Drovdal seconded a motion to withdraw documents AM07021 and AM07020. Commissioner Jerry Johnson moved and Mr. Eschelbach seconded a motion that the work group established to examine destination sourcing be directed to examine the issue of associate member state status. He said that this examination shall include a review of the following issues:

1. The continued participation of the existing associate states in the activities of the Governing Board.
2. The participation of additional states in the activities of the Governing Board, including but not limited to, inclusion in the registration system, acceptance of the simplified electronic return, and the provision of amnesty.

That motion was approved on a voice vote.

New Business:

Senator Cook informed the Governing Board that this would be Ms. Pam Cook's last Streamline meeting. He commented on how well she represented the telecommunications industry since the beginning of Streamline.

Proposed amendments to the SSUTA regarding alternative sourcing rules and sourcing by providing an alternative statewide tax rate and a small business exception (AM07022, AM07023, and AM07024):

Mr. Richard Levin explained that AM07023 is designed to help small businesses and businesses with small amounts of delivery sales. He stated that Ohio along with other states have been confronted with the bitter irony of having to impose more complexity on small businesses in order to comply. He explained if their proposal fails Ohio would have to leave the Board. Representative Robert Gibbs urged the Board to support the proposal and said Ohio has legislation pending that would enact this proposal into Ohio law. He said he believes this proposal would help other states as well. He said that Ohio is committed to finding a solution and that there was another amendment that Ohio was prepared to bring to this meeting but they have decided not to present it because of the pressure from purchasers. Senator Amstutz said Ohio isn't interested in walking away from this project, but he thinks there is a growing interest in finding a permanent solution.

Ms. Harrell said that this proposal would solve at least 40% of Tennessee's problem. She said it is very similar to what the state does for businesses that collect Tennessee tax but do not have a place of business in the state. Representative Harper said this proposal could solve over 80% of the issue in Utah. He said that a statewide rate is easier to administer and he is working to change Utah to a single statewide sales rate.

Ms. Cindy Holmstrom said that this amendment is not one that her state would be able to implement. She explained that there are people in Washington that would prefer a solution different than what they enacted and they would use this proposal to get Washington to take a different approach than what was enacted. Mr. Nicely explained that this is optional for the states and the small businesses and is a benefit to purchasers in Ohio right now.

Mr. George Phillips said that Vermont switched to destination sourcing in order to come into compliance. He said as he read the Ohio proposal there will be situations when two identical purchases will show up with two different tax rates, requiring people to wonder which one is correct. Mr. Phillips said that he believes for a single rate to be other than zero it would require federal action. He stated that Vermont would be under pressure to implement one statewide tax rate if this was adopted.

Senator Amstutz said the Board should be telling Congress how to fix this issue, not waiting for them to tell the Board. Representative Rodney Anderson expressed his support and said that if people want a different sourcing, then so be it. Mr. Kranz stated that the business community would like the Board to not take a "U-turn." He said the Board agreed to pay for technology and then limited who was paid. Secretary Wagon said that one great unknown is how Congress will handle the small seller. In response to a question from Secretary Wagon, Senator Amstutz said it was Ohio's position that the Board should start at \$500,000 in delivery sales to see how that works. He said the Governing Board should take the lead and set the tone for how to determine a small business. Mr. Mike Eschelbach said that Michigan does not have local jurisdictions with a tax, but as they have watched this issue they have determined that the small businesses should be addressed differently in the SSUTA than they are now. He said they support Ohio's proposal.

Mr. Rich Prem said that under this all companies must change their computer systems and it would be a burden on businesses. He said it seemed that the right answer is to help these small businesses and proactively work with these sellers in order to get them into the system. He said that one rate per state would simplify the process and lessen the burden on all sellers. Senator Bramble said that the process is supposed to make things simple and not more difficult. He said Utah supported the Ohio proposal. Mr. Vandevender expressed his frustration about how easy some states find it to tell other states that they have not done enough. He expressed his appreciation of the other states but there are many differences and some states have to suffer where others don't. He stated that Indiana supports Ohio fully.

In response to a question from Secretary Wagon Representative Gibbs said that \$500,000 was compromise with those in Ohio that wanted \$1 million. Mr. Larry Long explained that this is a significant compromise among the counties of Ohio.

Mr. Steve Olivier expressed his concern that the Ohio proposal does not meet the Streamline mission statement because it is neither uniform nor simple. He said this proposal would send a negative message to those states that have worked so hard to make the change. He said when a state makes a change his company's computer system must be upgraded and tested which creates more complexity and cost. Ms. Maureen Riehl explained that this will cost more money and will create complexity. She said that if state's paid sellers states would not get negative feed back from them, but if not, then the states need a simple system. Mr. Wayne Zakrzewski agreed that this was an opportunity to recognize the impact on small businesses by paying them for the service they provide. He expressed his concern for the problems that this may cause with Washington, but acknowledged that this is more than a sourcing issue, but also an associate state issue. He said that in this political environment there will never be an agreement, and perhaps the group should step back and rethink some of the basics. Mr. Brian Perry explained that from the beginning it was said that technology would solve the problems of the small businesses. He said this issue is before the Board because it never really did. He said that Ohio's proposal adds complexity to the system and will add to the sellers' costs. He said vendors are going to be confused, will not collect or pay the correct amount of tax, and they will not be able to offer refunds because there is the wrong amount of tax charged. He stressed that this is not a simple plan.

Ms. Susan Haffield expressed her appreciation for Ohio's hard work, but explained the complexity that will result for those who seek a refund procedure. Ms. Kristi Magill explained that she doesn't want to see Ohio lost from this project and there must be some sort of compromise. She said that states will not be able to provide CSP services to all small business as some of them do not own a computer.

In response to a question from Mr. Andy Sabol, Mr. Fred Nicely said that if a purchaser had a direct pay permit the purchaser would ask the seller not to charge the tax.

Commissioner Jerry Johnson moved and Senator Amstutz seconded a motion to have President Cook appoint a work group to examine the issue of destination sourcing. He said the examination shall specifically review ways to alleviate the burdens placed on small businesses associated with destination sourcing. He said the work group shall include representatives of full member, associate member and other states that are most directly impacted by destination sourcing. He said it shall also include representatives from the Business Advisory Council. Commissioner Jerry Johnson said the motion would require the work of the group to be completed so that this issue can be considered at the next meeting of the Governing Board.

Commissioner Bruce Johnson stated that he hesitated to speak against the motion however the single rate discussed in the Ohio proposal is different than that of the business community. Delegate Doyle agreed and said the difference is a good reason to form this workgroup. Representative Harper said there was significant discussion and the group should look at this within a universal framework and try to come to a conclusion that everyone will be able to work with. Mr. Tom Gillaspie suggested inviting some

states that aren't at the table to come into this discussion. Senator Amstutz said that adding more states to the discussion made sense. Commissioner Jerry Johnson's motion was approved on a voice vote.

Senator Cook reported that he appointed to the task force: Luke Kenley (Indiana and co-chair), Joan Wagnon (Kansas and co-chair), Wayne Harper (Utah), Jerry Johnson (Oklahoma), Bob Gibbs (Ohio), John Morgan (Tennessee), Wayne Zakrzewski (JC Penney), Steve Olivier (Chevron),Carolynn Iafrate (attorney), Rich Prem (Amazon), Jeff Hyde (GE), Charles Collins (ADP), John Doyle (West Virginia), Mike Bailey(Renton, WA), and Robin Corrigan (Texas).

Senator Cook deferred all the amendments to the September meeting.

Proposed rule relating to direct mail sourcing (RP07008A01):

On behalf of the State and Local Advisory Council Ms. Judy Niccum explained the revised rule. She said that the intention is to present it to the Governing Board for approval at the September meeting. Ms. Niccum went on to explain the document and what the State and Local Advisory Council attempted to do in order to come to a conclusion with direct mail. Ms. Diane Hardt explained that they are sending it out for comment and then it will be discussed and action taken at the September meeting. Mr. Leo Raymond asked if a section on page 4 meant that postage would not be taxed. Ms. Niccum replied that if someone were performing a mailing service, then it is not included in the definition of direct mail.

Proposed amendments to the SSUTA regarding direct mail sourcing and list services (AD07001, AM07009, and RP07003):

Commissioner Bruce Johnson asked that document AD07001 be deferred until the September meeting. He explained that document AM07009 would amend the definition to "direct mail" to exclude bank statements, privacy notices and like business correspondence would not be direct mail. He asked that AM07009 also be deferred and that document RP07003 be withdrawn from the Governing Board. Ms. Kristi Magill requested that the State and Local Advisory Council continue to work on their direct mail rule until the September meeting. She said the business community supported the deferral of document AM07009 and stated that she feels that there has been a lot of progress made by this group and it says a lot about solutions being reached by them.

Ms. Melanie Hill said her clients were happy with the advancement of some issues, but there were areas where they have concerns and they plan on continuing the work to come to a solution.

Washington's Petition for Membership:

Ms. Cindy Holmstrom thanked the Board and the Compliance Review and Interpretations Committee for reviewing the petition and said Washington is looking forward to membership. Mr. Larry Paxton, representing the Compliance Review and Interpretations Committee team, explained the process used to evaluate their compliance. He said the Washington original petition included laws not impacted by Streamline and the state submitted an updated petition. Mr. Paxton said that Washington's law was scheduled to take effect on July 1, 2008. He said the Compliance Review and Interpretations Committee recommends that Washington's petition be approved.

Mr. Ralph Amon, representing the Business Advisory Council, said he was originally concerned about a parking tax administered by Seattle and a food and beverage tax administered by King County but determined that neither tax would impact a remote vendor. Mr. Kranz said the Business Advisory Council believed that Washington would be in full compliance on July 1, 2008.

Mr. Andy Sabol moved and Delegate Doyle seconded a motion to approve Washington as a full member state on July 1, 2008. In response to a question from Mr. Bob Cox, Ms. Holmstrom said that Washington was requesting to become an associate member state. Commissioner Jerry Johnson explained that because of the recently adopted associate state amendment Washington would automatically become an associate member on July 1, 2007.

The motion to approve Washington's membership was approved unanimously on a roll call vote.

Proposed motion for a rule relating to membership dues (RP07005):

Mr. Cox explained that the purpose of this rule is to provide a process for what to do with a state's dues if they leave the Governing Board during a fiscal year. He explained that under this rule a state would not get a refund, but would get a credit toward the dues they would owe when they again become a member. Mr. Cox moved and Delegate Doyle seconded a motion to approve this rule. That motion was approved on a voice vote.

Proposed motion for rules relating to compliance audits (RP07006A01):

Mr. Bruce Christensen explained that this rule pertains to the audit process for CSPs. He explained each section. Mr. Christensen moved and Mr. Vandevender seconded a motion to approve document RP07006A01. Mr. Charles Collins reported that his company had worked with the Audit Committee and they agreed with the document. That motion was approved on a voice vote.

Proposed motion for a rule relating to Streamline documents (RP07004):

Secretary Wagnon explained that the Executive Committee has put forth a rule relating to the Board's documents. Mr. Peterson said the purpose was to provide a structure for the

look and feel of documents presented to and acted upon by the Board. He said that the proposal would establish the procedure for classifying some documents as “official” documents and regulate how they can be used. He also said that one section gives the Executive Director the authority to change a document as long as the change did not alter the meaning of the document. Mr. Peterson said the rule would also create a process to resolve a conflict that might be created if the Board adopted two amendments to the same section of the SSUTA.

Mr. Kranz asked if this rule applies to the white papers and issue papers that were previously adopted. Mr. Peterson explained that he believes it would only apply to those documents that are officially adopted by the Governing Board and many of the issue papers were not adopted. Ms. Hardt stated that the State and Local Advisory Council had been working to convert issue papers into rules. Mr. Kranz stated that if the issue papers are adopted as rules he would like to make sure the original papers are preserved in their current form. Mr. William Riesenberger asked if the papers were on the website and Mr. Peterson replied that many of them are and we are working on getting them all out there. Secretary Wagnon explained that the intent is not to discard any of those papers. Senator Bramble asked why there is a provision that seems to limit the number of copies that may be provided to a member state and why the tax agency must ask for the documents when the documents are public documents. Secretary Wagnon explained that this wasn't intended to limit the number of copies but to provide the Board with the flexibility of doing so if there were unusual demands for copies. She said all the documents are on the website. Delegate Doyle moved and Representative Drovdal seconded a motion to adopt the rule. That motion was approved on a voice vote.

Proposed bylaw relating to how amendments are adopted (BL07002A01):

Secretary Wagnon explained that the purpose of this proposal is to make sure SSUTA amendments are sufficiently evaluated before they go into effect. She said the first section would require that a policy amendment can only be adopted at the annual meeting, or if not done at that meeting, that it must be on the agenda and be approved at two meetings. She said that the second section provides for the timing of when revisions to noticed documents must be submitted.

In response to a question from Ms. Wicks, Secretary Wagnon said the second section would not prohibit the Board from making revisions at a meeting. Mr. Peterson explained that if the president believes that the changes are too radical, then he or she could send the revisions to the State and Local Advisory Council in which their decision could be overridden by a 2/3 vote of the Governing Board. In response to a question from Mr. Craig Rook, Secretary Wagnon explained that a policy amendment is one that requires a state to take an action. Commissioner Bruce Johnson explained that the reason it requires two consecutive meetings is so that there is not a year that goes by before we vote again.

In response to a question from Mr. Nicely, Secretary Wagnon thought the Ohio amendment would require two affirmative votes if this bylaw is passed. Mr. Nicely moved and Representative Paul Dennert seconded a motion to amend the proposal to make it effective on January 1, 2008. Commissioner Bruce Johnson expressed his support for the amendment. That motion was approved on a voice vote.

Mr. Vandevender moved and Ms. Wicks seconded a motion to change the last 3 words to say “a member state.” That motion was approved on a voice vote.

Mr. Nicely asked to clarify that “unanimous consent” refers to those states present and Secretary Wagnon explained that it already states that in our bylaws. Mr. Nicely moved and Delegate Doyle seconded a motion to add “those full member states present” regarding the unanimous consent. That motion was approved on a voice vote.

Mr. Kranz explained he is confused about the need to require two votes. Mr. Kranz said he is not clear on what happens at the second meeting and Secretary Wagnon explained that at both meetings there will be a discussion and a vote and if there is an amendment at the second meeting then the process will start over. In response to a question from Ms. Wicks about how this will impact interpretative rules, Secretary Wagnon replied that they are not affected as of now.

Mr. Kranz explained that he believes this needs additional work. Commissioner Bruce Johnson expressed his support for the proposal. He explained that there are a lot of things on an agenda that don't seem to be controversial that then get amended over and over until they don't look like they did when they started. Senator Bramble agreed with Commissioner Bruce Johnson and said the discussion on digital goods is a good reason for adopting this amendment. Mr. Vandevender explained that it is easy to become lost during all the discussion and he supports the amendment as well. Mr. Tom Gillaspie expressed his concern that having a second vote will result in more changes and just prolong adoption. In response to a question from Mr. Andy Sabol, Delegate Doyle said that if someone wanted to make an amendment at the second meeting it would have to be a friendly amendment. Secretary Wagnon explained that in the end, whoever has the votes will determine how a proposal turns out.

Delegate Doyle moved and Commissioner Bruce Johnson seconded a motion to approve this bylaw. That motion was approved on a roll call vote.

Report of Financial Committee (FR07002):

Mr. Bob Cox explained that spending was below what was budgeted for FY2007. He said that the Finance Committee is recommending changes to the FY2008 budget that would reduce the membership dues for FY2008. Mr. Kranz stated that the Business Advisory Council would like to see a reduction in meeting registration fees instead of a reduction in membership dues. Mr. Cox said that FY2007 was the first full budget year and it was normal to make adjustments in the second year based on lessons learned in the

first year. He said reducing the membership dues was a better place to make an adjustment, but that maybe the issue could be addressed in the future.

Commissioner Jerry Johnson explained that he would like to set aside some money to upgrade the registration system and perhaps provide other technological enhancements that would provide a benefit to all the businesses that support SST. Commissioner Jerry Johnson moved and Delegate Doyle seconded a motion to add \$100,000 to the FY2008 budget for system enhancements. In response to a question from Mr. Nicely about exactly what the money would be used for, Secretary Wagnon replied that the registration system is limited and the Board should make it cheaper and easier for businesses to file and make registration changes. Commissioner Jerry Johnson moved and Delegate Doyle seconded a motion to amend his motion that before any money could be spent that a plan be brought before the Governing Board. Mr. Richard Dobson supported the idea of bringing it before the Governing Board instead of taking it to the Executive Committee. Mr. Kranz supported this amendment and said the Board should also consider using another \$100,000 on a way to evaluate whether or not states are really in compliance.

Mr. Cox stated that based on the changes to the budget the dues for FY2008 would be around \$600,000, which is a reduction from what was adopted in August 2006. The motion by Commissioner Jerry Johnson was approved on a voice vote. Mr. Cox moved and Delegate Doyle seconded a motion to approve the FY2008 budget as amended. That motion was approved on a voice vote.

The interpretative opinion regarding the definition of “drug” (IO07001):

Mr. Andy Sabol explained the interpretation from Mr. Phil Schlesinger of Avalara concerning the definition of “drug”. Mr. Sabol moved and Delegate Doyle seconded a motion that the interpretation of the word “drug” be accepted. That motion was approved unanimously on a roll call vote.

The study of tax collection resulting from Streamline:

Secretary Wagnon asked that the Board defer discussion of this issue until a later date.

New Business:

Sourcing software (MC07004):

Mr. Mark Nebergall explained that he was requesting the development of a rule regarding the sourcing of payments made in connection with software subscriptions and recurring payment licenses. Mr. Kranz moved and Commissioner Jerry Johnson seconded a motion to assign this to the State and Local Advisory Council to evaluate and report to the Board. That motion was approved on a voice vote.

Purchaser liability relief (RP07010):

Commissioner Jerry Johnson explained that this is an attempt to revise when a business can rely on state data and receive relief from liability. Commissioner Jerry Johnson moved and Mr. Kranz seconded a motion to assign this proposal to the State and Local Advisory Council to evaluate and report to the Board. Mr. Kranz said the Business Advisory Council understands the issue and would like a chance to evaluate the language. That motion was approved on a voice vote.

Proposed motion to amend the bylaws relating to associate members (BL07003A01):

Commissioner Jerry Johnson explained that this proposal would bring the bylaws into agreement with associate state changes made to the SSUTA. Commissioner Jerry Johnson moved and Delegate Doyle seconded a motion to adopt the bylaw changes as distributed. The motion was approved on a voice vote.

Compliance Review and Interpretation Committee Report:

Mr. Andy Sabol explained that by August first the full member states are required to recertify that they are in compliance with the SSUTA. He said that last year the Compliance Review and Interpretations Committee notified states that recertification could be in the form of a letter or a revised certificate of compliance. He said the Committee would like to continue that this year.

Mr. Kranz said the Business Advisory Council would like every state fill out the revised certificate of compliance and asked why the decision was made to not do that. Mr. Sabol said that it was a timing issue and there are still questions about the revised certificate.

Mr. Sabol reported that the Committee will have an interpretation request on candy that will be taken up by the Governing Board in September. He said a direct mail interpretation may be ready for the September meeting as well. Mr. Sabol said the Committee was working on a definition of Energy Star products for sales tax holidays and it might be ready as well.

Nominating Committee Report:

Mr. Peterson reported that the Nominating Committee met to prepare for the election at the annual meeting. He said this year there will be an election for the 4 officers and 3 directors. In addition, all of the Nominating Committee will stand for election. He said the Nominating Committee is looking for people to be directors and to serve on the Nominating Committee.

New Business:

Secretary Wagnon explained that the September meeting will start on the 17th with a meeting of the Business Advisory Council. The State and Local Advisory Council starts

on the 18th and finishes on the morning of the 19th and the Governing Board starts on the afternoon of the 19th and will meet all day on the 20th. She explained all the different activities that will be provided and said that she wanted to schedule a meeting in December.

There being no further business, Senator Cook adjourned the meeting at 11:55 am on Saturday.