

Streamlined Sales Tax Governing Board Meeting Minutes

1:00 - 5:00 PM EDT, Tuesday, May 12, 2015

8:30 - 12:00 PM EDT, Wednesday, May 13, 2015

- **Welcome and roll call member states**

President Deb Peters called the meeting to order at 1:01 pm edt. She welcomed the attendees and the roll of the member states was called with 21-full member states present. Absent initially were Kansas, New Jersey and Tennessee. New Jersey joined after the meeting started.

- **Opening Remarks**

Megan Smith of the Vermont Department of Tourism welcomed the attendees to Vermont on behalf of the Governor. She provided a presentation of the area and things to do.

- **Introduction of 2015 Officers, Directors and Committee Chairs**

Craig Johnson introduced the 2015 Officers, President Deb Peters (SD), 1st Vice President Richard Dobson (KY), 2nd Vice President Dwight Cook (ND) and Victoria Daniels, Secretary-Treasurer (IA). The Directors are Eric Wayne (NC), Michael Eschelbach (MI), Representative Kelley Linck (AR), Representative Reuven Carlyle (WA), Representative Brian Kennedy (RI) and Diane Hardt (WI), Immediate Past President. The Officers, Directors and Immediate Past President are the Executive Committee members. He also introduced the SSTGB Committee Chairs, Vice Chairs and Co-Chairs as follows:

- Issue Resolutions Committee - Michael Eschelbach (MI), Chair
- CRIC – Myles Vosberg (ND), Chair
- Finance Committee – Victoria Daniels (IA), Chair
- Audit Committee - Ellen Auger (MN) and Darrell Engen (ND) Co-Chairs
- Audit Core Team - Steve Krovitz (MN), Mike Chertude (WA), Sandra Hoffman (KY) and Melinda Bates (IN)
- Certification Committee – Tim Bennett (KY), Chair
- SLAC and Steering Committees-Tim Jennrich (WA), Chair and Phyllis Shambaugh (OH), Vice Chair
- Federal Legislation Implementation Committee - Richard Dobson (KY) - Chair
- Nominating Committee – President Deb Peters (SD), Chair

- **Approval of December 19, 2014 Governing Board Meeting Minutes (MM15001)**

President Deb Peters asked if there were corrections to the minutes and there none. Diane Hardt motioned the approval of the December 19, 2014 Governing Board Meeting minutes, the roll of the states was called and the motion passed affirmately.

- **2015 Strategic Plan – President Deb Peters (SD), SSTGB President**

President Peters reported that in January, key members of the Executive Committee met with some of the Business Advisory Council (BAC) members. The group discussed federal and state legislation and maintaining simplification. They also focused on federal legislation and pushing for a federal resolution to what the Governing Board has been working on over the past decade. She said they will start focusing on obtaining more support from members of Congress to provide states with remote seller collection authority. She also wants to consider looking at

ways to get more states to join Streamlined. Going forward they will also discuss maintaining simplification efforts and making decisions that are not harmful to businesses.

- **Federal Legislative Update – Randi Reid**

Randi Reid of Kountoupes Denham provided an update on federal legislation. House and Senate supporters of e-Fairness policy concepts continue to work together to find a solution. Since the overwhelming passage in May, 2013 of Bill S.743, The Marketplace Fairness Act (MFA) of 2013, the Senate sponsors have been trying to find a way to get the MFA done, whether it be to move the Bill independently or coupled with other state and local tax bills such as the Internet Tax Freedom Act (ITFA) extension or digital goods. On March 10, 2015, Senators Michael B. Enzi (R-WY) and Dick Durbin (D-IL) introduced S.698, the Marketplace Fairness Act of 2015. The current cosponsors total 22-Senators, including Republicans and Democrats. The legislation is identical to the Senate-passed bill from 2013, with the addition of one legislative change that delays the date that states can exercise the authority provided in the Act. There is also a provision that says if that one-year delayed effective date falls between October 1 and December 31, states cannot begin the collection authority until January 1 of the following year. For example, if MFA is enacted on September 1, 2015, states can start exercising authority on September 1, 2016, but if MFA is enacted on October 1, 2015, states cannot start exercising authority until January 1, 2017.

There is a desire by the Senate e-fairness supporters to see legislative movement in the House on this policy issue this year. Now that the Senate Bill has been reintroduced, the Senate supporters are encouraging the House to act on a Bill in order to resolve this issue in the 114th Congress in 2015. Other more immediate policy concerns will likely take precedence by the House and Senate leadership in the short term.

One additional item for discussion is the Internet Tax Freedom Act (ITFA) which was extended during the FY2016 continuing resolution appropriations bill in December 2014 and expires this year on September 30, 2015. The bill provides a moratorium on allowing taxation of Internet access. This action is of importance because in years past, the ITFA and e-fairness concepts were coupled in one bill, due to the similarities of affecting state and local tax code and Internet governance. The e-fairness supporters strongly believe that the Marketplace Fairness Act and any additional extension of the ITFA should be paired together in order to get done this year and that one should not move forward without the other. Stakeholders will continue to explore this legislative option as the Congressional session continues. However, it gives all stakeholders additional time to find resolution including those directly involved in the e-fairness policy issue, to find resolution and a path forward.

In January, House Judiciary Committee Chairman Bob Goodlatte released a draft bill called the Online Sales Simplification Act (OSSA). It outlines his desire for an origin sourcing model and the use of a central clearinghouse. The bill has not been officially introduced to date and remains a discussion draft. Chairman Goodlatte has been meeting with some external stakeholders to determine if there is a path forward with his bill. To date we are not aware that he or his staff have specifically reached out to the state groups for input. The Governing Board continues to request meetings with his staff when in DC to express their concerns and inability to support an origin sourcing bill. No resolution for the next steps has occurred to date.

House Oversight and Government Reform Committee Chairman, Jason Chaffetz (UT) continues to work on a bill draft that outlines his desire to pursue a destination sourcing model for remote sales tax collection. The bill would address specific policy concerns raised during the 2013

Senate floor e-Fairness debate including, but not limited to a different small seller exception, modified audit procedures language, and clarification regarding software implementation and costs. His bill is called the Remote Transaction Parity Act (TRPA) and has not been officially introduced. The Governing Board is supportive of Chairman Chaffetz' efforts and continues to provide technical guidance and input, based on the experience and knowledge they have gained over the past 15-years in developing the Streamlined Sales and Use Tax Agreement (SSUTA).

Chairmen Chaffetz and Goodlatte each continue to work toward a legislative product, soliciting comments on various policy concepts from interested stakeholders. The House Republican leadership team continues to stress to stakeholders both on and off the Hill that we need to work with Chairman Goodlatte and interested parties to find a path forward in the House Judiciary Committee led by Chairman Goodlatte.

The Governing Board remains positioned as a leader during Congressional policy negotiations on how best to proceed this year on e-fairness legislation. Since the September meeting, Governing Board representatives have maintained an active presence on Capitol Hill, educating members, Senators and their staffs about the importance of addressing this policy issue now. We have held over 70-Congressional meetings during the past three DC visits. We are no longer talking about if this is a new tax or not - elected officials and staff know the issue thanks to the Governing Board's dedication in educating them. The discussions are centered-around how a CSP works, the current small business exemption, and also why and how often businesses are audited. Lots of positive detailed discussions are occurring. The Governing Board is viewed as one of the technical experts on what will and will not work. Craig Johnson is slated to return to DC on June 8-11 for a host of meetings on the legislative drafts. Mrs. Reid said we will continue this Congressional education and outreach in the months to come, with the next DC visits occurring in early June. She thanked the Governing Board for their commitment and looks forward to continued work with them to see resolution on e-fairness during this Congress. The Governing Board will continue to work with Chairman Goodlatte and Chairman Chaffetz to find a solution that works for all parties involved – sellers, purchasers and the states.

- Coordinating Efforts with Other Organizations – Max Behlke
NCSL Manager of Federal and State Relations, Max Behlke said to get this done, during the past year the National Conference on State Legislatures (NCSL) has worked closely with the Governing Board, Craig Johnson, President Deb Peters, Diane Hardt, Senator Wayne Harper and Richard Dobson. The NCSL feels their biggest advocates in Washington, DC are the tax commissioners and state legislators. The DC visits for meetings motivate them to act and it's important to continue the visits for meetings on the Hill.

- Marketplace Fairness Act (MFA) of 2015 - Review bill ([MC15006](#))
Craig Johnson discussed Bill S.698 which is posted on the SST website.

- Online Sales Simplification Act (OSSA) - Review Draft ([MC15007](#)) – Mark Nebergall
The Origin Rules and Revenue Return presentation prepared by Steve DelBianco was discussed by Mark Nebergall. Russ Brubaker encouraged the states to look closely at the draft to determine if they feel it would work in their individual states. Craig Johnson pointed out that based on the current draft, about 200-people would have to come together to develop and put together the distribution agreement that is contemplated in this legislation. Richard Dobson asked what would happen with Nexus sellers. Mark Nebergall said the bill really would not impact nexus sellers since they would continue to collect based on where they are located.

Richard Dobson said this proposal layers an additional structure on top of the existing structure. Mr. Nebergall said he would say it is parallel. Mr. Dobson said the layered complexity is a huge shift to the states with the clearinghouse and how to determine to collect new information on remote seller transactions.

- Remote Transactions Parity Act (RTPA) - Review Draft (MC15008)—Craig Johnson
Craig Johnson walked through the draft of the RTPA that was included in the materials.

- RTPA vs. OSSA – Retailer Perspective –Craig Johnson
Craig Johnson, Fred Nicely and Steve Kranz walked through the PowerPoint comparing the RTPA, MFA and the OSSA. Mark Nebergall also provided information about the OSSA.

Craig Johnson said the presentations will be posted on the SST website.

- **Compliance Review and Interpretations Committee (CRIC)—Myles Vosberg (ND), Chair**
 - Continuous Glucose Monitoring System Interpretive Opinion (RI15001) and IO15001
Chair Myles Vosberg said the interpretation request came from Ms. Suzanne Beaudelaire. She represents companies that sell continuous glucose monitoring systems which are made up of 4-different parts. The request is to decide whether this falls under the Streamlined definition of a prosthetic device or durable medical equipment (DME). There is a single use sensor probe that's inserted under the skin and needs to be replaced weekly. The wireless receiver is worn in the person's pocket or in an optional clip-strap on carrying case.

Chair Vosberg reported that in the CRIC opinion, the Committee felt the receiver and carrying case fall under the definition of DME. The opinion of the Committee is that the first 2-components do not fall under our definitions. After the CRIC met, the requester submitted a letter, MC15009 asking to have the request for an opinion withdrawn. Chair Vosberg said the Governing Board needs to make that decision. The CRIC feels it's important to continue so that all states are consistent. Chair Vosberg moved that the Governing Board adopt 2015-1 and the CRIC conclusion and Craig Johnson said he supported the motion. Ms. Beaudelaire was not participating on the teleconference. Gina Dougherty said she had written the Arkansas guide on this and disagreed with the CRIC decision. She believed the sensor probe and transmitter are considered prosthetic devices as they are worn in or on the body. This product is for a diabetic person who has an illness. The person needs to be continuously informed of their blood sugar levels. DME is not useful in the absence of illness or medical injury. She said you would sell this as a system to the doctor or diabetic and it is not consistent. Chair Vosberg said the Committee had extensive discussion on the points that Ms. Dougherty made. This is more of a diagnostic tool that's checking the level of the sugar in the blood stream and does not make a correction. It provides notification to the patient that they need to do something about it. North Dakota has an exemption for equipment that is used by diabetics and the CRIC also considered the definition for bundling. He said if you look at the individual items that fall into these categories, it is not a bundle. Each state will have to see how this fits into their bundling law. Ms. Dougherty said in section B, if this device is providing notice so the diabetic can take action, it is preventing a physical deformity in her opinion. Tim Jennrich said he was on the CRIC, voted on this and thinks it's dangerous to withdraw because it may set a precedence. He was concerned that the procedure from here on out might be the withdrawal of future requests just because the requestor does not get the answer they were hoping for. Richard Dobson said from Kentucky's perspective on the administration of exemptions, most states have the exemption of a medical device. The effect of the definitions is that sometimes the tax definition is not always going to be in line when selling multiple items as a package. Some items will fit into the definition and some will not, but using those definitions has provided clarity. He said the

Governing Board has relied heavily on their definitions within Streamlined. There is a debate on this topic for review, the Committee spent a lot of time it and their efforts should be respected. Matt Bishop said Iowa agrees with Arkansas. Pat Calore said we should be sensitive to the fact that these terms meant something to the Governing Board in the Agreement and that we need to look back at the white paper at the time the language came in and be consistent as to why we are doing this. She recommended that someone look at the history behind this to help put it into focus. Dan Noble said he was on the Committee and at first it was troubling to him. The problem is, these are bought at separate times and you do not buy the whole system. The life span of the probe and transmitter are purchased separately. The transmitter has a longer life and the receiver is good for a couple of years. You have separate sales taxes to look at individually. It didn't fit the definition of a prosthetic device or have repeated use of those items like with DME. Wyoming looks at a regular glucose monitor as DME and the testing strips that are used on it and for different reasons, one is defined and one is not. Gina Dougherty said if the receiver and carrying case are durable and the probe and transmitter are undefined, if Arkansas decides that the sensor probe and transmitter are prosthetic devices, can she treat them as such. Tim Jennrich said on undefined products, we have an appendices and a number of items that are not marked defined. He does not feel this is unusual in this context. Other states indicated how they thought the items should be treated as well. President Peters said she believed the CRIC opinion is accurate. Ellen Thompson said when we came up with the definition, some states had another definition for orthotics that got rolled into prosthetics and she did not think the word "deformed" was meant to indicate an illness or state. Craig Johnson said the motion on the table is to approve Interpretive Opinion 2015-1, IO15001. The roll of the states was called, 20-states voted yes, 1-no and the motion carried.

- **Reports of Committees**

- State and Local Advisory Council – Tim Jennrich (WA), Chair
 - 2015 Taxability Matrix Changes ([MC15001](#))

Chair Jennrich reported that during the 5/11/15 SLAC Meeting, they reviewed the 2015 Taxability Matrix as amended. SLAC approved the motion with 25 in favor and 1-abstention. On MC15001 Craig Johnson reviewed the changes in gray shaded text to be approved.

- St. Paul SLAC In-person Meeting report, March 23-24, 2015

Mr. Jennrich reported on the SLAC in-person meeting held on March 23-24, 2015 in St. Paul, Minnesota. The SLAC discussed the best practices and disclosure of practices amendments and rule; sanctions and compliance amendments and rule; post transaction issues and the SLAC Issue Referral form.

- Post transaction issues – Best/Disclosed Practices

Chair Jennrich said the Governing Board had previously referred the post transaction issues to the SLAC. He said these issues are not currently addressed in the Agreement, and continue to be developed. He thanked Phyllis Shambaugh for all of her hard work on this workgroup.

- Business Advisory Council (BAC) – Rich Prem, Chair

Chair Prem said that during the BAC Meeting this morning, there was discussion on Section 328, compliance and sanctions and the existing relief of liability language. There was also discussion on post transaction issues. Mr. Prem thanked Phyllis Shambaugh for her great work on that issue. He said one item came up around the Central Registration System regarding POA's. Currently there is room for only one in the field and often there are more than one. He said that might be something to think about when developing changes in the Central

Registration System. Chair Prem reported that the BAC had also accepted two new members, Taxometry and ADP.

- Executive Committee – President Deb Peters (SD)
 - Federal Legislative Affairs Update

President Peters reported that during the Tuesday afternoon Governing Board Meeting, Randi Reid of Kountoupes Denham walked through those discussions.

- Audit Committee – Ellen Auger (MN) and Darrell Engen (ND), Co-Chairs
 - St. Paul Audit Committee Meeting, March 24-25, 2015

Co-Chair Ellen Auger said the Audit Committee met in St. Paul on March 24-25. They reviewed the changes in the CSP contracts and how states may be affected especially with respect to non-volunteers. They also presented an overview of the contract compliance audits, and discussed some of the state tax compliance audits and states finding there are still instances of missing exemption information.

- Certification Committee – Tim Bennett (KY), Chair
 - St. Paul Certification Committee Meeting, March 26-27, 2015

Chair Tim Bennett reported that the Certification Committee met in St. Paul on March 26-27. They had the most members ever attending in-person, on the phone and also the CSP participation was good. There was discussion regarding some of the amendments that will be discussed later. There was also discussions regarding the CSP Contract clause that allow CSPs to not provide CSP services in states where the seller is not a “volunteer” and how states can get this information from the Central Registration System. Changes to Appendix F are being proposed to address this issue and what information states can get from CSPs versus sellers, etc. He said the Committee also needs to keep on top of states and making sure that they need to respond to the CSP’s quickly regarding certification of additional taxable/exempt categories in their states. On the product category certifications, Craig Johnson stressed to the Governing Board members to ensure their states are doing this and to keep in mind the CSP’s are trying to do what is right for their states. There is no incentive for them to not collect tax made by a volunteer seller in the state. The CSPs are compensated based on the amount of taxes they actually remit. The CSP’s other concern is that when they send out the product category certifications, they don’t put it in their systems until all of the states certify the code. Therefore, we are only as fast as the slowest state. States also need to remember that there is a provision of 30-days to get these answers back to the CSPs and if more time is needed, the states need to contact Craig. If states do not respond to the CSP requests, the states need to provide liability relief until they get those responses to the CSPs.

- New CSP Applicant

Chair Bennett said there is a new CSP application from Taxometry. The Certification Committee has 5-months to get through that and should have time to recommend Taxometry to the Governing Board by the September meeting.

- Federal Legislation Implementation Committee – Richard Dobson (KY), Chair
 - Exemption ([MC15005](#)) and Taxable Services ([MC15004](#)) Disclosure Matrix

Richard Dobson explained the services and the exemption and exclusions matrices, MC15005 and MC15004. He said the two documents create a platform where member states can provide information tied to the MFA of 2015. The information will be very useful to new taxpayers that are coming into those jurisdictions as well as existing taxpayers so they know what is taxable and what is exempt. He said the Committee hopes to bring this before the Governing Board for a vote during the September Governing Board Meeting. This is not a mandated form, but is out

is there as a recommended form that states can adopt. It will provide information for taxpayers, minimize questions, and would help avoid contacts by email and phone. There will be a link for each state with applicable statutes. The Committee is still working on the form. This form will hopefully be adopted by all states, including the non-members, to comply with the federal requirements. There were no questions or comments.

- Finance Committee – Victoria Daniels (IA), Chair
 - Financial Reports – Second and Third Quarters ([FR15002](#)) and ([FR15001](#))

Chair Victoria Daniels reported that FY2015 Second and Third Quarter Financials continue to reflect the stable financial condition of the Governing Board. The quarterly cycles are consistent with the expenses that occur year after year. She said this is the second year of the 3% dues increase passed in Salt Lake City previously. Also there is a separate line item that reflects credit card fees and they previously came up as a negative.

- FY2016 State membership dues and invoices

Craig Johnson said the membership dues invoices were mailed on May 1. There was a dues increase last year and to contact him if the states have questions on the dues amounts. The amounts are a two part calculation as laid out in the GB rules and states should let him know if they have any questions on the dues calculations.

- Webinars

Mr. Johnson said we have found new ways to use technology by using GoToMeeting for the webinars, which has greatly reduced our telecom expenses. There will be times that we cannot use the GoTo Meetings to help keep our telecom costs down, but it will be utilized as much as possible.

- New Central Registration System – About \$130,000 has been paid to date toward the new Central Registration System and progress continues on that effort.

President Peters motioned the approval of the FY2015 second and third quarter financials, the roll of the states was called, 21 member states voted yes and the motion passed.

- **Executive Director Updates – Craig Johnson**

- New Central Registration System

Craig Johnson said the process of the new Central Registration System (CRS) is moving forward, but the contracted vendor, Azavar Technologies is looking for additional compensation from the Governing Board due to items the vendor appeared to have missed when preparing their bid, out of scope items, etc.. He said the CRS Committee has reached a resolution and everything should be finalized by the end of next week. Because of the discussions and disagreements with Azavar Technologies, the June 1 go-live date will more than likely be changed to no earlier than August 1, 2015. Mr. Johnson said his concern is that the go-live may end up being delayed further depending on the development of the new system. Our contract with our current registration system vendor runs through the end of September and is renewable on an annual basis only. Therefore if we don't have the new system in place with at least a month overlap, we will need to sign a contract for another year with our existing vendor. The cost is about \$36,000 per year. Craig indicated that he believes it is very important to ensure that there's at least a 1-month overlap. As soon as the system is up and ready for testing, he said it will be pushed out to the states for their testing. Unfortunately, he indicated that he cannot tell you when that will be for sure. He did indicate that due to the delays, he will do what he can to make sure the states have plenty of time for testing before the go live date. He also

indicated that the Central Registration System Review team is spending a lot of time testing the system as pieces are provided to us to make sure most of the bugs are caught before it is released for full state testing. Craig also gave credit to David Thompson and the entire review team, including a couple of the CSPs associated with the new Central Registration System project.

- Annual State Compliance Documents – (MC15001 and MC15002)

Craig Johnson said by August 1, the state compliance documents need to be revised and submitted to him. The online taxability matrix template will be updated with the new language approved at this meeting. There were no new lines added to the taxability matrix this year. Very positive feedback has been received on the online taxability matrix. Mr. Johnson said they are also looking at putting the Certificate of Compliance online as well, but could not guaranteed it would be ready to go this year. There were no questions or concerns. David Thompson will send information out to all of the states on the taxability matrix. If the Certificate of Compliance is ready to go live this year, the process of getting the state information put into it initially we be handled the same way it was done when the taxability matrix first went online.

- September 2015 Annual Meeting, Louisville, KY

Craig Johnson said the SLAC will meet on September 15, the Executive Committee will meet on September 16, and the Governing Board will meet on September 16-17.

- **SLAC Referral Work Request Form (MC15003A01)**

Tim Jennrich motioned the approval of the SLAC Referral Work Request Form, MC15003A01 with the revision to strike “should” and changing it to “shall.” The roll of the states was called, 22 voted yes and the motion carried.

- **Proposed Amendments to SSUTA for Discussion and Possible Action**

Tim Jennrich reviewed the revisions of the proposed amendments, AM14006A02 SSUTA Section-335 and AM15002A01-Section-328 Alternative Versions.

- SSUTA Section-335 – (AM14006A02)

John Doyle said he is opposed to AM14006A02 and in favor of disclosed practices. He believes that any practice that a state does should be disclosed. He was opposed to the Governing Board determining what is or is not best practices. He said the Governing Board was formed to establish a set of parameters and then each sovereign state could do what they want within those parameters. He said based on the discussion that he heard yesterday in the SLAC meeting, he felt there is still a great deal of confusion. Tim Jennrich said Best Practices is part of the Agreement today and yesterday SLAC received an affirmative vote of 23 in favor, 2-abstentions and 1-voting no. Senator Cook motioned to approve AM14006A02, SSUTA Section-335. The roll of the states was called, 21 voted yes, 1-no and the motion carried.

- Section 328 – Taxability Matrix – (AM14007A02)

Tim Jennrich provided an overview of AM14007A02. Mike Eschelbach motioned approval of AM14007A02.

Fred Nicely said in the BAC Meeting there was discussion that the states are now doing Tax Administration Practices, which used to known as Best Practices. Concern has been raised that when state legislators originally adopted Section-328, there was only the Library of Definitions.

There were no Best Practices contemplated at that time. Therefore the liability relief for items noted on the state's taxability matrix is split between the library of definitions and the tax administration practices. In AM15002 the BAC is suggesting changes in C1 and C2 of Section 328 to require states to provide liability relief for both the Library of Definitions section and the Tax Administration Practices section by August 1, 2018 before it can become a compliance issue. In addition, if additional time is needed, this section could be amended again. Another part of the BAC proposal with respect to C2 is that the states must notify the Executive Director by July 1, 2015 if the state cannot provide this liability relief and this information would be published on the SST website. The BAC strongly supports this version. The main difference between the SLAC and BAC versions is that the BAC version would require the states, after the 2-year period expires in 2018 to provide liability relief. Richard Dobson said that will require some states to amend their respective statutes. Pat Calore pointed out that the BAC proposal mandates liability relief. Mark Nebergall said you all just passed an amendment to section 335, you're telling the business community to rely on it and if you pass the BAC version, you can. Eric Wayne asked the states that cannot grant liability relief, what they do in situations where you provide a response to survey. Ellen Thompson said in Nebraska they have a constitutional amendment and they have that in their Bill of Rights. They provide penalty and interest relief. Pat Calore said they cannot really tell the CSP's that they have the relief of liability that they think they will have because the court may overturn how we are administering the law, but we're not allowed to interpret it. If we consider it to be taxable and the court tells us it's not taxable, that happens to Michigan all the time. This group cannot make laws for our states and that's the dilemma. Russ Brubaker said the biggest safeguard for the states is to make sure they describe their practices correctly and he didn't see a significant problem. Phyllis Shambaugh said in Ohio the Tax Commissioner only has the authority granted by the Legislature. They have the authority to abate penalties. If the DOR hasn't been given the authority to amend assessments and so forth, that's where the liability relief becomes necessary as they can only act within their authority. Amy Oneacre said Georgia has a statute that states they will provide liability relief with something that was put into the SST Matrix and it was incorrect. She said there was no way their legislature could have contemplated that the taxability matrix would get so big. If we put erroneous guidance out there, Georgia is going to work with the taxpayer on relief. The policy administrators know we cannot put sales tax decisions in this box of yes or no all the time. It's often maybe, because of different fact patterns. If you look at the best practices that Georgia has on the books now, they have to read it repeatedly to try to determine how to answer those. Georgia is going to go conservative when she fills out every other thing from now on if this passes. Ms. Oneacre said Georgia absolutely supports the SLAC proposal. Richard Dobson said he doesn't think anyone will argue that the state shouldn't be transparent to the public and be able to stand behind those answers. On the comment earlier, that you can't rely on the information the SST provides to the states is not what is being communicated. This is an evolving process and we are not turning anything back. If we make a change and adopt the BAC version now, then clearly it's going to require some of the states to go back and have to change their laws. We are amending the SSUTA and requiring some member state to make some changes in their statutes. Scott Peterson, CSP of Avalara said we all really have the same goal in mind to say if it's taxable or if it's exempt. The dilemma is that the CSPs have a contract with the SSUTA that states (David Campbell, FedTax read from Section E.3 of the CSP Contract).

Amy Oneacre said yesterday Fred Nicely indicated in SLAC, that liability is litigation and Georgia understands that. That becomes a riskier proposition when something like this is on the table. Bruce Johnson said he suggests this is an area where the businesses need to be very cautious of what they ask for. He thought we would rather have disclosure on as many practices as possible. Fred Nicely said he hoped for the adoption of the language they had with

the SLAC proposal and asked SLAC to work in a liability relief best practice and tax administration practice concurrently and also address a change in the taxability matrix with liability relief up to 30-days after that change. He suggested a friendly amendment change that the Governing Board include the language they had in the SLAC option and include something in the motion to work on the issue for the next Governing Board meeting.

John Doyle asked if it would be clearer if the Governing Board worked the motion first and if it passes, Fred Nicely offers a second motion. Craig Johnson said the language in 328 in the Agreement says states shall relieve sellers from liability to the member state and its local jurisdictions until the first day of the calendar month that is at least 30 days after notice of the change. Fred Nicely said the BAC proposal is to have the states give the same liability relief for the tax administration practices, but not have to comply with that requirement until January 1, 2018. Then between now and the next Governing Board meeting, states and the BAC can continue to work on this and bring a proposal forward at that time and if the proposal is not ready, this section could be amended to grant additional time for the states to come into compliance if necessary. This process would not be changing anything at all in Section 328 and lets states continue to do what they are doing today while the proposal is being worked on. Fred Nicely indicated it is just about timing and said the business community can work quickly, on both a disclosed and best practice related to liability relief for tax administration practices.

Senator Harper offered an amendment to the motion to adopt AM14007A02 as presented in the publication and along with that, adopt the direction from the Governing Board for SLAC to work with the BAC, work on a proposal and bring something back to the Governing Board Meeting in September for consideration. Amy Oneacre addressed the timing and thought bringing something to this Board by the September 2015 circumvents what was just voted on. Senator Harper said a state may not know if liability relief for tax administration practices disclosed is allowable or not and this gives states some time to think about that as well. Tim Jennrich asked if the language presented is the proposed language that needs to be considered as this goes forward. Fred Nicely said it is his understanding that this is just setting the boundaries of what the SLAC group is going to work on, but not the exact language that SLAC has to use. Craig Johnson said the amendment to the motion on AM14007A02 is for SLAC to bring this back to the 2015 annual meeting. The roll of the states was called, 13-voted yes, 9-no and the amendment to the motion failed.

The original motion made by Mike Eschelbach to approve AM14007A02 was then voted on. The roll of the states was called 22 voted yes and 1 absent and that motion carried.

There was then discussion on having the business community complete the form approved earlier at this meeting (MC15003) to identify the scope of the liability relief issue relating to disclosed/best practices to be worked on relating to the BAC proposal discussed above and have SLAC bring it back to the annual meeting for additional discussion and possible action.

Senator Cook said he was not sure we need to identify to what degree there is a problem. Gina Dougherty said her liability relief initially was for the Library of Definitions. She said if Arkansas puts something out in writing in public, they will be held accountable for the things they say. This is generally not about whether something is taxable or exempt, but how you handle it. She wanted everyone to look back at those practices and think about the dollars involved. John Doyle said the Executive Committee may refer something to SLAC if they wish and there is no requirement. If the Governing Board wants SLAC to do so, that is part of the procedure.

Senator Wayne Harper motioned a standalone referral to SLAC to have SLAC and the BAC work on the liability relief issue relating to disclosed/best practices whether SLAC has formal recommendation or not through the use of the recently approved form (MC15003). The roll of the states was called and the motion passed with 22 yes votes

- Section 803 – Annual Recertification of Member States (AM15003)

The amendment was tabled for discussion and possible vote at the September meeting.

- Section 805 – Compliance (AM14008A01)

The amendment was tabled for discussion and possible vote at the September meeting.

- Section 809 – Sanction of Member States (AM14009A01)

The amendment was tabled for discussion and possible vote at the September meeting.

- Appendix C – Library of Definitions – Definition of Sales Price – Exclusion for Federal Excise Taxes (Indiana) (AM15001)

Senator Luke Kenley said Indiana has been found out-of-compliance because of their tax law related to this provision. They brought this amendment in here to provide a toggle for states to choose to include or exclude these federal taxes from the definition of “sales price.” Larry Molnar explained that Indiana is proposing a couple of amendments to the definition of sales price. Although the amendment was not yet ready for a vote, it was suggested at the SLAC meeting that SLAC and the BAC could work on this for possible action at the next GB meeting. Fred Nicely said he is committed to getting this done for the fall Governing Board meeting and hoped to get the assistance of other BAC members. Tim Jennrich said SLAC did not take a vote on this and there is further work needed on it. Senator Kenley said Indiana does not want to be found out-of-compliance and he would like for BAC to act positively. Fred Nicely said the BAC and Indiana will work together to discuss a resolution and bring a proposal forward for a possible vote at the September GB meeting.

- **Proposed Amendments to Rules for Discussion and Possible Action**

- Appendix C – CSP Minimum Standards (RP15005)

Tim Bennett said a couple of minor changes were made in Sections H and I of Appendix C and explained those changes. Craig Johnson said he believed that these are good changes that help make sure the CSPs know exactly what their responsibilities are upfront at the time they are certified and by adding these items to Appendix C, it will help ensure all CSP applicants are treated the same and have a clear understanding of what is expected of them. He said he believed it’s a good move on our part. Tim Bennett motioned to adopt RP15005. The roll of the states was called and the vote was 22 yes 0 no and the motion carried.

- Appendix F – SST Reports (RP15006)

Tim Bennett explained the proposed changes to Appendix F relating to the SST Reports that are provided to the SSTGB and the states. The change is being made to make it clear that the CSPs are only expected to provide data to the states with respect to their “volunteer sellers” under the CSP contract. Section B.1 of the CSP contract allows a CSP and seller to agree that the CSP is not going to provide CSP services in those states where the seller is not a volunteer. Previously, the CSPs were providing all of the data for both volunteer and non-volunteer sellers. Former Audit Chair Bruce Christensen said Tim Bennett had explained it well and he had nothing to add. Craig said that based on this change, if your state statutes allow, you could audit non-volunteer sellers using a CSP just like you do any other seller in your state. Tim

Bennett motioned the adoption of the changes to the rule in RP15002 related to Appendix F. The roll of the states was called, 22 member states voted yes and the motion passed.

- Rule 335 – Disclosure of Tax Administration Practices (RP14007A02)

Tim Jennrich reviewed the revised document, Rule 335 as amended during the May 11 SLAC Meeting. Mr. Jennrich motioned the approval of RP14007A02 and there was no discussion. The roll of the states was called, 22 voted yes and the motion carried.

- Rule 805.1 – Determination of Sanctions (Repeal) (RP15002)

The rule was tabled to September meeting.

- Rule 809 – Sanction of Member States – (RP15001)

The rule was tabled until the September meeting.

- Rule 905 – Annual Recertification (Repeal) – (RP15004)

The rule was tabled until the September meeting.

- **CSP Contract Discussion**

Craig Johnson reported that a meeting will be held with some of the Certified Service Providers (CSP) this afternoon and Thursday morning to discuss the CSP Contract.

- **Old Business** - None

- **New Business** – None

- **Adjournment**

With no further business, President Peters adjourned the meeting at 11:29 am edt.