

Tax Matrix for Credits Best Practice

Reference Number	Best Practice	Explanation	Yes	No	Reference Statute/Rule Cite/ Comment
		1.1 The states provides credit against the state sales or use taxes subject to the SSUTA it imposes on a purchaser for state sales or use taxes that are paid in another state when the practice for each criteria as identified by that state is met.			
		1.2 The state provides credit against the sales or use taxes subject to the SSUTA it imposes on a purchaser for local taxes paid in another state when the practice for each criteria as identified by that state is met.			
		Credit for the state and local tax is allocated as follows:			
		1.2.a Allocation method is total state and/or local tax paid against total state and/or local tax due.			
		1.2.b Allocation method is state tax paid against state tax due and local tax paid against local tax due.			
		2. Criteria for Credit. States must identify the criteria they use to determine when to provide credit as stated in Best Practice 1.1 and/or 1.2. The required criteria must apply to all transactions where the credit is provided to the purchaser.			
		2.1 The state provides credit against the sales or use taxes subject to the SSUTA it imposes on a purchaser for sales or use taxes paid in another state when the tax paid in the other state was first legally due.			
		2.2 The state provides credit against the sales or use taxes subject to the SSUTA it imposes on a purchaser for sales or use taxes paid in another state when the tax paid in the other state was on the initial retail sale.			
		2.3.a The state provides credit against the sales or use taxes subject to the SSUTA it imposes on a purchaser for sales or use taxes paid in another state pursuant to Sections 310.A.3, 310.A.4., or 310.A.5.			
		2.3.b The state provides credit against the sales or use taxes subject to the SSUTA it imposes on a purchaser for sales or use taxes paid in another state pursuant to Sections 310.A.3, 310.A.4, or 310.A.5 when the purchaser does not receive the product in that state and cannot obtain a refund in the state where tax was paid.			

		2.4 The state provides credit against the sales or use taxes subject to the SSUTA it imposes on a purchaser for sales or use taxes paid in another state regardless of the characterization of the sale as a sale of tangible personal property, a service, or other (i.e., digital good).			
		2.5.a The state provides credit against the sales or use taxes subject to the SSUTA it imposes on a purchaser for the sales or use taxes paid in another state on all components of the sales price.			
		2.5.b The state provides credit against the sales or use taxes subject to the SSUTA it imposes on a purchaser for the sales or use taxes paid in another state on only the taxable components of the sales price in the crediting state.			
		2.6.a The state provides credit against the sales or use taxes subject to the SSUTA it imposes on a purchaser for the total sales or use taxes paid in another state on all products and services included in the sales price.			
		2.6.b The state provides credit against the sales or use taxes subject to the SSUTA it imposes on a purchaser for the sales or use taxes paid in another state on only the taxable products or services in the crediting state.			
		2.7.a The state provides credit against the sales or use taxes subject to the SSUTA it imposes on a purchaser for sales or use taxes paid in any state.			
		2.7.b The state provides credit against the sales or use taxes subject to the SSUTA it imposes on a purchaser for sales or use taxes paid in another state only when the other state provides a reciprocal credit.			
		2.7.c The state provides credit against the sales or use taxes subject to the SSUTA it imposes on a purchaser for sales or use taxes paid in another state only when the other state is a member of the SSUTA.			
		3. Specific Credit Issues. The state may provide credit for the following situations when all criteria as required by the state in Sections 1 and 2 are met.			
		3.1 The state provides credit against the sales or use taxes subject to the SSUTA it imposes on a purchaser for use taxes previously paid.			

		3.2 The state provides credit against the sales or use taxes subject to the SSUTA it imposes on a purchaser for similar taxes paid in another state. ¹			
		3.3 The state provides credit against the sales or use taxes subject to the SSUTA it imposes on a purchaser for sales or use taxes paid in another state pursuant to an audit sampling method.			
		4. Direct Mail			
		4.1 The state provides credit against the sales or use taxes subject to the SSUTA it imposed on a purchaser for sales or use taxes paid in another state on advertising and promotional materials pursuant to Section 313.A.4.			
		5. Lease and Rentals Lease or Rentals include lease or rentals as defined in SSUTA Appendix C, Part 1. Credit practices for sales or use tax on the lease or rental of motor vehicles and equipment as sourced under SSUTA 310. C. and transportation and other equipment as sourced under SSUTA 310.D. are not included in this document.			
		5.1. State imposes tax on the lease and rental periodic payments when the product enters the state.			
		5.1.a The state provides a credit against the sales or use taxes subject to the SSUTA it imposes on lease or rental payments for sales or use taxes the lessor collects when the state in which the lease originated imposes tax on the entire stream of lease and rental payments. <i>If yes, the state must identify how the credit is applied.</i>			
		Credit applies as follows:			
		i. If the sales or use tax rate imposed is greater than the sales or use tax rate paid in the state in which the lease originated, the difference in the sales or use tax rates applies to each periodic payment.			
		ii. Credit for sales or use tax collected by the lessor for the state in which the lease originated on payments after the product enters the state is			

¹ The following states impose a similar tax on certain property and allow credit against the similar tax for sales and use taxes paid that are subject to the SSUTA: Iowa (motor vehicle excise tax); North Carolina (highway use tax, scrap tire tax, mill machinery tax, datacenter tax, manufacturing tax); Rhode Island (motor vehicle excise tax); South Dakota (farm and irrigation equipment excise tax).

		applied against sales and use tax due the state the periodic lease payments until such time as the credit is exhausted, any remaining lease payments are subject to the state's sales or use tax.			
		5.1.b The state provides a credit against the sales or use taxes subject to the SSUTA it imposes on lease or rental payments for sales or use taxes the lessor collects when the state in which the lease originated imposes tax on the sum of the lease or rental payments at the inception of the lease or rental.			
		Credit applies as follows:			
		i. If the sales or use tax rate imposed is greater than the sales or use tax rate paid in the state in which the lease originated, the difference in tax rates applies to each periodic payment.			
		ii. Credit for all sales or use tax collected by the lessor for the state in which the lease originated on payments after the product enters the state is applied against the periodic lease payments until such time as the credit is exhausted, any remaining lease payments are subject to the state's sales or use tax.			
		5.1.c The state provides a credit against the sales or use taxes subject to the SSUTA it imposes on lease or rental payments for sales or use taxes the lessor paid on the purchase of the product which are passed on to the lessee as a line-item amount.			
		Credit applies as follows:			
		i. If the sales or use tax due is greater than the sales or use tax listed as the line-item, the difference applies to each periodic payment.			
		ii. Credit for sales or use tax paid on the purchase of the product paid by the lessor is applied against the periodic lease payments until such time as the credit			

		is exhausted, any remaining lease payments are subject to the state's sales or use tax.			
		5.2. State imposes tax on the <u>sum of the periodic lease and rental payments</u> beginning when the product enters the state.			
		5.2.a The state provides a credit against the sales or use taxes subject to the SSUTA it imposes on the sum of the lease and rental payments for sales or use taxes the lessor collects when the state in which the lease originated imposes tax on the entire stream of payments.			
		Credit applies as follows:			
		i. If the tax rate impose is greater than the rate paid in the state in which the lease originated, the difference in tax rates applies to each periodic payment.			
		ii. Credit for sales or use tax collected by the lessor for the state in which the lease originated on payments after the product enters the state is applied against sales and use tax due the state the periodic lease payments until such time as the credit is exhausted, any remaining lease payments are subject to the state's sales or use tax.			
		5.2.b The state provides a credit against the sales or use taxes subject to the SSUTA it imposes on the sum of the lease and rental payments for sales or use taxes the lessor collects when the state in which the lease originated imposes tax on the sum of the lease or rental payments at the inception of the lease or rental.			
		Credit applies as follows:			
		i. If the tax rate impose is greater than the rate paid in the state in which the lease originated, the difference in tax rates applies to each periodic payment.			
		ii. Credit for sales or use tax collected by the lessor for the state in which the lease originated on payments after the product enters the state is applied against sales and use tax due the state the periodic lease payments until such time as			

		the credit is exhausted, any remaining lease payments are subject to the state's sales or use tax.			
		5.2.c The state provides a credit against the sales or use taxes subject to the SSUTA it imposes on the sum of lease or rental payments for sales or use taxes the lessor paid on the purchase of the product which is passed on to the lessee as a line-item amount.			
		Credit applies as follows:			
		i. If the sales or use tax due is greater than the sales or use tax listed as the line-item, the difference applies to each periodic payment.			
		ii. Credit for sales or use tax paid on the purchase of the product paid by the lessor is applied against the periodic lease payments until such time as the credit is exhausted, any remaining lease payments are subject to the state's sales or use tax.			
		5.3. State imposes tax on the leased or rented product at the time it enters the state.			
		5.3.a The state provides a credit against the sales or use taxes subject to the SSUTA it imposes on the product for sales or use taxes the lessor collects when the state in which the lease or rental originated imposes tax on the entire stream of payments or on the sum of the lease or rental payments at the inception of the lease or rental.			
		5.3.b The state provides a credit against the sales or use taxes subject to the SSUTA it imposes on the product for sales or use taxes the lessor collects when the state in which the lease or rental originated imposes tax on the entire stream of payments or on the sum of the lease or rental payments at the inception of the lease or rental, but only for the portion of payments while the product is in the state.			

		5.3.c The state provides a credit against the sales or use taxes subject to the SSUTA it imposes on lease or rental product for sales or use taxes the lessor paid on the purchase of the product.			
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