

TC0005 Tax Rule Request Instructions

DRAFT 9-26-2016

CSP Instructions

- 1) Complete Form TC0005 CSP System Change or Tax Rules Request Form.
- 2) For Tax Rule Certification Requests, also complete the CSP Tax Rules worksheet in TC0005 Workbook.
 - A. Row # - Number lines beginning with 1, for sorting and reference purposes.
 - B. Date Request Submitted
 - C. Effective Date of Rule IF State Does not approve, request additional information or request additional time. This can be no sooner than the 1st day of the month that begins 30 days after date the Request was submitted or the date of the last CSP response.
 - D. Parent Product Category Number – Number used by CSP.
 - E. Subcategory – Number used by CSP.
The Number used by the CSP may be used by states in future test decks to verify the taxability of that product category or subcategory.

CSP category numbers. These are the numbers or codes the CSP uses to match the tax rules established for those products. These Tax rules and Codes should be compiled by the states and may be used testing any or all CSP tax rules using the test deck.

- F. Parent Product Category Description – Be specific. Some products have names that apply to different products depending on the category in which it is listed.
- G. Subcategory – Be specific. If additional description or explanation is required, use column for CSP Additional Comments.

Use Product Categories (like products) when possible. Do not list specific products unless the product taxability differs from the Product Category.

- H. Sales or Use Taxability – Enter T for Taxable or E for Exempt

SSUTA Rule 317.1:

C. Systems Related Issues

1. Default rules for coding the taxability of products.

a. Sellers, Certified Service Providers (CSP's), and Model 2 Automated Systems (CAS's) shall code all products that are tangible personal property as taxable unless a member state has specifically exempted or excluded the product from its tax base.

b. Sellers, CSP's, and CAS's shall code all services sourced to member states that enumerate taxable services as exempt unless a member state has specifically enumerated the service as a taxable service.

c. Sellers, CSP's, and CAS's shall code all services sourced to member states that tax services in the same manner as tangible personal property as taxable unless a member state has specifically exempted or excluded the service from its tax base.

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- I. Does a Reduced Rate Apply? Enter Y for Yes or N for No. State's may have a reduced rate for food and drugs.
- J. If a Cap or Threshold applies, what % of sale or \$ amount is taxable amount limited to? Only use this if the product category or product rule is for has a cap or threshold. If product category includes items that have and items that do not have a cap or threshold, the products will need to be separately listed.
- K. State Law, Rule or Publication – The CSP is responsible for researching product taxability prior to submitting a Tax Rule Certification request. List the state law, rule or publication used to determine the product taxability.
- L. CSP Additional Comment. Enter any additional notes or comments that will help the state understand the product category or how you arrived at the taxability.
- M. For State Use
- N. For State Use
- O. Use if the taxability of a previously approved rule is being changed. This will create a NEW TC0005 Tax Rule Request:
 - a. Copy the current rule row to a new Rule request sheet.
 - b. In column O, enter the date that rule is no longer effective – that is the date the CSP is noticed that the taxability in the rule is no longer valid. (The CSP will have 10 days to update the taxability rule in their codes. See Liability Relief table, SSUTA, CSP Contract for liability relief on these changes.)
 - c. Create a new tax rule line – Same Codes should be used for the product/subcategories.
 - d. Send to state to recertify the new rule with the updated taxability.

This will allow states and CSPs to keep a history of when a tax code is changed.

- 3) Send Form TC0005 to TC (Testing Central)
 - a) TC will number the form and forward form to the state requested.
 - b) State will review, approve, request additional information, or request additional time.
- 4) Respond to any questions the states may have and state any reasons for disagreement on taxability codes, if there are any. Provide as detailed explanation as possible.
 - a) Add response to column after the state's response on the tax rule line that is being discussed. Enter date response is sent.
 - b) Create separate codes for entries the states indicate are for subcategories that have differing taxability than the product category as a whole.
 - c) Update Taxability Codes in Column H, as agreed on by the CSP and State. The final form for the state to sign off on should have the correct taxability in the Sales or Use Taxability column.

The final form the state approves should show the corrected product categories and tax rules.

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- 5) Complete testing the state requests.
- 6) If state does not certify, request additional information or request additional time by the first day of the calendar month that is at least 30 days from the date Testing Central notifies the state or from the date the CSP replied to the last request, the CSP may close the tax rule and will receive relief of liability, to the extent the state allows, as provided in the CSP contract section E.4.(b). (Note: States may request additional time to complete their review and have until the first day of the month that begins at least 60 days after the tax rule request is sent to the state by Testing Central or the CSP's response to a State's last request for additional information.)

State Instructions

1. Review rules to determine taxability.

The state has until the first day of the month that begins at least 30 days after it receives a tax rule request to:

- certify the rule,
- request additional information, or
- request an extension in time, which is done in writing to the Executive Director. The extension provides until the first day of the calendar month that is at least 60 days from the date Testing Central notified the state of the request.

The time frame begins again each time the CSP sends additional information.

If a state fails to certify the taxability of the a new product category within the time period described, the CSP is not liable to the extent determined by that state for any taxes due for these product categories until the first day of the calendar month that is at least 30 days after the CSP is notified of the required change. (CSP Contract E.4.)

2. To Request Additional Time: Send request by email to Testing Central, include copy of the Certification request. The form will be updated to show the extended time is allowed and returned to the state and the CSP.
3. If state has questions as to what the product category is or includes or the taxability is incorrect, enter your comments or questions in the State Comments column (column L). Enter the date response is sent.
Provide a detailed explanation of the additional information you need.
Provide the correct taxability and explanation.
If rule is for a product category that includes both taxable and exempt products, explain that the product category needs to be split or subcategories assigned and why.
 - If the taxability of a transaction is dependent on who the customer is and what they do with the product purchased, if their state law does not specifically exempt that product, the code should be tax.

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- If the taxability is dependent on who is selling product or what it is sold in conjunction with, then the code may require further breakdown.

Example 1: Software training. The training is taxed if provided by a third party, but not if provided by the software seller. Because there is no customer exemption information that would document when this is exempt, this requires two product categories/subcategories. Software training provided by seller in conjunction with sale of product and Software training by someone other than the seller of the software.

Example 2: Software training. All software training is taxable. Software training purchased by a public school is exempt. Because this is a purchaser exemption, no separate category is required. The product is taxable unless exemption documentation is provided by the customer.

4. Return the form, with comments to the CSP, copy to Testing Central (David and Jody).
5. Request testing if necessary to confirm correct rules are in place.
6. If rule is correct or once it is corrected, enter the State Date Approved (column N) This is the date the state certifies that specific rule. Liability relief, as provided in the SSUTA and CSP contract, will begin on this date for this rule.
7. Repeat until all rules are certified.
8. Once completed, complete Form TC0005 indicating Rules are approved and Date.
9. Keep all tax rules reviewed. Compile a master listing by placing all rules into one worksheet. This will allow you quick access to research tax rules you have approved for that CSP. This master list may be used for testing tax rules directly with a CSP in a test deck.
10. Column O: Use if the taxability of a previously approved rule is being changed. This will create a NEW TC0005 Tax Rule Request:
 - a. The CSP should copy the current rule row to a new Rule request sheet.
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 - c. CSP should create a new tax rule line – Same Codes should be used for the product/subcategories.
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