

A motion by Oklahoma and Tennessee to amend Section 502 to clarify effect of software certification.

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

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

classification. The CSP or model 2 seller shall have ten (10) days to revise the classification after receipt of notice from the member state of the determination. Upon expiration of the ten (10) days, CSP or model 2 seller shall be liable for the failure to collect the correct amount of sales or use taxes due and owing to the member state.

Note: The amendment to this section would become effective at the same time the section becomes effective on January 1, 2008.