

A motion by Oklahoma and Tennessee to amend the Agreement to revise how states must use definitions, clarify the interpretation request process for definitions, clarify the use of product definitions, and to classify holiday definitions as either administrative or product definitions:

Section 327: LIBRARY OF DEFINITIONS

Each member state shall utilize common definitions as provided in this section. The terms defined are set out in the Library of Definitions, in Appendix C of this Agreement.

A member state shall adhere to the following principles:

- A. If a term defined in the Library of Definitions appears in a member state's sales and use tax statutes or administrative rules or regulations, the member state shall enact or adopt the Library definition of the term in its statutes or administrative rules or regulations in substantially the same language as the Library definition.
- B. A member state shall not use a Library definition in its sales or use tax statutes or administrative rules or regulations that is contrary to the meaning of the Library definition.
- C. Except as specifically provided in Section 316 and the Library of Definitions, a member state shall impose a sales or use tax on all products or services included within each Part II or Part III(B) definition or exempt from sales or use tax all products or services within each such definition. Provided, the requirements of this subsection shall only apply to Part III(B) definitions to the extent that such definitions are used in the administration of a sales tax holiday.

Section 903: DEFINITION REQUESTS

Any member state or any other person may make requests for additional definitions or for interpretations on how an individual product or service fits within a Part II or Part III(B) definition. Requests shall be submitted in writing as determined by the governing board. Such requests shall be referred to the Advisory Council created in Section 810 or other group under guidelines and procedures as set forth in the governing board's rules. The entity to which the request was referred shall post notice of the request and provide for input from the public and the member states as directed by the governing board. Within one hundred eighty days after receiving the request, they shall report to the governing board one of the following recommendations:

- A. That no action be taken on the request;
- B. That a proposed amendment to the Library be submitted;
- C. That an interpretation request be submitted; or
- D. That additional time is needed to review the request.

If either an amendment or an interpretation is recommended, the entity to which the request was referred shall provide the appropriate language as required by the governing board. The governing board shall take action on the recommendation of the entity to which the request was referred at the next meeting of the governing board pursuant to the notice requirements of Section 806. Action by the governing board to approve a recommendation for no action shall be considered the final disposition of the request. Nothing in this paragraph shall prohibit a state from directly submitting a proposed amendment or an interpretation request to the governing board pursuant to Section 901 or Section 902.

Appendix C

LIBRARY OF DEFINITIONS

Part I. Administrative definitions including tangible personal property. Terms included in this Part are core terms that apply in imposing and administering sales and use taxes.

Part II. Product definitions. Terms included in this Part are used to impose sales and use taxes, exempt items from sales and use taxes or to impose tax on items by narrowing an exemption that otherwise includes these items.

Part III. Sales tax holiday definitions. Terms included in this Part are core terms that apply in imposing and administering sales and use taxes during sales tax holidays.

PART III

Sales Tax Holiday Definitions

The definitions in this Part are only applicable for the purpose of administration of a sales tax holiday, as defined in Section 322 (A).

A. Administrative Definitions

"**Eligible property**" means an item of a type, such as clothing, that qualifies for a sales tax holiday exemption in a member state.

"**Layaway sale**" means a transaction in which property is set aside for future delivery to a customer who makes a deposit, agrees to pay the balance of the purchase price over a period of time, and, at the end of the payment period, receives the property. An order is accepted for layaway by the seller, when the seller removes the property from normal inventory or clearly identifies the property as sold to the purchaser.

"**Rain check**" means the seller allows a customer to purchase an item at a certain price at a later time because the particular item was out of stock.

B. Product Definitions

"**School supply**" is an item commonly used by a student in a course of study. The term is mutually exclusive of the terms "school art supply," "school instructional material," and "school computer supply," and may be taxed differently. The following is an all-inclusive list:

- A. Binders;
- B. Book bags;
- C. Calculators;
- D. Cellophane tape;
- E. Blackboard chalk;
- F. Compasses;
- G. Composition books;
- H. Crayons;
- I. Erasers;
- J. Folders; expandable, pocket, plastic, and manila;
- K. Glue, paste, and paste sticks;
- L. Highlighters;
- M. Index cards;
- N. Index card boxes;
- O. Legal pads;
- P. Lunch boxes;

- Q. Markers;
- R. Notebooks;
- S. Paper; loose leaf ruled notebook paper, copy paper, graph paper, tracing paper, manila paper, colored paper, poster board, and construction paper;
- T. Pencil boxes and other school supply boxes;
- U. Pencil sharpeners;
- V. Pencils;
- W. Pens;
- X. Protractors;
- Y. Rulers;
- Z. Scissors; and
- AA. Writing tablets.

“School art supply” is an item commonly used by a student in a course of study for artwork. The term is mutually exclusive of the terms “school supply,” “school instructional material,” and “school computer supply,” and may be taxed differently. The following is an all-inclusive list:

- A. Clay and glazes;
- B. Paints; acrylic, tempera, and oil;
- C. Paintbrushes for artwork;
- D. Sketch and drawing pads; and
- E. Watercolors.

“School instructional material” is written material commonly used by a student in a course of study as a reference and to learn the subject being taught. The term is mutually exclusive of the terms “school supply,” “school art supply,” and “school computer supply,” and may be taxed differently. The following is an all-inclusive list:

- A. Reference books;
- B. Reference maps and globes;
- C. Textbooks; and
- D. Workbooks.

“School computer supply” is an item commonly used by a student in a course of study in which a computer is used. The term is mutually exclusive of the terms “school supply,” “school art supply,” and “school instructional material,” and may be taxed differently. The following is an all-inclusive list:

- A. Computer storage media; diskettes, compact disks;
- B. Handheld electronic schedulers, except devices that are cellular phones;
- C. Personal digital assistants, except devices that are cellular phones;
- D. Computer printers; and
- E. Printer supplies for computers; printer paper, printer ink.