

2013 Annual Report of Amendments to the Streamlined Sales and Use Tax Agreement (SSUTA) and Streamlined Sales Tax Governing Board (SSTGB) Rules and Interpretive Opinions

Pursuant to SSTGB Rule 803.2, this document contains the amendments, and rules related thereto, and interpretive opinions adopted by the Streamlined Sales Tax Governing Board (SSTGB) during 2013. While some amendments may include a specific future effective date, most are adopted without a specific effective date. Absent a specific effective date, the date by which a state must conform to an amendment is the date upon which a state may be sanctioned. Pursuant to Section of 809 of the SSUTA, if a state is required to make a statutory change to comply with any amendment to the SSUTA, or interpretation or interpretive rule adopted by the SSTGB, the state may not be sanctioned for failure to comply with the amendments and rules “...until the later of the first day of January at least two years after the adoption of the amendment ... or the first day of a calendar quarter following the end of one full session of the state’s legislature.”

Index to SSUTA Amendments, SSTGB Rule Amendments and CRIC Interpretive Opinions

Section I. Amendments to the SSUTA

- A. Section 328 – Best Practices Matrix – Pgs. 2 - 3
- B. Section 335 – Best Practices – Pg. 3
- C. Best Practice 1 – Voucher – Pgs. 4 - 6
- D. Best Practice Matrix – Vouchers – Pg. 6

Section II. SSTGB Rule Amendments

- A. Appendix E – Pgs. 7 - 40
- B. Appendix F – Pg. 40
- C. Appendix O – Pgs. 41 - 46

Section III. CRIC Interpretive Opinions

- A. Interpretive Opinion 2013-01 – Soft Drink (Naturally Flavored Beverages) – Pgs. 46 - 48
- B. Interpretive Opinion 2013-02 – Candy (Chocolate Fondue) – Pgs. 48 - 50

Appendices

- Appendix 1 – Vouchers Best Practice Matrix – Pgs. 51 - 54

2013 Annual Report of Amendments to the Streamlined Sales and Use Tax Agreement (SSUTA) and Streamlined Sales Tax Governing Board (SSTGB) Rules and Interpretive Opinions

Section I. Amendments to the SSUTA

A. The amendment below to Section 328 of the SSUTA was adopted by the SSTGB on October 29, 2013. No state required to make a statutory change may be sanctioned for not following this amendment until the later of January 1, 2016, or the first day of a calendar quarter following the end of one full session of the state's legislature.

Summary of amendment - This amendment requires a state to complete a “best practices” section of the taxability matrix. The amendment also provides that when a state amends its taxability matrix, it provide liability relief, to the extent possible, until the first day of the calendar month that is at least 30 days after notice of the change to the taxability matrix, if the seller or CSP relied on the prior version of that state's taxability matrix.

Section 328: TAXABILITY MATRIX

A. Taxability Matrix

(1) Library of Definitions: To ensure uniform application of terms defined in the Library of Definitions adopted by the governing board pursuant to Section 327, each member state shall complete, to the best of its ability, Section 1 of the taxability matrix adopted by the governing board.

(2) Best Practices: To inform the general public of its practices regarding certain products, procedures, services, or transactions as adopted by the governing board pursuant to Section 335, each member state shall complete, to the best of its ability, Section 2 of the taxability matrix.

B. The member state's entries in the matrix shall be provided and maintained in a database that is in a downloadable format approved by the governing board. A member state shall provide notice of changes in the taxability of the products or services listed in the taxability matrix as required by the governing board.

BC. A member state shall relieve sellers and CSPs from liability to the member state and its local jurisdictions for having charged and collected the incorrect amount of sales or use tax resulting from the seller or CSP relying on erroneous data provided by the member state in the taxability matrix. If a member state amends an existing provision of its taxability matrix, the member state shall, to the extent possible, relieve sellers and CSPs 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 a change to a member state's taxability matrix is submitted to the governing board, provided the seller or CSP relied on the prior version of the taxability matrix.

CD. If a state levies sales and use tax on a specified digital product and provides an exemption for an item within the definition of such specified digital product pursuant to Section 332 ~~40~~(H) of this Agreement, such exemption must be noted in the taxability matrix.

2013 Annual Report of Amendments to the Streamlined Sales and Use Tax Agreement (SSUTA) and Streamlined Sales Tax Governing Board (SSTGB) Rules and Interpretive Opinions

DE. Each state that provides for a sales tax holiday pursuant to Section 322 of this Agreement shall, in a format approved by the Governing Board, give notice in the taxability matrix of the products for which a tax exemption is provided.

- B. The amendment creating Section 335 was approved by the SSTGB on October 29, 2013. No state required to make a statutory change may be sanctioned for not following this amendment until the later of January 1, 2016, or the first day of a calendar quarter following the end of one full session of the state's legislature.

Summary of amendment - This amendment allows the SSTGB to adopt “best practices” and add an appendix to the SSUTA identifying the “best practices” adopted. The amendment makes it clear that a state cannot be sanctioned for not conforming to a “best practice.” States are also required to complete the best practice matrix by the first day of the calendar month that is at least 30 days after the SSTGB approves a best practice.

Section 335: BEST PRACTICES

A. For purposes of this section, “best practices” shall mean those practices as adopted by the governing board as the best practices in administration of the sales and use taxes in the member states regarding certain identified products, procedures, services, or transactions.

B. A majority vote of the entire governing board is required to approve a motion to adopt a best practices standard. The governing board shall provide public notice and opportunity for comment prior to voting on a motion to adopt a best practice.

C. Best practices adopted by the governing board shall be maintained in an Appendix to the Agreement.

D. Conformance by member states to best practices adopted by the governing board shall be voluntary and no state shall be found not in compliance with the Agreement because the effect of the state's laws, rules, regulations, and policies do not follow each of the best practices adopted by the governing board. However, all member states are encouraged to follow the best practices as much as possible.

E. States must complete the best practices matrix by the first day of the calendar month that is at least 30 days after the date the governing board approves a best practice and submit it to the Executive Director for posting on the governing board's website. For subsequent best practices that are approved by the governing board, the states must update their best practice matrix by the first day of the calendar month that is at least 30 days after the date the governing board approves a new best practice and submit it to the Executive Director for posting on the governing board's website.

2013 Annual Report of Amendments to the Streamlined Sales and Use Tax Agreement (SSUTA) and Streamlined Sales Tax Governing Board (SSTGB) Rules and Interpretive Opinions

C. The amendment creating Best Practice 1 relating to Vouchers was approved by the SSTGB on October 29, 2013. No state may be sanctioned for not following this best practice.

Summary of amendment - This amendment creates a best practice related to vouchers.

Best Practices Number 1 - Vouchers

This document is limited to the specific types of transactions described herein.

As used herein, a voucher is an instrument that is:

a. issued to a purchaser for an amount that is less than the face value and both the face value and amount paid by the purchaser are noted on the voucher;

b. redeemable for personal property or services in a single visit only at the seller's business;

c. redeemable either for a specific product or for a certain dollar amount towards the purchase price of any product sold by the seller;

d. issued, marketed, or distributed by a third party pursuant to a specific agreement with the seller, and the seller determines the price at which the voucher is to be issued and allows redemption of the specific voucher for personal property or services ("third party agreement");

e. not a digital code as defined by the Agreement or its rules;

f. not a ticket for an admission to a specific performance or event on a specific date and time;

g. not a gift card or gift certificate nor is it convertible, in whole or in part, to gift cards, gift certificates or cash;

h. not usable in combination with other promotions or coupons offered by the seller; and

i. not a prepaid calling service or a prepaid wireless calling service.

Vouchers may be provided to purchasers in the form of an electronic instrument that is scanned by the seller from the purchaser's electronic device.

Best Practice 1.1

The member state administers the difference between the value of a voucher allowed by the seller and the amount the purchaser paid for the voucher as a discount that is not included in the sales price (i.e., same treatment as a seller's in-store coupon), provided the seller is not reimbursed by a third party, in money or otherwise, for some or all of that difference.

2013 Annual Report of Amendments to the Streamlined Sales and Use Tax Agreement (SSUTA) and Streamlined Sales Tax Governing Board (SSTGB) Rules and Interpretive Opinions

Example A. A voucher is issued for \$20 by Third Party pursuant to an agreement with Seller B that entitles the purchaser to \$50 towards the purchase of any food and drink sold by Seller B. The agreement provides that Third Party will retain \$10 of the amount paid by the purchaser for advertising and marketing the voucher. The voucher identifies the amount paid by the purchaser, the face value of the voucher, and the expiration date for the period that the discount is available. The purchaser buys \$100 of food and drink prior to the expiration of the \$30 discount offered by the seller and tenders the voucher plus enough money to pay for the food and drink. The measure (sales price) subject to sales tax is \$70 which is made up of the \$20 in consideration received by Third Party from the issuance of the voucher and the additional \$50 paid in cash by the purchaser directly to Seller B.

Example B. \$20 worth of deal certificates are issued to Purchaser by Third Party for \$10. Purchaser is issued two \$10 deal certificates by Third Party for a specific seller. The two \$10 deal certificates do not disclose the amount paid by Purchaser for each deal certificate. Purchaser presents \$20 of taxable items to the seller and tenders the two \$10 deal certificates to pay for the items. Since the amount paid by Purchaser to Third Party is not disclosed on the face of the deal certificate, the deal certificate is not a “voucher.” If the seller can substantiate the amount Purchaser paid to Third Party for the deal certificates, the member state would only require the seller to charge sales tax on the amount Purchaser paid for the deal certificates, regardless of the value of the certificates.

Example C. A voucher is issued for \$20 by Third Party which entitles Purchaser to \$50 towards food and drinks for a specific seller. The face value of the voucher is \$50 and the amount paid (\$20) by Purchaser to Third Party is indicated on the voucher. Purchaser redeems the voucher for \$50 of food and drinks after the stated expiration date. The seller honors the voucher for the face value of \$50. Pursuant to the agreement between Third Party and the seller, Third Party retains the \$20 paid by Purchaser and does not remit any of the \$20 purchase price to the seller. The sales price would be \$20. Since the voucher indicates the amount the purchaser paid for it, the difference (\$30) between the face value of the voucher allowed by the seller (\$50) and the amount Purchaser paid to Third Party for the voucher (\$20) is not included in the sales price.

Example D. A voucher is issued for \$19 which entitles Purchaser to \$99 of services for a specific seller. The face value of \$99 and the amount paid by Purchaser (\$19) is indicated on the voucher. Upon ordering \$99 of services, Purchaser attempts to redeem the voucher after the stated expiration date. The seller only honors the voucher in the amount of \$19 and Purchaser pays the remaining \$80 in cash. Pursuant to the agreement between Third Party and the seller, Third Party retains the \$19 paid by Purchaser and does not remit any of the purchase price to the seller.

The entire \$99 is subject to sales tax because the voucher indicates the face value of \$99 and the amount Purchaser paid for the voucher. The \$19 paid for the voucher issued by Third Party and the additional \$80 paid by Purchaser to the seller are included in sales price. Amounts reimbursed by the Third Party, if any, are not relevant in determining consideration included in sales price.

2013 Annual Report of Amendments to the Streamlined Sales and Use Tax Agreement (SSUTA) and Streamlined Sales Tax Governing Board (SSTGB) Rules and Interpretive Opinions

Best Practice 1.2

The member state provides that when the discount on a voucher will be fully reimbursed by a third party the seller is to use the face value of the voucher (i.e., same as the treatment of a manufacturer's coupon) and not the price paid by the purchaser as the measure (sales price) that is subject to tax.

Example. A voucher is issued for \$20 by Third Party pursuant to an agreement with Seller B that entitles Purchaser to \$50 towards the purchase of any food and drink sold by Seller B. The agreement provides that Third Party will retain \$10 of the amount paid by Purchaser for advertising and marketing the voucher. Seller B also receives consideration from another party reimbursing Seller B for the \$30 discount taken by Purchaser. The measure (sales price) subject to sales tax is \$100 which is made up of the \$20 received from the sale of the voucher, the \$30 in consideration received as a direct reimbursement of the discount and the \$50 paid in cash by Purchaser directly to Seller B.

Best Practice 1.3

The member state provides that costs and expenses of the seller are not deductible from the sales price and are included in the measure (sales price) that is subject to tax. Further, reductions in the amount of consideration received by the seller from the third party that issued, marketed, or distributed the vouchers, such as advertising or marketing expenses, are costs or expenses of the seller.

Example. A \$20 voucher is issued by Third Party for \$10 for a specific seller. The voucher indicates a face value of \$20 and that Purchaser paid \$10 for the voucher. By contract, the Third Party is required to remit \$8 to the seller and allowed to retain \$2 for advertising and marketing the voucher. Purchaser presents \$20 of taxable items to the seller and tenders the \$20 voucher to pay for the items. The sales price on which the sales tax is levied is \$10, which includes the \$2 retained by Third Party. The difference (\$10) between the value of the voucher (\$20) and the amount Purchaser paid to Third Party (\$10) is a discount that is not included in the sales price.

- D. This amendment creates the best practice matrix relating to Vouchers and was approved by the SSTGB on October 29, 2013. States are required to complete this matrix as provided in Section 328, as amended by the SSTGB on October 29, 2013.

Summary of amendment - This amendment creates a best practice matrix specifically related to vouchers. See Appendix 1 beginning on page 51 of this document for the matrix.

2013 Annual Report of Amendments to the Streamlined Sales and Use Tax Agreement (SSUTA) and Streamlined Sales Tax Governing Board (SSTGB) Rules and Interpretive Opinions

II. Rule Amendments

A. This amendment amends Appendix E of the SSTGB Rules and relates to the testing process for CSPs and CASs. This was approved by the SSTGB on October 30, 2013.

Summary of amendment - This amendment amends Appendix E of the SSTGB Rules and Procedures and makes a number of grammatical corrections, removes Section J which listed out all of the Taxability Matrix codes since these codes have been added directly to the Taxability Matrix itself, and adds references to specific form numbers as needed.

Appendix E

Testing Process for Certification of Service Providers and Automated Systems

For purposes of this Appendix the following terms and abbreviations are used:

- Testing Central - TC
- Certified Service Provider - CSP
- Certified Automated System - CAS
- Certified Automated System Provider - CAS Provider
- CSP or CAS Applicants - CSP or CAS candidate

A. Purpose of testing.

System testing and certification takes place prior to the Streamlined Sales Tax Governing Board Inc. (SSTGB) executing a contract with a CSP or a CAS provider and testing is ongoing as laws and rules change. The testing process evaluates determination of tax jurisdictions, tax application, exemptions and deductions, tax calculations, and completion and transmission of the SER, including the financial transaction. Ongoing testing reviews systems for accuracy after system changes, updates to tax rules, and boundary and rate table changes.

The SSUTA and contract allow a CSP and Model 2 Seller liability relief in all member states for certain transactions processed by the CSP or a CAS.

Areas not reviewed in the certification process include:

- Set up and integration of the CAS software with the seller's system.
- Mapping of the seller's products to the codes and tax rules of the CSP or CAS.
- Tax rule updates or changes not approved by the state.
- Transactions not processed through the CSP or in a CAS
- Transactions processed during a period when a seller has not timely applied updates.

2013 Annual Report of Amendments to the Streamlined Sales and Use Tax Agreement (SSUTA) and Streamlined Sales Tax Governing Board (SSTGB) Rules and Interpretive Opinions

- Certification may not cover all transactions a Model 2 seller may report on the SER. A Model 2 seller may add items not processed through the CAS and may adjust the amounts reported.

B. Criteria to be Tested.

States will evaluate the following during the testing process.

1. Tax Rules

- a. Products - Taxability and Exemptions
 - i. Tax rule hierarchy among competing rules
 - ii. Goods or service based special taxability
 1. Caps and Thresholds
 - iii. Delivery charges
 - iv. Sales Tax Holidays
 1. Products included
 2. Caps and Thresholds
 3. Transaction dates
- b. Entity Exemptions - Taxable or Exempt
 - i. Test Deck contains an indicator showing if a customer is taxable or exempt. It does not test the reason for exemption, the accurate completion of an exemption certificate, or when the exemption certificate is accepted.

Minimum Requirements: The CSP or CAS must have tax rules in place that correspond with State Taxability Matrices.

Test Decks are for testing tax rules for product and administration definitions on the state's taxability matrix ([SSTGB Form F0014](#)). ([Section J](#))

States may request a listing of all tax rules from a CSP or CAS provider for their review, as needed.

2. Sourcing - Tax Rates

- a. Determine proper taxing jurisdictions based on the state's destination or origin sourcing rules.
 - i. State Jurisdiction
 - ii. Local Jurisdiction
 - iii. Enterprise Zones
 - iv. Special Taxing Jurisdictions
- c. Determine proper tax rates based on transaction date and jurisdiction.
- d. Determine proper reporting of tax to each jurisdiction.

2013 Annual Report of Amendments to the Streamlined Sales and Use Tax Agreement (SSUTA) and Streamlined Sales Tax Governing Board (SSTGB) Rules and Interpretive Opinions

Minimum Requirement: Jurisdiction information must meet the standard set by state in its Boundary Table. Tax Rates for each jurisdiction must comply with each state's Rate Table. See Rates and Boundary Databases Instructional Paper, August 2005 - in Library on Streamlined salestax.org website (Reference Number IP05006).

3. Tax Calculations

- a. Uniform rounding rules (Section 324, SSUTA)
- b. Returns and credits (test calculation by using a negative sale amount)
- c. Caps and thresholds

4. SER

- a. Completion of SER
- b. Completion of SER Part II - Exemption Information, if required by that state.
- c. Filing of SER to include the transmission to the state using the standard protocol approved by the Governing Board.
- d. Remittance using SER - Test accuracy in completing the financial transaction. No funds are transferred during testing.

Testing the SER is to be completed prior to certification of a CSP or CAS candidate and prior to implementation of changes to the SER Schema.

C. CSP or CAS Self Evaluation Prior to Testing by States.

Testing should begin when:

1. The candidate determines their system is ready,
2. The online system is ready (see section D),
3. A self-evaluation is completed by running a test deck provided by Testing Central (TC) to determine if the system produces the expected results.

D. CSP and CAS Online System.

An online system must be provided by a candidate during the test phase and by the CSP or CAS provider on an ongoing basis to use in day to day testing and testing when changes to the systems are made. This site shall be available 24/7.

Online entry screen. A web-based, password-protected, online entry and upload/download screen shall be available and allow states the capability to enter transactions to test sourcing, tax calculations and verify the results. This functionality allows the individual states to quickly identify problems with the CSP or CAS provider/candidate tax engine to accurately calculate and return a response on a transaction for each individual state and the unique processing requirements for that state's sourcing and taxing rules.

2013 Annual Report of Amendments to the Streamlined Sales and Use Tax Agreement (SSUTA) and Streamlined Sales Tax Governing Board (SSTGB) Rules and Interpretive Opinions

The online screen will have a minimum of the following features as found in most shopping carts:

Invoice date
Order received address
Ship to address
Shipping method
SKU number
Gross sales price
Taxing jurisdiction(s)
Tax rate(s)
Tax calculation

Upload/Download abilities. The web-enabled site must be capable of receiving the test decks as described in section E, computing the output, and return the output files

E. Test Transactions (Test Deck).

The test transactions (Test Deck) are used to review sourcing, tax rates, tax calculations, and product or definition taxability. [based on the SKU Matrix. \(Section 4.2\)](#) The test deck also provides data to be used in testing the SER.

The test deck should include both correct and erroneous transactions, which represent the entire range of anticipated errors such as incorrect addresses and missing data.

Test decks should be of sufficient size to accommodate all types of transactions the states can test in this process. The size of the test decks will vary depending on each state's needs. States with a single tax rate may not need to do as much extensive sourcing testing as states with many tax jurisdictions.

States may choose to include all types of transactions in one test deck. A state may also begin testing with a smaller test deck to test sourcing and rates. As testing progresses, the state can include additional transactions to test product taxability (SKUs) and exempt customers or they may choose to utilize multiple test decks. A test deck may test basic boundary and rate issues, complex issues, [SKU-product](#) taxability or any combination of these issues.

Submission of Test Decks. Test decks are submitted to the CSP or CAS candidate, CSP or CAS provider directly by the state or by TC.

- Candidate Self-evaluation: TC will forward test decks and test deck expected results from each state to the candidate for use in evaluating the candidate's system prior to testing by the states.

2013 Annual Report of Amendments to the Streamlined Sales and Use Tax Agreement (SSUTA) and Streamlined Sales Tax Governing Board (SSTGB) Rules and Interpretive Opinions

- Certification Process: States will send their test deck to the CSP or CAS candidates as needed.
- Quarterly Testing: TC compiles test decks from each state into one test deck. TC sends the test deck to all CSPs by the first of the month prior to the start of each calendar quarter. The quarterly test deck is used to verify changes in new rate and boundary tables posted quarterly and [product](#) taxability of SKUs.
- Ongoing Change Requests: States will send their test decks to the CSP or CAS provider as needed to verify changes made or requested by the state, CSP, or CAS provider.

File Format: The Test Deck will be in a comma delimited text format (.csv) with no header row. Do not embed any commas in any field.

The test deck fields, format, record length, and required order are listed below.

Field Number	Field Name	Description	Format	Length	Mandatory Field
1	Date	Transaction date	YYYYMMDD	8	N
2	Record Number	Identifying number	Numeric	8	Y
3	Seller SSTID	Seller SSTID	Alpha/Numeric	9	Y
4	Seller Location ID	Seller location ID	Alpha/Numeric	9	N
5	Seller State	State where seller is located	Alpha	2	N
6	Delivery Method	Is delivery in seller vehicle?	Y/N	1	N
7	Customer Entity Code	Is customer taxable?	T/E	1	Y
8*	Order Received Address	Street name, number, or PO Box	Alpha/Numeric	40	N
9*	Order Received Suite	Suite, Apt, Lot	Alpha/Numeric	40	N
10*	Order Received City	Name of city	Alpha	40	N

2013 Annual Report of Amendments to the Streamlined Sales and Use Tax Agreement (SSUTA) and Streamlined Sales Tax Governing Board (SSTGB) Rules and Interpretive Opinions

11*	Order Received State	2 character state abbreviation	Alpha	2	N
12*	Order Received Zip Code	5 character zip code	Numeric	5	N
13*	Order Received Zip Plus	4 character zip extension	Numeric	4	N
14	Ship to Address	Street name, number, or PO Box	Alpha/Numeric	40	Y
15	Ship to Suite	Suite, Apt, Lot	Alpha/Numeric	40	N
16	Ship to City	Name of city	Alpha	40	Y
17	Ship to State	2 character state abbreviation	Alpha	2	Y
18	Ship to Zip Code	5 character zip code	Numeric	5	Y
19	Ship to Zip Plus	4 character zip extension	Numeric	4	N
20	SKU Reference Number	Stock keeping unit Reference Number	Numeric	19	N
21	Amount of Sale	Total amount of sale	Numeric	15 including 2 decimals	Y

*** Fields 8 through 13 are only to be used by states having origin sourcing for in-state sales.**

During processing, the [SKU Reference Number](#) and Customer Entity Code shall be used as follows:

- [SKU Reference Number](#) & ‘T’ = Taxable unless [SKU Reference Number](#) is coded as exempt on [the state’s Tax Matrix](#)
- [SKU Reference Number](#) & ‘E’ = Exempt (Customer provided exemption certificate, does not matter if [SKU Reference Number](#) is taxed or exempt)
- No [SKU Reference Number](#) & ‘T’ = Taxable (If [SKU Reference Number](#) is not listed, default for the product is taxable)
- No [SKU Reference Number](#) & ‘E’ = Exempt (Customer provided exemption certificate, does not matter if [SKU Reference Number](#) is taxed or exempt)

An explanation of each field and what can be tested with that field is as follows. A single entry may test for more than one issue, for example you may test sourcing, rates, and taxability in one entry.

1. Date - Date of the transaction

2013 Annual Report of Amendments to the Streamlined Sales and Use Tax Agreement (SSUTA) and Streamlined Sales Tax Governing Board (SSTGB) Rules and Interpretive Opinions

- a. Blank dates will be populated with current date by CSP or CAS provider if the test deck is not the Quarterly Test Deck. If the date is blank in the Quarterly test deck sent by Testing Central the CSP will populate the date with the first day of the testing quarter.
 - b. Dates may be used to:
 - i. Test for rate changes - by entering a date prior to rate change and one after the rate change.
 - ii. Test for tax rates on returned items purchased prior to a rate change - Use a negative amount for the return amount and a date prior to the rate change (to represent the purchase date).
2. Record Number
- a. Missing or nonnumeric record numbers will generate errors.
3. Seller SSTID (See section I)
- a. Seller SSTIDs are provided for each state to use in the Test Deck. States may use some or all of the Seller SSTIDs for that state.
4. Seller Location ID
5. Seller State
- a. State seller is located in may be different from state where order is received.
 - b. In-State Seller – determined by seller state versus ship to state.
 - c. Out-of-State Seller – determined by seller state versus ship to state.
6. Delivery Method - No longer used
7. Customer Entity Code
- a. Identifies taxable or exempt customers.
 - i. T - Taxable customer
 - ii. E - Exempt Customer
 - iii. Include both T and E codes in the test deck
 - iv. Does not check validity of exemption - completed exemption certificate, exempt entity, prescription provided, etc.
8. to 13. Order Received Address
- a. Tests sourcing for origin states
 - i. Include vendors receiving orders in state with deliveries in and out of state
 - ii. Include vendors receiving orders out of state with deliveries in and out of state
 - b. States with destination sourcing do not use fields 8 to 13
14. to 19. Ship to Address

2013 Annual Report of Amendments to the Streamlined Sales and Use Tax Agreement (SSUTA) and Streamlined Sales Tax Governing Board (SSTGB) Rules and Interpretive Opinions

- a. Tests sourcing for destination states
- b. Tests sourcing for out-of-state deliveries for origin states
 - i. Include delivery addresses in and out of state.
 - ii. Include vendors with addresses in and out of state.

Address information in fields 8-19 is used to test sourcing -- determines which jurisdictions receive tax on the transaction. States may choose to include transactions from all jurisdictions or a sampling of jurisdictions. Transactions should be included from jurisdictions that impose tax and those that do not impose tax.

States that have complex boundary identification issues should include addresses that encompass multiple jurisdictions or cross city, county, and zip code boundaries. All levels of address must be represented, street, zip4 and 5 digit zip.

Jurisdiction testing should return the FIPS code for each jurisdiction for that address. The FIPS code is used to determine the tax rates. The tax table has rates listed by FIPS code.

Watch for:

- Sourcing - is it based on order received address or ship to address (origin or destination sourcing)
- Use of address level information (must be exact match to boundary table information)
- Use of zip 4 information (if address level does not match)
- Use of zip information (if no address or zip4 match) - this will return the lowest tax rate for that zip code.

If the test deck addresses are not run through a CASS (Coding Accuracy Support System) and the addresses are not in proper format or zip4 is missing, they will probably not match to the correct jurisdictions.

If USPS does not deliver to an address, that address will not have a Zip4. Most CASS systems will not correct the format of an address not in the USPS system. However, other delivery companies may make delivery to the address.

Testing for address without Zip4 will only match if address is exactly as in the boundary table.

Testing should be done for PO Boxes as products can be shipped to a PO Box. A PO Box should have a Zip4, a match should be made at that level.

20. [SKUReference Number](#)

2013 Annual Report of Amendments to the Streamlined Sales and Use Tax Agreement (SSUTA) and Streamlined Sales Tax Governing Board (SSTGB) Rules and Interpretive Opinions

- a. Tests taxability of products and administrative definitions in SSUTA using [SKUs-Reference Numbers](#) from ~~Sales-ProductTax~~ Matrix ([SSTGB Form F0014](#)) as revised May of each year. Testing using reference numbers from the current year's tax matrix will begin with the fourth quarter testing. (section J). Results should correspond with the state's Taxability Matrix.
- b. Include all [SKUs-Reference Numbers](#) in the test deck to validate proper tax application.

21. Amount of Sale

- a. Use a variety of sales amounts.
 - i. Large and small dollar amounts, including cents
 - ii. Positive and negative amounts
- b. Test for:
 - i. Tax calculation
 - ii. Rounding rules

F. Test Deck Output.

Test Deck Output Transmission

- Test Decks submitted online: Upon completion of processing, the candidate, CSP, or CAS provider shall notify the state that the Test Deck Output files are available for retrieval on their online site. The testing state will download the data and compare the actual results with the expected results.
- Test Decks submitted Quarterly by TC: The CSP or CAS provider will send the Test Deck Output files to TC no later than 15 days prior to the beginning of the tested quarter. TC will send the file to the states to review. Any changes sent to the CSP or CAS after the 1st of the month will be individually tested with that state.

The resulting Test Deck Output files will consist of two files:

1. Results - Transaction records with jurisdiction and rate results
2. Errors – Transaction records with errors

File Names: Resulting Test Deck Output files will follow this naming convention:

014TD20100101R.csv
014TD20100101E.csv

First three digits will be the last three digits of the CSP or CAS SSTID, 'TD' indicates test deck, date (YYYYMMDD) test was completed. The last character is 'R' for results or 'E' for errors.

File Format: The Test Deck Output files will be in a comma delimited text format (.csv) with no header row. Do not embed any commas in any field.

2013 Annual Report of Amendments to the Streamlined Sales and Use Tax Agreement (SSUTA) and Streamlined Sales Tax Governing Board (SSTGB) Rules and Interpretive Opinions

Results File

Each row of the Results file shall contain the original uploaded data plus fields appended with the results. The Results file fields, format, record length, and required order are listed below.

Number	Field Name	Description	Format	Length
1	Date	Transaction date	YYYYMMDD	8
2	Record Number	Identifying number	Numeric	8
3	Seller SST ID	Seller SST ID	Alpha/Numeric	9
4	Seller Location ID	Seller Location ID	Alpha/Numeric	9
5	Seller State	State where seller is located	Alpha	2
6	Delivery Method	Is delivery in seller vehicle?	Y/N	1
7	Customer Entity Code	Is customer taxable?	T/E	1
8*	Order Received Address	Street name, number, or PO Box	Alpha/Numeric	40
9*	Order Received Suite	Suite, Apt, Lot	Alpha/Numeric	40
10*	Order Received City	Name of city	Alpha	40
11*	Order Received State	2 character state abbreviation	Alpha	2
12*	Order Received Zip Code	5 character zip code	Numeric	5
13*	Order Received Zip Plus	4 character zip extension	Numeric	4
14	Ship to Address	Street name, number, or PO Box	Alpha/Numeric	40
15	Ship to Suite	Suite, Apt, Lot	Alpha/Numeric	40
16	Ship to City	Name of city	Alpha	40
17	Ship to State	2 character state abbreviation	Alpha	2
18	Ship to Zip Code	5 character zip code	Numeric	5
19	Ship to Zip Plus	4 character zip extension	Numeric	4

2013 Annual Report of Amendments to the Streamlined Sales and Use Tax Agreement (SSUTA) and Streamlined Sales Tax Governing Board (SSTGB) Rules and Interpretive Opinions

20	SKU Reference Number	Stock-keeping-unit Reference Number	Numeric	5
21	Total Sales Amount	Total amount of sale	Numeric	15 including 2 decimals
22	ResultType	0=good address used 2=address unknown, fallback to zip	Numeric	1
23	Taxability Code	Taxable/Non-taxable flag for item	Y/N	1
24	FIPS Jurisdiction Code 1	First FIPS Jurisdiction Code	Numeric	5
25	FIPS Tax Rate 1	First FIPS Tax Rate	Numeric	6 including 5 decimals
26	FIPS Tax Amount 1	Numeric value representing tax for first FIPS	Numeric	15 including 2 decimals
27	FIPS Jurisdiction Code 2	Second FIPS Jurisdiction Code	Numeric	5
28	FIPS Tax Rate 2	Second FIPS Tax Rate	Numeric	6 including 5 decimals
29	FIPS Tax Amount 2	Numeric value representing tax for second FIPS	Numeric	15 including 2 decimals
30	FIPS Jurisdiction Code 3	Third FIPS Jurisdiction Code	Numeric	5
31	FIPS Tax Rate 3	Third FIPS Tax Rate	Numeric	6 including 5 decimals
32	FIPS Tax Amount 3	Numeric value representing tax for third FIPS	Numeric	15 including 2 decimals
33	FIPS Jurisdiction Code 4	Fourth FIPS Jurisdiction Code	Numeric	5
34	FIPS Tax Rate 4	Fourth FIPS Tax Rate	Numeric	6 including 5 decimals
35	FIPS Tax Amount 4	Numeric value representing tax for fourth FIPS	Numeric	15 including 2 decimals
36	FIPS Jurisdiction Code 5	Fifth FIPS Jurisdiction Code	Numeric	5
37	FIPS Tax Rate 5	Fifth FIPS Tax Rate	Numeric	6 including 5 decimals

2013 Annual Report of Amendments to the Streamlined Sales and Use Tax Agreement (SSUTA) and Streamlined Sales Tax Governing Board (SSTGB) Rules and Interpretive Opinions

38	FIPS Tax Amount 5	Numeric value representing tax for fifth FIPS	Numeric	15 including 2 decimals
39	FIPS Jurisdiction Code 6	Sixth FIPS Jurisdiction Code	Numeric	5
40	FIPS Tax Rate 6	Sixth FIPS Tax Rate	Numeric	6 including 5 decimals
41	FIPS Tax Amount 6	Numeric value representing tax for sixth FIPS	Numeric	15 including 2 decimals
42	FIPS Jurisdiction Code 7	Seventh FIPS Jurisdiction Code	Numeric	5
43	FIPS Tax Rate 7	Seventh FIPS Tax Rate	Numeric	6 including 5 decimals
44	FIPS Tax Amount 7	Numeric value representing tax for seventh FIPS	Numeric	15 including 2 decimals
45	FIPS Jurisdiction Code 8	Eighth FIPS Jurisdiction Code	Numeric	5
46	FIPS Tax Rate 8	Eighth FIPS Tax Rate	Numeric	6 including 5 decimals
47	FIPS Tax Amount 8	Numeric value representing tax for eighth FIPS	Numeric	15 including 2 decimals
48	FIPS Jurisdiction Code 9	Ninth FIPS Jurisdiction Code	Numeric	5
49	FIPS Tax Rate 9	Ninth FIPS Tax Rate	Numeric	6 including 5 decimals
50	FIPS Tax Amount 9	Numeric value representing tax for ninth FIPS	Numeric	15 including 2 decimals
51	FIPS Jurisdiction Code 10	Tenth FIPS Jurisdiction Code	Numeric	5
52	FIPS Tax Rate 10	Tenth FIPS Tax Rate	Numeric	6 including 5 decimals
53	FIPS Tax Amount 10	Numeric value representing tax for tenth FIPS	Numeric	15 including 2 decimals
54	FIPS Jurisdiction Code 11	Eleventh FIPS Jurisdiction Code	Numeric	5
55	FIPS Tax Rate 11	Eleventh FIPS Tax Rate	Numeric	6 including 5 decimals

2013 Annual Report of Amendments to the Streamlined Sales and Use Tax Agreement (SSUTA) and Streamlined Sales Tax Governing Board (SSTGB) Rules and Interpretive Opinions

56	FIPS Tax Amount 11	Numeric value representing tax for eleventh FIPS	Numeric	15 including 2 decimals
57	FIPS Jurisdiction Code 12	Twelfth FIPS Jurisdiction Code	Numeric	5
58	FIPS Tax Rate 12	Twelfth FIPS Tax Rate	Numeric	6 including 5 decimals
59	FIPS Tax Amount 12	Numeric value representing tax for twelfth FIPS	Numeric	15 including 2 decimals
60	FIPS Jurisdiction Code 13	Thirteenth FIPS Jurisdiction Code	Numeric	5
61	FIPS Tax Rate 13	Thirteenth FIPS Tax Rate	Numeric	6 including 5 decimals
62	FIPS Tax Amount 13	Numeric value representing tax for thirteenth FIPS	Numeric	15 including 2 decimals
63	FIPS Jurisdiction Code 14	Fourteenth FIPS Jurisdiction Code	Numeric	5
64	FIPS Tax Rate 14	Fourteenth FIPS Tax Rate	Numeric	6 including 5 decimals
65	FIPS Tax Amount 14	Numeric value representing tax for fourteenth FIPS	Numeric	15 including 2 decimals
66	FIPS Jurisdiction Code 15	Fifteenth FIPS Jurisdiction Code	Numeric	5
67	FIPS Tax Rate 15	Fifteenth FIPS Tax Rate	Numeric	6 including 5 decimals
68	FIPS Tax Amount 15	Numeric value representing tax for fifteenth FIPS	Numeric	15 including 2 decimals
69	FIPS Jurisdiction Code 16	Sixteenth FIPS Jurisdiction Code	Numeric	5
70	FIPS Tax Rate 16	Sixteenth FIPS Tax Rate	Numeric	6 including 5 decimals
71	FIPS Tax Amount 16	Numeric value representing tax for sixteenth FIPS	Numeric	15 including 2 decimals
72	FIPS Jurisdiction Code 17	Seventeenth FIPS Jurisdiction Code	Numeric	5
73	FIPS Tax Rate 17	Seventeenth FIPS Tax Rate	Numeric	6 including 5 decimals

2013 Annual Report of Amendments to the Streamlined Sales and Use Tax Agreement (SSUTA) and Streamlined Sales Tax Governing Board (SSTGB) Rules and Interpretive Opinions

74	FIPS Tax Amount 17	Numeric value representing tax for seventeenth FIPS	Numeric	15 including 2 decimals
75	FIPS Jurisdiction Code 18	Eighteenth FIPS Jurisdiction Code	Numeric	5
76	FIPS Tax Rate 18	Eighteenth FIPS Tax Rate	Numeric	6 including 5 decimals
77	FIPS Tax Amount 18	Numeric value representing tax for eighteenth FIPS	Numeric	15 including 2 decimals
78	FIPS Jurisdiction Code 19	Nineteenth FIPS Jurisdiction Code	Numeric	5
79	FIPS Tax Rate 19	Nineteenth FIPS Tax Rate	Numeric	6 including 5 decimals
80	FIPS Tax Amount 19	Numeric value representing tax for nineteenth FIPS	Numeric	15 including 2 decimals
81	FIPS Jurisdiction Code 20	Twentieth FIPS Jurisdiction Code	Numeric	5
82	FIPS Tax Rate 20	Twentieth FIPS Tax Rate	Numeric	6 including 5 decimals
83	FIPS Tax Amount 20	Numeric value representing tax for twentieth FIPS	Numeric	15 including 2 decimals
84	Total Sales Amount	Numeric value representing total sales amount	Numeric	15 including 2 decimals
85	Total Tax Amount	Sum of FIPS tax amounts 1 - 20	Numeric	15 including 2 decimals

Error File

A record or file will error for such reasons as an incorrect number of record fields in the file, fields (including blanks/nulls) that are not separated by commas and errors specific to the contents of the field. Questionable transactions should be included in the error file for further review.

The Error File fields, format, record length, and required order are listed below.

Field Name	Description	Format	Length
Date	Transaction Date	YYYYMMDD	10

2013 Annual Report of Amendments to the Streamlined Sales and Use Tax Agreement (SSUTA) and Streamlined Sales Tax Governing Board (SSTGB) Rules and Interpretive Opinions

Record Number	Identifying number	Numeric	8
Seller SST ID	Seller SST ID	Alpha/Numeric	9
Seller Location ID	Seller Location ID	Alpha/Numeric	9
Seller State	State where seller is located	Alpha	2
Delivery Method	Is delivery in seller vehicle?	Y/N	1
Customer Entity Code	Is customer taxable?	T/E	1
Order Received Address	Street name, number, or PO Box	Alpha/Numeric	40
Order Received Suite	Suite, Apt, Lot	Alpha/Numeric	40
Order Received City	Name of city	Alpha	40
Order Received State	2 character state abbreviation	Alpha	2
Order Received Zip Code	5 character zip code	Numeric	5
Order Received Zip Plus	4 character zip extension	Numeric	4
Ship to Address	Street name, number, or PO Box	Alpha/Numeric	40
Ship to Suite	Suite, Apt, Lot	Alpha/Numeric	40
Ship to City	Name of city	Alpha	40
Ship to State	2 character state abbreviation	Alpha	2
Ship to Zip Code	5 character zip code	Numeric	5
Ship to Zip Plus	4 character zip extension	Numeric	4
SKU Reference Number	Stock keeping code Reference Number	Numeric	5
Total Sales Amount	Total amount of sale	Numeric	15 including 2 decimals
Error Code	Type of error	Numeric	2
Error Comments	Explanation of error	Alpha/Numeric	100

Error Codes and explanation of Code for use in the Error File.

Error Code	Error Field	Message
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2013 Annual Report of Amendments to the Streamlined Sales and Use Tax Agreement (SSUTA) and Streamlined Sales Tax Governing Board (SSTGB) Rules and Interpretive Opinions

01	Date	Transaction date invalid format
02	Seller SST ID	Seller SST ID invalid or missing
03	Seller State	State invalid
04	Ship to Address	Address unavailable or incorrect format
05	N/A	N/A
06	Ship to City	City unavailable or incorrect format
07	Ship to State	State unavailable or incorrect format or zip does not match
08	Ship to Zip Code	Zip code unavailable or incorrect format
09	Ship to Zip Plus	Zip plus incorrect format
10	SKU Reference Number	Stock keeping unit invalid Reference Number invalid
11	Amount of Sale	Amount of sale incorrect format or missing
12	Entire Record	Improper record
13	Customer Entity Code	Code missing
14	Record Number	Record number missing
15	Order Received Address	Address unavailable or incorrect format
16	Order Received to City	City in incorrect format
17	Order Received to State	State in incorrect format or zip does not match
18	Order Received to Zip Code	Zip code in incorrect format
19	Order Received to Zip Plus	Zip plus incorrect format

H. End-to-End Testing. After states verify accuracy of tax calculations, end-to-end testing should be performed. End-to-end testing allows the state to review the process from entry of the transaction through the transmission of the SER, including the financial transaction in test mode transmission to the state using the standard protocol approved by the Governing Board.

2013 Annual Report of Amendments to the Streamlined Sales and Use Tax Agreement (SSUTA) and Streamlined Sales Tax Governing Board (SSTGB) Rules and Interpretive Opinions

End-to-end testing may be done by using the same test decks used to verify accuracy of tax calculations or a state may choose to use a smaller test deck(s) to verify accuracy of SER for multiple or complex jurisdictions. The test deck should be checked for accurate results prior to testing the SER. The test deck is sent to the CSP or CAS candidate by using the CSP or CAS online system or by email as determined at that time.

The CSP or CAS candidate should process the test deck and complete the SER including applicable financial transaction information. The completed SER should be sent to the state in test mode as if it were an actual return being filed. The CSP or CAS candidate will need to contact each state to obtain information on where the SER test results are filed and any password or ID information the state may require. Each transaction shall have a unique system identification number. The data submitted and the data returned shall be saved as the transaction details. The state will verify if the SER is processed properly and the fields contain the correct data.

Testing is to confirm the process is accurate and conforms to the SST Guidelines. The official XML schemas can be found on the TIGERS website at <http://www.statemef.com>, under Projects, SST-Streamlined Sales Tax.

The Implementation Guide on the SSTP website technology page provides details as to what is included in the schema.

I. SST IDs for testing.

Each state is provided with 50 SST IDs to use in the testing process. These SST IDs are readily identifiable so they will not be comingled with production transactions.

State/Possession	Abbreviation	Beginning Number	Ending Number
ALABAMA	AL	S00001001	S00001050
ALASKA	AK	S00002001	S00002050
ARIZONA	AZ	S00003001	S00003050
ARKANSAS	AR	S00004001	S00004050
CALIFORNIA	CA	S00005001	S00005050
COLORADO	CO	S00006001	S00006050
CONNECTICUT	CT	S00007001	S00007050
DELAWARE	DE	S00008001	S00008050
DISTRICT OF COLUMBIA	DC	S00009001	S00009050
FLORIDA	FL	S00010001	S00010050

2013 Annual Report of Amendments to the Streamlined Sales and Use Tax Agreement (SSUTA) and Streamlined Sales Tax Governing Board (SSTGB) Rules and Interpretive Opinions

GEORGIA	GA	S00011001	S00011050
GUAM	GU	S00012001	S00012050
HAWAII	HI	S00013001	S00013050
IDAHO	ID	S00014001	S00014050
ILLINOIS	IL	S00015001	S00015050
INDIANA	IN	S00016001	S00016050
IOWA	IA	S00017001	S00017050
KANSAS	KS	S00018001	S00018050
KENTUCKY	KY	S00019001	S00019050
LOUISIANA	LA	S00020001	S00020050
MAINE	ME	S00021001	S00021050
MARYLAND	MD	S00022001	S00022050
MASSACHUSETTS	MA	S00023001	S00023050
MICHIGAN	MI	S00024001	S00024050
MINNESOTA	MN	S00025001	S00025050
MISSISSIPPI	MS	S00026001	S00026050
MISSOURI	MO	S00027001	S00027050
MONTANA	MT	S00028001	S00028050
NEBRASKA	NE	S00029001	S00029050
NEVADA	NV	S00030001	S00030050
NEW HAMPSHIRE	NH	S00031001	S00031050
NEW JERSEY	NJ	S00032001	S00032050
NEW MEXICO	NM	S00033001	S00033050
NEW YORK	NY	S00034001	S00034050
NORTH CAROLINA	NC	S00035001	S00035050

2013 Annual Report of Amendments to the Streamlined Sales and Use Tax Agreement (SSUTA) and Streamlined Sales Tax Governing Board (SSTGB) Rules and Interpretive Opinions

NORTH DAKOTA	ND	S00036001	S00036050
OHIO	OH	S00037001	S00037050
OKLAHOMA	OK	S00038001	S00038050
OREGON	OR	S00039001	S00039050
<u>Not Used</u>		S00040001	S00040050
PENNSYLVANIA	PA	S00041001	S00041050
RHODE ISLAND	RI	S00042001	S00042050
SOUTH CAROLINA	SC	S00043001	S00043050
SOUTH DAKOTA	SD	S00044001	S00044050
TENNESSEE	TN	S00045001	S00045050
TEXAS	TX	S00046001	S00046050
UTAH	UT	S00047001	S00047050
VERMONT	VT	S00048001	S00048050
VIRGINIA	VA	S00049001	S00049050
WASHINGTON	WA	S00050001	S00050050
WEST VIRGINIA	WV	S00051001	S00051050
WISCONSIN	WI	S00052001	S00052050
WYOMING	WY	S00053001	S00053050
PUERTO RICO	PR	S00054001	S00054050

~~J. Sales Product Matrix (SKU Matrix):~~

~~The Certification Committee will maintain the Sales Product Matrix (SKU Matrix). TC will notify states, CAS providers, and CSPs when an updated SKU Matrix is available to use. The SKU matrix will correspond with products and administrative definitions included on the Taxability Matrix and may also include SKUs for products and administrative definitions approved but not yet included on the Taxability Matrix. States are responsible for notifying the CSP or CAS provider of the taxability of items not listed on their Taxability Matrix.~~

~~The SKUs correspond with Tax Matrix (SSTGB Form F0014) Revised May 24, 2012.~~

2013 Annual Report of Amendments to the Streamlined Sales and Use Tax Agreement (SSUTA) and Streamlined Sales Tax Governing Board (SSTGB) Rules and Interpretive Opinions

	Administrative Definitions
	Sales price: Identify how the options listed below are treated in your state. The following options may be excluded from the definition of sales price only if they are separately stated on the bill to the purchaser.
10010	<ul style="list-style-type: none"> ● Charges by the seller for any services necessary to complete the sale other than delivery and installation
10070	<ul style="list-style-type: none"> ● Telecommunication nonrecurring charges
10040	<ul style="list-style-type: none"> ● Installation charges
10060	<ul style="list-style-type: none"> ● Value of trade in
	<ul style="list-style-type: none"> ● Delivery Charges for personal property or services other than direct mail. The following charges are included in the definition of sales price unless your state excludes them from sales price when such charges are separately stated on the bill to the purchaser. For responses below assume the charges are separately stated on the bill to the purchaser.
11000	<ul style="list-style-type: none"> ● Handling, crating, packing, preparation for mailing or delivery, and similar charges
11010	<ul style="list-style-type: none"> ● Transportation, shipping, postage, and similar charges
	<ul style="list-style-type: none"> ● Delivery Charges for direct mail. The following charges are included in the definition of sales price unless your state excludes them from sales price when such charges are separately stated on the bill to the purchaser. For responses below assume the charges are separately stated on the bill to the purchaser.
11020	<ul style="list-style-type: none"> ● Handling, crating, packing, preparation for mailing or delivery, and similar charges
11021	<ul style="list-style-type: none"> ● Transportation, shipping, and similar charges
11022	<ul style="list-style-type: none"> ● Postage
	State, Local and Tribal Taxes
11110	<ul style="list-style-type: none"> ● State and local taxes on a retail sale that are imposed on the seller if the state statute authorizing or imposing the tax provides that the seller may, but is not required, to collect such tax from the consumer. The tax must be separately stated on the invoice, bill of sale or similar document given to the purchaser.
11120	<ul style="list-style-type: none"> ● Tribal taxes on a retail sale that are imposed on the seller if the Tribal law authorizing or imposing the tax provides that the seller may, but is not required to collect such tax from the consumer.
	Sales Tax Holidays

2013 Annual Report of Amendments to the Streamlined Sales and Use Tax Agreement (SSUTA) and Streamlined Sales Tax Governing Board (SSTGB) Rules and Interpretive Opinions

	Sales Tax Holidays: Does your state have a sales tax holiday?
	If yes, indicate the tax treatment during your state sales tax holiday for the following products:
20060	<ul style="list-style-type: none"> ● All Energy star qualified products
	<ul style="list-style-type: none"> ● Specific energy star qualified products or energy star qualified classifications
	➤
	➤
	➤
20150	<ul style="list-style-type: none"> ● All Disaster Preparedness Supply
	<ul style="list-style-type: none"> ● Specific Disaster Preparedness Supply
20160	➤ Disaster preparedness general supply
20170	➤ Disaster preparedness safety supply
20180	➤ Disaster preparedness food-related supply
20190	➤ Disaster preparedness fastening supply
20070	<ul style="list-style-type: none"> ● School supply
20080	<ul style="list-style-type: none"> ● School art supply
20090	<ul style="list-style-type: none"> ● School instructional material
20100	<ul style="list-style-type: none"> ● School computer supply
	Other products defined in Part II of the Library of Definitions included in your state sales tax holiday:
20130	<ul style="list-style-type: none"> ● Clothing
20110	<ul style="list-style-type: none"> ● Computers
20120	<ul style="list-style-type: none"> ● Prewritten computer software
	<ul style="list-style-type: none"> ●
	<ul style="list-style-type: none"> ●
	<ul style="list-style-type: none"> ●

2013 Annual Report of Amendments to the Streamlined Sales and Use Tax Agreement (SSUTA) and Streamlined Sales Tax Governing Board (SSTGB) Rules and Interpretive Opinions

	Product Definitions
	Clothing and related products
20010	● Clothing
20015	➤ Essential clothing priced below a state specific threshold
20050	➤ Fur clothing
20020	● Clothing accessories or equipment
20030	● Protective equipment
20040	● Sport or recreational equipment
	Computer related products
30100	● Computer
30040	● Prewritten computer software
30050	● Prewritten computer software delivered electronically
30060	● Prewritten computer software delivered via load and leave
30015	● Non-prewritten (custom) computer software
30025	● Non-prewritten (custom) computer software delivered electronically
30035	● Non-prewritten (custom) computer software delivered via load and leave
	Mandatory computer software maintenance contracts
30200	● Mandatory computer software maintenance contracts with respect to prewritten computer software
30210	● Mandatory computer software maintenance contracts with respect to prewritten computer software which is delivered electronically
30220	● Mandatory computer software maintenance contracts with respect to prewritten computer software which is delivered via load and leave
30230	● Mandatory computer software maintenance contracts with respect to non-prewritten (custom) computer software
30240	● Mandatory computer software maintenance contracts with respect to non-prewritten (custom) software which is delivered electronically
30250	● Mandatory computer software maintenance contracts with respect to non-prewritten (custom) software which is delivered via load and leave

2013 Annual Report of Amendments to the Streamlined Sales and Use Tax Agreement (SSUTA) and Streamlined Sales Tax Governing Board (SSTGB) Rules and Interpretive Opinions

	Optional computer software maintenance contracts
30300	<ul style="list-style-type: none"> ● Optional computer software maintenance contracts with respect to prewritten computer software that only provide updates or upgrades with respect to the software
30310	<ul style="list-style-type: none"> ● Optional computer software maintenance contracts with respect to prewritten computer software that only provide updates or upgrades delivered electronically with respect to the software
30320	<ul style="list-style-type: none"> ● Optional computer software maintenance contracts with respect to prewritten computer software that only provide updates or upgrades delivered via load and leave with respect to the software
30330	<ul style="list-style-type: none"> ● Optional computer software maintenance contracts with respect to non-prewritten (custom) computer software that only provide updates or upgrades with respect to the software
30340	<ul style="list-style-type: none"> ● Optional computer software maintenance contracts with respect to non-prewritten (custom) computer software that only provide updates or upgrades delivered electronically with respect to the software
30350	<ul style="list-style-type: none"> ● Optional computer software maintenance contracts with respect to non-prewritten (custom) computer software that only provide updates or upgrades delivered via load and leave with respect to the software
30360	<ul style="list-style-type: none"> ● Optional computer software maintenance contracts with respect to non-prewritten (custom) computer software that only provide support services to the software
30370	<ul style="list-style-type: none"> ● Optional computer software maintenance contracts with respect to non-prewritten (custom) computer software that provide updates or upgrades and support services to the software
30380	<ul style="list-style-type: none"> ● Optional computer software maintenance contracts with respect to non-prewritten (custom) computer software that provide updates or upgrades delivered electronically and support services to the software
30390	<ul style="list-style-type: none"> ● Optional computer software maintenance contracts with respect to non-prewritten (custom) computer software provide updates or upgrades delivered via load and leave and support services to the software
	<p>Indicate your state's tax treatment for optional computer software maintenance contracts with respect to prewritten computer software sold for one non-itemized price that include updates and upgrades and/or support services. Use percentages in the taxable and exempt columns to denote tax treatment in your state. For example: if all taxable put 100% in the taxable column; if all nontaxable/exempt put 100% in the exempt column; if 50% taxable and 50% nontaxable/exempt put 50% in the taxable column and 50% in the exempt column.</p>
30400	<ul style="list-style-type: none"> ● Optional computer software maintenance contracts with respect to prewritten computer software that provide updates or upgrades and support services to the software
30410	<ul style="list-style-type: none"> ● Optional computer software maintenance contracts with respect to prewritten computer software that provide updates and upgrades delivered electronically and support services to the software
30420	<ul style="list-style-type: none"> ● Optional computer software maintenance contracts with respect to prewritten computer software that provide updates and upgrades delivered via load and leave and support services to the software
30430	<ul style="list-style-type: none"> ● Optional computer software maintenance contracts with respect to prewritten computer software that only provide support services to the software

2013 Annual Report of Amendments to the Streamlined Sales and Use Tax Agreement (SSUTA) and Streamlined Sales Tax Governing Board (SSTGB) Rules and Interpretive Opinions

	Digital products (excludes telecommunications services, ancillary services and computer software)
31000	A state imposing tax on products “transferred electronically” is not required to adopt definitions for specified digital products. (“Specified digital products” includes the defined terms: digital audio visual works; digital audio works; and digital books.) Does your state impose tax on products transferred electronically other than digital audio visual works, digital audio works, or digital books?
31040	• Digital audio visual works sold to an end user with rights for permanent use
31070	• Digital audio works sold to an end user with rights for permanent use
31100	• Digital books sold to an end user with rights for permanent use
	For transactions other than those included above, a state must specifically impose and separately enumerate a broader imposition of the tax: Does your state impose tax on:
31065	• Digital audio visual works sold to users other than the end user.
31050	• Digital audio visual works sold with rights of use less than permanent use.
31060	• Digital audio visual works sold with rights of use conditioned on continued payment.
31095	• Digital audio works sold to users other than the end user.
31080	• Digital audio works sold with rights of use less than permanent.
31090	• Digital audio works sold with rights of use conditioned on continued payments.
31125	• Digital books sold to users other than the end user.
31110	• Digital books sold with rights of use less than permanent.
31120	• Digital books sold with rights of use conditioned on continued payments.
	Does your state treat subscriptions to products “transferred electronically” differently than a non-subscription purchase of such product?

2013 Annual Report of Amendments to the Streamlined Sales and Use Tax Agreement (SSUTA) and Streamlined Sales Tax Governing Board (SSTGB) Rules and Interpretive Opinions

	<p>Section 332H provides that states may have product-based exemptions for specific items within specified digital products. (“Specified digital products” includes the defined terms: digital audio visual works; digital audio works; and digital books.) List product-based exemptions for specific items included in specified digital products.</p> <p>Example: digital textbooks</p>
	<ul style="list-style-type: none"> •
	<ul style="list-style-type: none"> •
	<ul style="list-style-type: none"> •
	Food and food products
40030	<ul style="list-style-type: none"> • Food and food ingredients excluding alcoholic beverages and tobacco
40010	<ul style="list-style-type: none"> ○ Candy
40020	<ul style="list-style-type: none"> ○ Dietary Supplements
40050	<ul style="list-style-type: none"> ○ Soft Drinks
40060	<ul style="list-style-type: none"> ○ Bottled water
40040	<ul style="list-style-type: none"> ➤ Food sold through vending machines
41000	<ul style="list-style-type: none"> ➤ Prepared Food
	<p>Prepared food options – The following food items heated, mixed or combined by the seller are included in the definition of prepared food unless a state elects to exclude them from the definition of prepared food. Such food items excluded from prepared food are taxed the same as food and food ingredients. (Indicate how the options for the following food items that otherwise meet the definition of prepared food are treated in your state.)</p>
41010	<ul style="list-style-type: none"> ➤ Food sold without eating utensils provided by the seller whose primary NAICS classification is manufacturing in sector 311, except subsector 3118 (bakeries)
41020	<ul style="list-style-type: none"> ➤ Food sold without eating utensils provided by the seller in an unheated state by weight or volume as a single item
41030	<ul style="list-style-type: none"> ➤ Bakery items sold without eating utensils provided by the seller, including bread, rolls, buns, biscuits, bagels, croissants, pastries, donuts, Danish, cakes, tortes, pies, tarts, muffins, bars, cookies, tortillas
	Health-care products

2013 Annual Report of Amendments to the Streamlined Sales and Use Tax Agreement (SSUTA) and Streamlined Sales Tax Governing Board (SSTGB) Rules and Interpretive Opinions

	Drugs (indicate how the options are treated in your state)
	Drugs for human use
51010	• Drugs for human use without a prescription
51020	• Drugs for human use with a prescription
51050	• Insulin for human use without a prescription
51060	• Insulin for human use with a prescription
51090	• Medical oxygen for human use without a prescription
51100	• Medical oxygen for human use with a prescription
51130	• Over the counter drugs for human use without a prescription
51140	• Over the counter drugs for human use with a prescription
51170	• Grooming and hygiene products for human use
51190	• Drugs for human use to hospitals
51195	• Drugs for human use to other medical facilities
51200	• Prescription drugs for human use to hospitals
51205	• Prescription drugs for human use to other medical facilities
51240	• Free samples of drugs for human use
51250	• Free samples of prescription drugs for human use
	Drugs for animal use
51030	• Drugs for animal use without a prescription
51040	• Drugs for animal use with a prescription
51070	• Insulin for animal use without a prescription
51080	• Insulin for animal use with a prescription
51110	• Medical oxygen for animal use without a prescription
51120	• Medical oxygen for animal use with a prescription
51150	• Over the counter drugs for animal use without a prescription

2013 Annual Report of Amendments to the Streamlined Sales and Use Tax Agreement (SSUTA) and Streamlined Sales Tax Governing Board (SSTGB) Rules and Interpretive Opinions

51160	• Over the counter drugs for animal use with a prescription
51180	• Grooming and hygiene products for animal use
51210	• Drugs for animal use to veterinary hospitals and other animal medical facilities
51220	• Prescription drugs for animal use to hospitals and other animal medical facilities
51260	• Free samples of drugs for animal use
51270	• Free samples of prescription drugs for animal use
	Durable medical equipment (indicate how the options are treated in your state)
52010	• Durable medical equipment, not for home use, without a prescription
52020	• Durable medical equipment, not for home use, with a prescription
52030	• Durable medical equipment, not for home use, with a prescription paid for by Medicare
52040	• Durable medical equipment, not for home use, with a prescription reimbursed by Medicare
52050	• Durable medical equipment, not for home use, with a prescription paid for by Medicaid
52060	• Durable medical equipment, not for home use, with a prescription reimbursed by Medicaid
52070	• Durable medical equipment for home use without a prescription
52080	• Durable medical equipment for home use with a prescription
52090	• Durable medical equipment for home use with a prescription paid for by Medicare
52100	• Durable medical equipment for home use with a prescription reimbursed by Medicare
52110	• Durable medical equipment for home use with a prescription paid for by Medicaid
52120	• Durable medical equipment for home use with a prescription reimbursed by Medicaid
52130	• Oxygen delivery equipment, not for home use, without a prescription
52140	• Oxygen delivery equipment, not for home use, with a prescription
52150	• Oxygen delivery equipment, not for home use, with a prescription paid for by Medicare
52160	• Oxygen delivery equipment, not for home use, with a prescription reimbursed by Medicare
52170	• Oxygen delivery equipment, not for home use, with a prescription paid for by Medicaid
52180	• Oxygen delivery equipment, not for home use, with a prescription reimbursed by Medicaid

2013 Annual Report of Amendments to the Streamlined Sales and Use Tax Agreement (SSUTA) and Streamlined Sales Tax Governing Board (SSTGB) Rules and Interpretive Opinions

52190	● Oxygen delivery equipment for home use without a prescription
52200	● Oxygen delivery equipment for home use with a prescription
52210	● Oxygen delivery equipment for home use with a prescription paid for by Medicare
52220	● Oxygen delivery equipment for home use with a prescription reimbursed by Medicare
52230	● Oxygen delivery equipment for home use with a prescription paid for by Medicaid
52240	● Oxygen delivery equipment for home use with a prescription reimbursed by Medicaid
52250	● Kidney dialysis equipment, not for home use, without a prescription
52260	● Kidney dialysis equipment, not for home use, with a prescription
52270	● Kidney dialysis equipment, not for home use, with a prescription paid for by Medicare
52280	● Kidney dialysis equipment, not for home use, with a prescription reimbursed by Medicare
52290	● Kidney dialysis equipment, not for home use, with a prescription paid for by Medicaid
52300	● Kidney dialysis equipment, not for home use, with a prescription reimbursed by Medicaid
52310	● Kidney dialysis equipment for home use without a prescription
52320	● Kidney dialysis equipment for home use with a prescription
52330	● Kidney dialysis equipment for home use with a prescription paid for by Medicare
52340	● Kidney dialysis equipment for home use with a prescription reimbursed by Medicare
52350	● Kidney dialysis equipment for home use with a prescription paid for by Medicaid
52360	● Kidney dialysis equipment for home use with a prescription reimbursed by Medicaid
52370	● Enteral feeding systems, not for home use, without a prescription
52380	● Enteral feeding systems, not for home use, with a prescription
52390	● Enteral feeding systems, not for home use, with a prescription paid for by Medicare
52400	● Enteral feeding systems, not for home use, with a prescription reimbursed by Medicare
52410	● Enteral feeding systems, not for home use, with a prescription paid for by Medicaid
52420	● Enteral feeding systems, not for home use, with a prescription reimbursed by Medicaid
52430	● Enteral feeding systems for home use without a prescription

2013 Annual Report of Amendments to the Streamlined Sales and Use Tax Agreement (SSUTA) and Streamlined Sales Tax Governing Board (SSTGB) Rules and Interpretive Opinions

52440	• Enteral feeding systems for home use with a prescription
52450	• Enteral feeding systems for home use with a prescription paid for by Medicare
52460	• Enteral feeding systems for home use with a prescription reimbursed by Medicare
52470	• Enteral feeding systems for home use with a prescription paid for by Medicaid
52480	• Enteral feeding systems for home use with a prescription reimbursed by Medicaid
52490	• Repair and replacement parts for durable medical equipment which are for single patient use
	Mobility enhancing equipment (indicate how the options are treated in your state)
53010	• Mobility enhancing equipment without a prescription
53020	• Mobility enhancing equipment with a prescription
53030	• Mobility enhancing equipment with a prescription paid for by Medicare
53040	• Mobility enhancing equipment with a prescription reimbursed by Medicare
53050	• Mobility enhancing equipment with a prescription paid for by Medicaid
53060	• Mobility enhancing equipment with a prescription reimbursed by Medicaid
	Prosthetic devices (indicate how the options are treated in your state)
54010	• Prosthetic devices without a prescription
54020	• Prosthetic devices with a prescription
54030	• Prosthetic devices with a prescription paid for by Medicare
54040	• Prosthetic devices with a prescription reimbursed by Medicare
54050	• Prosthetic devices with a prescription paid for by Medicaid
54060	• Prosthetic devices with a prescription reimbursed by Medicaid
54070	• Corrective eyeglasses without a prescription
54080	• Corrective eyeglasses with a prescription
54090	• Corrective eyeglasses with a prescription paid for by Medicare

2013 Annual Report of Amendments to the Streamlined Sales and Use Tax Agreement (SSUTA) and Streamlined Sales Tax Governing Board (SSTGB) Rules and Interpretive Opinions

54100	●—Corrective eyeglasses with a prescription reimbursed by Medicare
54110	●—Corrective eyeglasses with a prescription paid for by Medicaid
54120	●—Corrective eyeglasses with a prescription reimbursed by Medicaid
54130	●—Contact lenses without a prescription
54140	●—Contact lenses with a prescription
54150	●—Contact lenses with a prescription paid for by Medicare
54160	●—Contact lenses with a prescription reimbursed by Medicare
54170	●—Contact lenses with a prescription paid for by Medicaid
54180	●—Contact lenses with a prescription reimbursed by Medicaid
54190	●—Hearing aids without a prescription
54200	●—Hearing aids with a prescription
54210	●—Hearing aids with a prescription paid for by Medicare
54220	●—Hearing aids with a prescription reimbursed by Medicare
54230	●—Hearing aids with a prescription paid for by Medicaid
54240	●—Hearing aids with a prescription reimbursed by Medicaid
54250	●—Dental prosthesis without a prescription
54260	●—Dental prosthesis with a prescription
54270	●—Dental prosthesis with a prescription paid for by Medicare
54280	●—Dental prosthesis with a prescription reimbursed by Medicare
54290	●—Dental prosthesis with a prescription paid for by Medicaid
54300	●—Dental prosthesis with a prescription reimbursed by Medicaid
	Telecommunications & related products
60010	●—Ancillary Services
60020	➤—Conference bridging service

2013 Annual Report of Amendments to the Streamlined Sales and Use Tax Agreement (SSUTA) and Streamlined Sales Tax Governing Board (SSTGB) Rules and Interpretive Opinions

—60030	➤—Detailed telecommunications billing service
60040	➤—Directory assistance
60050	➤—Vertical service
60060	➤—Voice mail service
	Telecommunications (Indicate how the options are treated in your state)
61000	●—Intrastate Telecommunications Service
61010	●—Interstate Telecommunications Service
61020	●—International Telecommunications Service
61030	●—International 800 service
61040	●—International 900 service
61050	●—International fixed wireless service
61060	●—International mobile wireless service
61080	●—International prepaid calling service
61090	●—International prepaid wireless calling service
61100	●—International private communications service
61110	●—International value added non voice data service
61120	●—International residential telecommunications service
61130	●—Interstate 800 service
61140	●—Interstate 900 service
61150	●—Interstate fixed wireless service
61160	●—Interstate mobile wireless service
61180	●—Interstate prepaid calling service
61190	●—Interstate prepaid wireless calling service
61200	●—Interstate private communications service

2013 Annual Report of Amendments to the Streamlined Sales and Use Tax Agreement (SSUTA) and Streamlined Sales Tax Governing Board (SSTGB) Rules and Interpretive Opinions

61210	• Interstate value added non-voice data service
61220	• Interstate residential telecommunications service
61230	• Intrastate 800 service
61240	• Intrastate 900 service
61250	• Intrastate fixed wireless service
61260	• Intrastate mobile wireless service
61280	• Intrastate prepaid calling service
61290	• Intrastate prepaid wireless calling service
61300	• Intrastate private communications service
61310	• Intrastate value added non-voice data service
61320	• Intrastate residential telecommunications service
61325	• Paging service
61330	• Coin-operated telephone service
61340	• Pay telephone service
61350	• Local Service as defined by _____(state)
	• _____

J. Responsibilities of Testing Central, States, CSP and CAS providers.

Testing Central Responsibilities:

1. TC will report to the Executive Director of SST and will provide the following:
 - a. Communication regarding changes to CSP and CAS systems and acceptance testing by member states.
 - b. Historical data concerning system changes, testing dates, and dates changes were migrated into production for auditors and state administrators.
 - c. Communication between the CSP, CAS providers, TIGERS, and member states to ensure system and format changes are implemented in a timely manner.
 - d. Monitoring of any necessary system changes and testing of systems.
2. Maintain contact lists of providers and member states.
3. Review rates and boundaries databases for new states.
4. Monitor and assist communication between states and providers.

2013 Annual Report of Amendments to the Streamlined Sales and Use Tax Agreement (SSUTA) and Streamlined Sales Tax Governing Board (SSTGB) Rules and Interpretive Opinions

5. Maintain up to date information on the certification and testing status of CSP and CAS candidates.
6. Provide system for tracking submitted, completed, and approved change requests (Forms TC0001 and TC0005).
7. Notify potential providers of member state change requests submitted on Form TC0001 and testing results.
8. Notify states of CSP and CAS provider changes submitted on Form TC0005. These changes may need regression testing.
9. Monitor testing time period for member states.
10. Notify appropriate parties of system change status (approved TC0005 or TC0001) (i.e., ready for testing, failed testing, production moves).
11. Provide reports upon request of outstanding and completed system changes.
12. Maintain system to capture complete change data. This will include backups of system.
13. Ensure current testing documents are available for new states and vendors.

State Responsibilities:

1. Test all functions provided by the candidate used in calculating and preparing returns and the processing of returns prior to certification. This includes tax rules, boundary and rates, and SER completion and processing.
2. Prepare, maintain, and submit test deck(s) for self-evaluation by candidates, testing candidates for certification, quarterly testing for updates to boundaries, rates, and [SKU product taxability](#), and for change requests submitted by a state, CSP or CAS provider.
3. Use the online system to test candidate functionality and accuracy through the submission, retrieval and analysis of that state's test deck transactions.
4. Review test deck output results and notify TC of errors or requested changes using Form TC0001.
5. Submit all requested changes to a CSP system or CAS to TC using form TC0001. This includes errors found during testing, changes to [the state's tax taxability](#) matrix ([SSTGB Form F0014](#)), state tax rates, and taxability of other products.
6. Submit all changes in tax application or rules to all CSPs and CAS providers when the change is made using Form TC0001. This includes changes made by law, regulations, administrative rules, policy or rulings. The CSP or CAS provider will review and make necessary changes to their tax rules, then send those changes to the state for approval.
7. Test changes in CSP systems or CAS made pursuant to a TC0001 or TC0005 after the CSP or CAS provider has notified the state the changes have been made and prior to the date of implementation if possible. Complete form TC0001 or TC0005 when the state has approved the changes and return form to TC.
8. The state should be able to clear the testing environment and do a total system reset for the state when appropriate. If the state uploads or downloads test results to a database, this will prevent duplication of records and mixing of prior results with current results.

2013 Annual Report of Amendments to the Streamlined Sales and Use Tax Agreement (SSUTA) and Streamlined Sales Tax Governing Board (SSTGB) Rules and Interpretive Opinions

9. Have resources readily available to resolve, correct, retest, and restore corrected application components into the test environment during testing.
10. Communicate all actions that will change the status of a change request (i.e. testing failure, pass/fail of change, production date etc.).
11. Maintain and provide to TC a current list of names and contact information of individuals authorized to submit change requests, approve test results and receive communications from TC on status changes.

CSP, CAS provider, and CSP or CAS Candidate Responsibilities:

1. Maintain an online system for submitting, processing and providing output files for test deck results and for single transaction testing (section D).
2. Submit all changes to the CSP system or CAS including tax rule changes and changes to systems in the calculation and processing of the return to TC using Form TC0005.
3. The CSP or CAS provider will send a complete list of tax rules to states to review within thirty (30) days of the end of a contract term with the SSTGB. This rules list will include the CSP/CAS SKU Number, a detailed product description, the CSPs determination as either Taxable or Exempt and the date the rule was added. A citation supporting the taxability determination should also be provided for any tax rules not previously certified.
4. Accept only state requested system changes submitted through TC on the approved form TC0001.
5. Make updates to exemptions, jurisdictions, rates, and tax rules submitted by states through TC on Form TC0001 and updates to tax rules for [SKUs-Reference Numbers](#) submitted by TC.
6. Communicate with TC any actions that will change the status of a change request (e.g., testing failure, pass/fail of change, production date, etc.).
7. Complete changes submitted on TC0001 within the agreed upon number of days prior to the implementation date of the changes.
8. Complete and return TC0001 to TC when state requested changes are completed.
9. Have provider resources readily available during testing to facilitate understanding and testing of the application and to resolve, correct, retest, and restore corrected application components into the test environment.
10. Produce the reports required by the Governing Board.
11. Maintain and provide to TC a current list of individuals authorized to submit change requests, report on status changes, and provide assistance for testing questions.

B. This amendment amends Appendix F of the SSTGB Rules and relates to the compensation reports from the CSPs. This was approved by the SSTGB on October 30, 2013.

Summary of amendment - This amendment amends Appendix F of the SSTGB Rules and Procedures to add Field 41 to the audit file provided by the CSPs. Field 41 is an optional field that the CSP can use to add optional transactional information. The field is not optional for the states.

2013 Annual Report of Amendments to the Streamlined Sales and Use Tax Agreement (SSUTA) and Streamlined Sales Tax Governing Board (SSTGB) Rules and Interpretive Opinions

All of Appendix F remains the same except that the following information is added with respect to Field 41 in the audit file:

<u>41</u>	<u>Optional Transaction Information</u>	<u>Optional field for use by CSP. Not optional field for states.</u>	<u>Alpha/Numeric</u>	<u>40</u>
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C. This amendment amends Appendix O of the SSTGB Rules and relates to the compensation reports from the CSPs. This was approved by the SSTGB on May 15, 2013.

Summary of amendment - This amendment creates Appendix O of the SSTGB Rules and Procedures related to the annual representation and related requirements.

APPENDIX O

ANNUAL REPRESENTATION AND RELATED REQUIREMENTS

The following ~~sections~~ ~~appendices~~ ~~are~~ ~~include~~ requirements the CSPs must comply with for certification, recertification, and contract compliance, as required per CSP contract sections E.27 (Trust Account) and E.28 (Performance Bond and Security) ~~regarding their performance bonds~~:

- ~~Section I Appendix B~~ ~~includes~~ ~~contains~~ the format of the annual representation letter ~~pertaining to the performance bond~~ that the CSP management must provide to the SST Governing Board Executive Director.
- ~~Section II Appendix A~~ describes the minimum controls that the CSP should have in place over the ~~relates to~~ Trust Bank Account ~~Minimum Controls~~.
- ~~Section III Appendix C~~ ~~is~~ ~~includes~~ an audit program that would be utilized ~~followed~~ by the Audit Core Team and/or Certification Committee for evaluating financial soundness.

SECTION I APPENDIX B Sample Annual Representation

[CSP LETTERHEAD]

(INSERT DATE)

2013 Annual Report of Amendments to the Streamlined Sales and Use Tax Agreement (SSUTA) and Streamlined Sales Tax Governing Board (SSTGB) Rules and Interpretive Opinions

To Craig Johnson, Executive Director
Streamlined Sales Tax Governing Board, Inc.
4219 Hillsboro Pike, Suite 234
Nashville, TN 37215

Per your request we are providing you this annual representation, including any changes that may be considered material or significant, pertaining to our compliance with the CSP contract requirements related to bond and security, trust account, certification, recertification, minimum standards, and related provisions, as required per our contract with the Streamlined Sales Tax Governing Board, Inc.

1. We acknowledge the following information:

- Our main office is located at:
- Our systems/hosting facility is located at:
- Our backup facilities are located at:
- The current officers of the company are:
- Key staff, phone numbers, and their primary functions include:
- Our subcontractors performing services related to the CSP contract, including names, addresses, and functions include:
- If a partnership entity, our major partners, including names, addresses, and functions include:
- If a corporate entity, our major shareholders investors, including names, addresses, and percentage of ownership include:
- Adequate and auditable internal controls and security features are in place over the collection of taxes, remittance of taxes to the individual states, calculation of compensation, and authorization of transactions.
- We have chosen [month/day] as the annual date at which we will obtain from each Seller a statement of its status in each Member State and Associate Member State as required per Section D.4 of the CSP contract.
- ~~All Seller status statements regarding volunteer status have been received from our model one sellers in accordance with CSP contract Section D.4, except for the following Sellers for which we did not receive a response: [please list]~~
- We maintain the books, records, systems documentation and logs, and other documents in the United States, insofar as they relate to work performed or money received under the this CSP Contract.
- All production computer and backup functions are performed within the United States' boundaries.
- The trust bank account is timely reconciled, is secured through [FDIC or applicable bank collateral agreements], and includes the appropriate controls, including proper segregation of duties, computer and manual access controls, electronic bank controls, and management oversight.
- The trust bank account is with the following bank, located at:

2013 Annual Report of Amendments to the Streamlined Sales and Use Tax Agreement (SSUTA) and Streamlined Sales Tax Governing Board (SSTGB) Rules and Interpretive Opinions

- An internal/external audit of the trust bank account and related procedures was last performed on:
 - Our performance bond is in force and set at the correct amount based upon Section E.28 of the CSP contract.
 - Our standards for advertising are in compliance with the requirements as contained in Section E.30 of the CSP contract.
 - Our standards of confidentiality over records are in compliance with the requirements as contained in Section E.31 of the CSP contract.
 - ~~(Include Other changes, exceptions or special circumstances that should be communicated to the Executive Director, Certification Committee or Audit Core Team, are as follows: [please describe])~~
2. There ~~have been~~ are no:
- a. Violations or possible violations of laws, regulations, policies or procedures that have occurred related to the performance bond, security, or trust bank account, except for the following:
 - b. Material changes in our financial condition or organizational structure or that of our partners or subcontractors that would have an effect upon our operations as a certified service provider, except for the following:
 - c. Instances of assignment, subcontracting, merger, consolidation or acquisition, except for the following:
 - d. Instances of theft or loss of tax data under our control or by our subcontractors, hosting facilities or data backup site, except for the following:
3. If available, an SSAE No. 16 audit report (Reporting on Controls at a Service Organization) or similar IT security report is attached.
4. If available, a current copy of our audited financial statements is attached.
- ~~1. Our financial policies and procedures are in compliance with the requirements as contained in the current contract and the CSP evaluation process.~~
- ~~4. An internal/financial audit of the trust bank account and related procedures was last performed on (date).~~
- ~~5. We maintain the books, records, systems documentation and logs, and other documents in the United States, insofar as they relate to work performed or money received under this Contract.~~

In the event that any of the above representations change, we will contact you by way of certified mail or electronic means within ten business days.

(Printed Name and Title)	Signature	Date

2013 Annual Report of Amendments to the Streamlined Sales and Use Tax Agreement (SSUTA) and Streamlined Sales Tax Governing Board (SSTGB) Rules and Interpretive Opinions

(Printed Name and Title)

Signature

Date

Name and title of authorized company representatives serving as CEO, ~~and~~ CFO or other representative with authority to bind the company.

Two signatures are required

2013 Annual Report of Amendments to the Streamlined Sales and Use Tax Agreement (SSUTA) and Streamlined Sales Tax Governing Board (SSTGB) Rules and Interpretive Opinions

SECTION II APPENDIX A

Trust Bank Account Minimum Controls

Per Section E.27 of the CSP contract:

- A trust bank account shall be created and administered to process all seller taxes due and owing to the Member States and Associate Member States.
- The trust bank account shall be a separate bank account established at a banking institution approved by the Governing Board no later than the first day of the month in which the contractor begins remitting taxes due for its first seller within ten (10) business days after the Effective Date of this Contract.
- The trust bank account shall be established as an zero-balance account that requires the deposit of all Seller Taxes processed by the Contractor and the segregation of all Seller Taxes from the Contractor's own funds.
- The corresponding general ledger account on the Contractor's accounting system shall provide a clear audit trail of all deposits of Seller Taxes, remittances of taxes to the Member States and Associate Member States, transfers of Contractor compensation from the trust account to the Contractor's general business account, and all other account transactions.
- The trust bank account shall be secured through FDIC and/or other appropriate bank collateral agreements.
- The account shall also be administered with generally accepted practices for the segregation of duties among account administrators
- The account shall have in place the necessary electronic controls to prevent unauthorized access to and transfers from the account.

In order to comply with these requirements the CSP should have in place the following minimum controls over the trust bank account. They include:

1. The trust bank account should be set up as a zero-balance account at a banking institution approved by the Executive Director. The designation on the trust bank account should read “[CSP Company Name]-tax account in trust for the Streamlined Sales Tax Governing Board member states, their local taxing jurisdictions and all state and local taxing jurisdictions processed by the Contractor SST Trust Taxes.”
2. Policies and procedures should be put in place and kept current in order to:
 - Keep trust fund collections separate from CSP operating monies.
 - Perform timely reconciliations of the trust bank account and immediately follow up on unusual or unauthorized transactions.
 - Establish a clear audit trail of taxes collected, taxes remitted, compensation transferred, and adjustments to the account.

2013 Annual Report of Amendments to the Streamlined Sales and Use Tax Agreement (SSUTA) and Streamlined Sales Tax Governing Board (SSTGB) Rules and Interpretive Opinions

- Maintain the proper amount of FDIC and/or bank collateral coverage amounts.
 - Establish and monitor that the proper segregation of duties exists over the authorization, entry, recording, and reconciliation of transactions made to the trust bank account.
 - Establish appropriate electronic controls and procedures over the trust bank account to prevent unauthorized access to or transfers from the bank account.
3. Management should review these policies and procedures to verify that they are appropriate and being complied with.

SECTION III APPENDIX C

Program for Evaluating Financial Soundness

The following is a brief example of procedures that would be performed by the Audit Core Team or Certification Committee for evaluating the financial soundness of a CSP.

Procedures:

1. Review the CSP's policies and procedures to assess whether they reflect current operations.
2. Review the trust bank account statements for proper name and location.
3. Review documents detailing the amount of FDIC or collateral coverage over the trust bank account.
4. Review the bank reconciliations for the past twelve months. Determine whether they have been performed timely, whether outstanding amounts exist for extended periods, and whether unusual transactions or outstanding balances are followed up.
5. Assess whether the trust bank account is operated as a ~~zero-balance~~ separate fiduciary account and that all Seller Taxes processed by the CSP are deposited into the trust bank account.
6. Assess whether the trust taxes are kept separate from the CSP's own funds.
7. Assess whether the corresponding general ledger account on the CSP's accounting system provides a clear audit trail of all deposits of Seller taxes, remittances of taxes to the Member States and Associate Member States, transfers of CSP compensation from the trust bank account to the CSP's general business account, and all other account transactions.
8. Assess whether controls exist to alert the CSP when taxes have not been received from the seller, when tax payments have not been debited by the States, when erroneous or fraudulent debits have been made to the trust bank account, etc.
9. Determine who has authorization to access the account electronically and whether they have any incompatible duties.
10. Evaluate the segregation of duties over the ability to authorize, enter, record and reconcile transactions of the trust bank account.

2013 Annual Report of Amendments to the Streamlined Sales and Use Tax Agreement (SSUTA) and Streamlined Sales Tax Governing Board (SSTGB) Rules and Interpretive Opinions

11. Review internal and external audit reports related to the CSP's operations. Assess whether any control weaknesses exist that impact the CSP's operations.
12. Review the CSP's financial statements over the past twelve months, or earlier. Assess whether any material changes in financial condition have occurred that could impact the CSP's financial soundness.
13. Review with Testing Central whether the states have reported instances of late filing or paying by the CSP. If so, assess whether the CSP has made corrections to its systems and the related processes.
14. Prepare a report for the Executive Director on the evaluation of financial soundness.

III. CRIC Interpretive Opinions

- A. This interpretive opinion was adopted by the SSTGB on October 30, 2013. No state required to make a statutory change may be sanctioned for not following this interpretation until the later of January 1, 2016, or the first day of a calendar quarter following the end of one full session of the state's legislature.

Summary of Interpretation: This interpretation provides that beverages that do not include natural or artificial sweeteners, including juices, do not fit the definition of soft drinks.

Interpretive Opinion 2013-1

This Interpretive Opinion recommendation is made to the Governing Board by the Compliance Review and Interpretations Committee this 13th day of June, 2013, in accordance with Article IX, Rule 902 of the Rules and Procedures adopted by the Streamlined Sales Tax Governing Board, Inc.

Mr. Thomas Haines of Avalara requested the interpretation on May 28, 2013. Mr. Haines requested expedited consideration under Streamlined Sales Tax Governing Board (SSTGB) Rule 902, subsection H.

Issue:

Are beverages that contain "natural flavor," "essence," or "spice" but no sweeteners includable within the definition of "soft drink?" Two instances arose wherein a Streamline member state indicated that bottled unsweetened flavored water fell under the "soft drink" definition. In both instances, "natural flavor" or "essence" was listed in the product's ingredients. The product did not contain any sweeteners or fruit juice. In both instances, the state mentioned that the sweetener is present within the "natural flavor" or "essence."

The following is a sample listing of bottled waters that contain flavor but no sweeteners:

2013 Annual Report of Amendments to the Streamlined Sales and Use Tax Agreement (SSUTA) and Streamlined Sales Tax Governing Board (SSTGB) Rules and Interpretive Opinions

- Metromint (all varieties)
- Canada Dry Sparkling Seltzer Water Lemon Lime Twist
- Canada Dry Sparkling Seltzer Water Refreshingly Raspberry
- Vintage Lemon Lime Seltzer
- Vintage Raspberry Seltzer
- Adirondack Lemon Lime Seltzer
- Adirondack Raspberry Lemon Seltzer

All of these products, at the time this request was considered, were labeled as containing water and “natural flavor” or “essence.” The Food and Drug Administration (FDA) issues regulations governing labeling requirement under Title 21 of the Code of Federal Regulation. Section 101.22 of Title 21 defines certain terms that may appear on the product’s list of ingredients. The term “natural flavor” is defined in 21 CFR 101.22(a)(3). In short, “natural flavors” are concentrated additives to food “Whose significant function in food is flavoring rather than nutritional” (emphasis added). The term “spice” is defined in 21 CFR 101.22(a)(2). “Spices” function in a similar manner to natural flavor; they are a “seasoning” rather than a nutritional element in food. A listing of approved common spices is provided in 21 CFR 182.10.

Among the products listed above, the Canada Dry, Vintage, and Adirondack bottled waters list water and “natural flavor” in their list of ingredients in compliance with 21 CFR 101.22(a)(3). The Metromint bottled waters list water, mint and flavor “essence” in their list of ingredients. Metromint uses the common term “mint” instead of the specific terms “peppermint” and “spearmint,” which are listed as “spices” in 21 CFR 182.10. The “essence” in Metromint products appears to be similar to “natural flavor” as defined in 21 CFR 101.22(a)(3). Additionally, Metromint states that their products contain “No sugar and no sweeteners of any kind” (see last item on manufacturer’s “FAQ” webpage).

The “soft drink” definition includes those products wherein the list of ingredients specifically list natural sweeteners, artificial sweeteners, or fruit juices. Mr. Haines requests a ruling that products containing no specifically listed sweetener but include “natural flavor,” “essence,” or “spice” among its list of ingredients shall not be deemed includable under the “soft drink” definition.

Public Comment:

The American Beverage Association submitted comments in support of the proposed interpretation that the types of unsweetened flavored water referenced in the request do not fall within the definition of “soft drinks.” The comments highlighted the Streamlined Sales and Use Tax Agreement’s “bottled water” definition that applies to beverages with flavors, spices, or essences without sweeteners as follows: “Bottled water is calorie free and does not contain sweeteners or other additives except that it may contain: (i) antimicrobial agents; (ii) fluoride; (iii) carbonation; (iv) vitamins, minerals, and electrolytes;

2013 Annual Report of Amendments to the Streamlined Sales and Use Tax Agreement (SSUTA) and Streamlined Sales Tax Governing Board (SSTGB) Rules and Interpretive Opinions

(v) oxygen; (vi) preservatives; and (vii) only those flavors, extracts, or essences derived from a spice or fruit.

Recommendation:

By a unanimous vote of the members present, the Compliance Review and Interpretations Committee submits to the Governing Board a recommendation that the interpretation proposed by the requestor be accepted. Beverages that do not include natural or artificial sweeteners, including juices, do not fit the definition of soft drinks.

Rationale:

Appendix C, Library of Definitions, Part II Product Definitions defines “soft drinks” to mean “non-alcoholic beverages that contain natural or artificial sweeteners. “Soft drinks” do not include beverages that contain milk or milk products, soy, rice or similar milk substitutes, or greater than fifty percent of vegetable or fruit juice by volume.” “Natural flavors” are concentrated additives to food whose significant function in food is flavoring rather than nutritional. “Spices” function in a similar manner; they are a “seasoning” rather than a nutritional element in food. Natural flavors and spices are not sweeteners. Both the Streamlined definitions for “candy” and “soft drinks” use the term “natural or artificial sweeteners.” SSTGB Rule 327.8 addresses “natural and artificial sweeteners” in the context of “candy”. The recommendation is consistent with SSTGB Rule 327.8. The FDA requires all ingredients to be listed on the label. If the label does not list a natural or artificial sweetener, the product is not a soft drink under the Agreement definition. None of the products listed in Mr. Haines request lists a natural or artificial sweetener as an ingredient as labeled at the time of this recommendation. Therefore, none of these products are considered to be a soft drink.

Participating Committee Members:

Myles Vosberg, Tom Atchley, Richard Cram, Larry Paxton, Harry Fox, and Tim Jennrich

- B. This interpretive opinion was adopted by the SSTGB on October 30, 2013. No state required to make a statutory change may be sanctioned for not following this interpretation until the later of January 1, 2016, or the first day of a calendar quarter following the end of one full session of the state’s legislature.

Summary of Interpretation: This interpretation provides that fondue chocolate meets the definition of candy.

Interpretive Opinion 2013-2

2013 Annual Report of Amendments to the Streamlined Sales and Use Tax Agreement (SSUTA) and Streamlined Sales Tax Governing Board (SSTGB) Rules and Interpretive Opinions

This Interpretive Opinion recommendation is made to the Governing Board by the Compliance Review and Interpretations Committee this 1st day of August, 2013, in accordance with Article IX, Rule 902 of the Rules and Procedures adopted by the Streamlined Sales Tax Governing Board, Inc.

Mr. Timothy Larsen of Scentsy, Inc. requested the interpretation on June 27, 2013. Mr. Larsen requested expedited consideration under Streamlined Sales Tax Governing Board (SSTGB) Rule 902, subsection H.

Issue:

Scentsy, Inc. sells fondue chocolate pouches branded as "Velata, Fun fondue" through home parties held by its direct selling consultants (see www.velata.net). The Company believes the classification of the fondue chocolate to be a food item and that it is not considered candy or a confectionary since it is not readily consumable without additional preparatory steps which cause it to be treated as a food item for home consumption. A ruling is sought for verification. The fact pattern outlining the manufacturing, distribution, and marketing of the chocolate is below:

The raw chocolate is made in a wafer form by a Belgium chocolate manufacturer and shipped to New Jersey for insertion in a microwaveable pouch by a third party in amounts of 170g and shipped to Scentsy distribution centers. Scentsy direct sales consultants selling under the brand Velata order the chocolate along with a warmer for use at a home party designed to enjoy the chocolate, while encouraging participants to also purchase the chocolate and warming devices for their own use and satisfaction. When a home party is held at which the chocolate will be enjoyed, the pouch must be microwaved for 1 minute so that the wafers are melted and able to be released in a liquid form through the pouch spout into a warming dish. The warming dish maintains the chocolate in a liquid form so that home party participants can dip and enjoy fruit, pretzels, or other items.

Specific instructions on the pouch read as follows:

- 1) Switch on your Velata warmer
- 2) Microwave Velata pouch for one minute
- 3) Knead pouch until chocolate becomes smooth. If lumps remain, reheat for 15 seconds.
- 4) If necessary, repeat Step 3. Empty pouch contents into preheated Velata warmer.

The Company seeks confirmation of its interpretation of the fondue chocolate being classified as food for home consumption.

Public Comment:

No state or public written comments were received.

2013 Annual Report of Amendments to the Streamlined Sales and Use Tax Agreement (SSUTA) and Streamlined Sales Tax Governing Board (SSTGB) Rules and Interpretive Opinions

Recommendation:

By a unanimous vote, the Compliance Review and Interpretations Committee submits to the Governing Board a recommendation that the interpretation proposed by the requester not be accepted.

Rationale:

The central question before the Compliance Review and Interpretations Committee is whether the products discussed are “food and food ingredients” or “candy” as defined by the Agreement. The Agreement defines “candy” to mean a preparation of sugar, honey, or other natural or artificial sweeteners in combination with chocolate, fruits, nuts or other ingredients or flavorings in the form of bars, drops, or pieces that do not include flour and require no refrigeration. The definitions in the Agreement are meant to be objective tests to determine the classification of an item and the intent of the user is not relevant. Chocolate fondue meets the definition of candy because it contains a sweetener, is combined with chocolate or other ingredients or flavorings, does not contain flour, does not require refrigeration and is sold in the form of bars, drops or pieces. The wafers are “pieces” of chocolate.

Participating Committee Members:

Tom Atchley, Richard Cram, Harry Fox, Tim Jennrich, and Larry Paxton

APPENDIX 1 – 2013 Report of Changes to SSUTA, SSTGB Rules and Interpretive Opinions

STATE NAME: _____

**Streamlined Sales Tax Governing Board
Section 328 Best Practices Matrix**

Effective Date:

Completed by:
E-mail address:
Phone number:
Date Submitted:

A “best practice” has been approved by the Streamlined Sales Tax Governing Board (SSTGB) for each of the products, procedures, services, or transactions identified in the chart below pursuant to Section 335 of the Streamlined Sales and Use Tax Agreement (SSUTA), as amended through May 24, 2012.

Place an “X” in the appropriate column to indicate whether your state does or does not follow each “best practice” identified in this matrix.

For each “best practice” identified in this matrix and further described in Appendix ___ of the SSUTA which your state follows, place an “X” in the “Yes” column and enter the statute or rule that applies to your state’s treatment of this “best practice” in the Reference column. Additional space is available if you wish to add comments.

For each “best practice” identified in this matrix and further described in Appendix ___ of the SSUTA that your state does not follow, place an “X” in the “No” column and describe in the “Comments” column how your state’s treatment of that “best practice” differs from the best practice adopted by the SSTGB and described in Appendix ___.

Sellers and certified service providers are relieved from tax liability to the member state and its local jurisdictions for having charged and collected the incorrect amount of sales or use tax resulting from the seller or certified service provider relying on erroneous data provided by the member state in the best practices matrix.

APPENDIX 1 – 2013 Report of Changes to SSUTA, SSTGB Rules and Interpretive Opinions

STATE NAME: _____

**Streamlined Sales Tax Governing Board
Section 328 Best Practices Matrix**

Effective Date: _____

Best Practice (BP) from Appendix ____	Brief Description of Best Practice	Does your state follow this Best Practice?		Add Additional Comments if Desired or if You Answered No, Describe the Difference Between the Best Practice as adopted by the Governing Board and Your State’s Treatment
		Yes	No	
Vouchers 1.1	The member state administers the difference between the value of a voucher allowed by the seller and the amount the purchaser paid for the voucher as a discount that is not included in the sales price (i.e., same treatment as a seller’s in-store coupon), provided the seller is not reimbursed by a third party, in money or			

APPENDIX 1 – 2013 Report of Changes to SSUTA, SSTGB Rules and Interpretive Opinions

STATE NAME: _____

**Streamlined Sales Tax Governing Board
Section 328 Best Practices Matrix**

Effective Date:

	otherwise, for some or all of that difference.			
Vouchers 1.2	The member state provides that when the discount on a voucher will be fully reimbursed by a third party the seller is to use the face value of the voucher (i.e., same as the treatment of a manufacturer's coupon) and not the price paid by the purchaser as the measure (sales price) that is subject to tax.			
Vouchers 1.3	The member state provides that costs and expenses of the seller are not deductible from the sales price and are included in the measure (sales price) that is			

APPENDIX 1 – 2013 Report of Changes to SSUTA, SSTGB Rules and Interpretive Opinions

STATE NAME: _____

**Streamlined Sales Tax Governing Board
Section 328 Best Practices Matrix**

Effective Date:

	<p>subject to tax. Further, reductions in the amount of consideration received by the seller from the third party that issued, marketed, or distributed the vouchers, such as advertising or marketing expenses, are costs or expenses of the seller.</p>			
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