2015 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 2015. 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 805 of the SSUTA as amended through September 17, 2015, 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 – Taxability Matrix – Pgs. 3 – 4
B. Section 335 – Tax Administration Practices – Pgs. 4 – 6
C. Section 803 – Annual Re-Certification of Member States – Pg. 6
D. Section 805 – Compliance and Section 805.1 – Finding a Member State Out of Compliance with the Agreement – Pgs. 6 – 8
E. Section 809 – Sanction of Member States – Pgs. 8 – 9
F. Appendix C – Library of Definitions – Definition of Sales Price – Exclusion for Certain Federal Excise Taxes and Fees – Pgs. 10 – 12
G. Appendix E – Tax Administration Practices – Disclosed Practice 3 – Liability Relief – Pgs. 12 – 14

Section II. SSTGB Rule Amendments

A. Rule 327.9 – Sales Price Definition – Excluded Taxes – Pgs. 15 – 20
B. Rule 335 – Tax Administration Practices – Pgs. 20 – 23
C. Rule 803 – Annual Recertification – Pgs. 23 – 26
D. Rule 809 – Sanction of Member States – Pgs. 27 – 29
E. Appendix C – CSP Minimum Standards – Pgs. 29 – 42
F. Appendix F – SST Reports – Pgs. 43 – 52

G. Rules 805.1 and 904.1 were repealed in their entirety as they were duplicative with rules 809.
H. Rule 905 was repealed in its entirety as it was duplicative with Rule 803.

Section III. CRIC Interpretive Opinions

A. Interpretive Opinion 2015-01 – Continuous Glucose Monitoring System – Pgs. 53 – 56
B. Interpretive Opinion 2015-02 – Transportation of Ready Mix Concrete – Pgs. 56 – 62

C. Interpretive Opinion 2015-03 – Prepaid Wireless Calling Services – Rollover Amounts – Pgs. 62 – 64

Appendices

Appendix 1 – Taxability Matrix Changes and Tax Administration Practices on Liability Relief (Only Affected Sections of Matrix Shown and Changes Highlighted) – Pgs. 65 – 70

2015 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 May 12, 2015. No state is required to make a statutory change relating to this amendment and therefore this change did not require a second vote.

Summary of amendment - This amendment requires states to complete the Tax Administration Section of the taxability matrix and splits the required liability relief between the Library section of the taxability matrix and the Tax Administration Practices section. The changes from the prior version are shown using underlining and ~~strikeouts~~.

Section 328: TAXABILITY MATRIX

A. Taxability Matrix

(1) Library of Definitions (Library): 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, the section ~~1~~ of the taxability matrix titled "Library of Definitions".

(2) Tax Administration Practices ~~Best Practices~~: To inform the general public of its practices regarding certain tax administration practices ~~products, procedures, services or transactions~~ as selected ~~adopted~~ by the Governing Board pursuant to Section 335, each member state shall complete, to the best of its ability, ~~Section 2~~ the section of the taxability matrix titled "Tax Administration Practices".

B. The member state's entries in the taxability 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.

C. 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 Library section of the taxability matrix. If a member state amends an existing provision of the Library section of the 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 Library section of the taxability matrix is submitted to the Governing Board, provided the seller or CSP relied on the prior version of the taxability matrix.

D. To the extent possible, the 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 tax administration practices section of the taxability matrix. If a member state amends an existing provision of the tax administration practices section 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 tax administration practices section of the taxability matrix is submitted to the Governing Board, provided the seller or CSP relied on the prior version of the taxability matrix.

E. ~~D.~~ 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 (H) of this Agreement, such exemption must be noted in the Library section of the taxability matrix.

F. ~~E.~~ 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 Library section of the taxability matrix of the products for which a tax exemption is provided.

B. The amendment below to Section 335 was approved by the SSTGB on May 12, 2015. No state is required to make a statutory change relating to this amendment and therefore this change did not require a second vote.

Summary of amendment - This amendment allows the SSTGB to adopt "disclosed practices" and "best practices" (collectively known as "Tax Administration Practices") and identifies Rule 335 as the Rule that contains the guidelines on how each of these types of practices are selected. It also contains the deadlines for States to complete the tax administration practices section of the taxability matrix for posting on the SSTGB website and indicates that all "best practices" existing on May 11, 2015 are disclosed practices, but may become best practices following the procedures contained in Section 335. The changes from the prior version are shown using underlining and ~~strikeouts~~.

Section 335: ~~BEST PRACTICES~~ TAX ADMINISTRATION 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.~~

A. For purposes of this section, tax administration practices consist of the following, as defined in this paragraph:

(1) Disclosed practice: a tax practice that the governing board selects and requires each member state to disclose pursuant to paragraph B of this section; and

(2) Best practice: a disclosed practice selected by the governing board as a best practice pursuant to paragraph C of this section.

B. The governing board will select a disclosed practice using the following procedures:

(1) SLAC shall develop a practice for disclosure pursuant to the guidelines set forth in governing board Rule 335.
(2) The governing board shall provide public notice and opportunity for comment prior to voting on a motion to approve selection of a tax practice for disclosure ~~adopt a best practice~~.
(3) If a disclosed practice and a best practice are under concurrent development under Rule 335, the governing board shall first vote on whether the practice is a disclosed practice before proceeding on a vote on whether the practice should be selected as a best practice.
(4) A majority vote of the entire governing board is required to approve a motion to select a tax practice for disclosure. ~~adopt a best practices standard.~~

C. The governing board will select a best practice using the following procedures:

(1) SLAC shall develop a best practice pursuant to the guidelines set forth in governing board Rule 335 only from among the disclosed practices or from tax practices in concurrent development under Subsection B.1.
(2) The governing board shall provide notice and opportunity for public comment prior to voting on a motion to approve selection of a best practice.
(3) A three-fourths vote of the entire governing board is required to approve a motion to select a best practice.

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

E. No member state shall be found out of compliance with the Agreement because the effect of the state's laws, rules, regulations, and policies does not follow a tax administration practice. Following a tax administration practice is voluntary. All member states are encouraged to follow each best practice. ~~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.~~

F. Each state must complete and submit to the Executive Director for posting on the governing board's website the tax administration practices section of the taxability matrix (1) by the first day of the calendar month that is at least 60 days after the date the governing board approves a motion to select~~s~~ a disclosed and/or best practice or (2) the date specified by the governing board, whichever is later. ~~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 disclosed practices that are selected approved by the governing board, the states must update their tax administration 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 disclosed practice and submit it to the Executive Director for posting on the governing board's website.~~

G. Using the procedure for updating the taxability matrix, the Executive Director ~~will~~ shall make the necessary updates to the taxability matrix template no later than 30 days after the date the governing board approves a motion to select a disclosed or best practice.

H. All best practices existing on May 11, 2015 are disclosed practices. The Executive Director shall implement this provision without changing any of the member states' responses. A disclosed practice may subsequently be modified or become a best practice by following the provisions set forth in this section.

C. This amendment (AM15003) revises Section 803 and was adopted by the SSTGB on September 16, 2015. No state is required to make a statutory change relating to this amendment and therefore this change did not require a second vote.

Summary of amendment - This amendment only revises the reference in paragraph 2 from Section 809 to the newly created Section 805.1.

D. This amendment (AM14008A03) revises Section 805 of the SSUTA as it relates to a state's compliance with the SSUTA and creates Section 805.1 of the SSUTA related to finding a member state out of compliance with the SSUTA. The amendment was adopted by the SSTGB on September 16, 2015. No state is required to make a statutory change relating to this amendment and therefore this change did not require a second vote.

Summary of amendment – The amendment to Section 805 provides the timeframe for when a state may first be found out of compliance with the SSUTA for failing to substantially comply with any amendment, interpretation or interpretive rule of the SSUTA or judicial ruling of that state. The amendment to Section 805.1 provides the information relating to finding a state out

of compliance including information to be contained in a motion to find a state out of compliance, the voting and notice requirements and a requirement that the subject state submit a statement (or amended statement) of noncompliance.

Section 805: Compliance

A. A member state is in compliance with the Agreement if the effect of the state's laws, rules, regulations, and policies is substantially compliant with each of the requirements set forth in the Agreement.

B. Unless the governing board specifies a different time period, no member state shall be found out of compliance under subsection A for failing to substantially comply with any amendment to the Agreement adopted under section 901 of the Agreement or an interpretation or interpretive rule adopted under section 902 of the Agreement, if substantial compliance with the amendment, interpretation or interpretive rule requires the state to make a statutory change, until the later of the first day of January at least two years after the adoption of the amendment, interpretation or interpretive rule or the first day of a calendar quarter following the end of one full session of the state's legislature.

C. Unless the governing board specifies a different time period, no member state shall be found out of compliance under subsection A if its noncompliance is a result of a judicial ruling in that state that interprets that term of the Agreement in a manner inconsistent with an interpretation by, or interpretive rule of, the governing board adopted under section 902 of the Agreement and the member state comes into substantial compliance with the interpretation of the governing board by amending its statutes before the later of the first day of January at least two years after the issuance of the judicial decision or the first day of a calendar quarter following one full session of the state's legislature.

Section 805.1: Finding a Member State Out of Compliance with the Agreement

A. A motion to find a member state is out of compliance shall identify which requirement the member state is alleged not to have substantially complied with, including the applicable section of the Agreement.

B. For the motion to pass it shall require the affirmative vote of three-fourths of the entire Governing Board, excluding the member state that is the subject of the motion. The member state that is the subject of the resolution shall not vote on such resolution.

C. The Executive Director shall promptly notify the Governing Board delegates of each member state, the Chair of the Executive Committee, the Chair of the Compliance

Review and Interpretation Committee, the Chair of the State and Local Advisory Council, the Chair of the Business Advisory Council and the general public as provided in Rule 806.2(B) when the Governing Board has found a member state out of compliance.

D. A member state found out of compliance with the Agreement retains its status as a member state and retains all of its rights and responsibilities under the Agreement, subject to any sanctions imposed by the Governing Board under Section 809.

E. Within 60 days of the Governing Board finding a member state out of compliance, the member state shall submit to the Executive Director a statement of non-compliance, or if applicable an amended statement of non-compliance, consistent with section 803. The Executive Director shall post the statement of non-compliance on the Streamlined Sales Tax Governing Board's website. If the member state intends to file a petition for reconsideration pursuant to Rule 1001, it shall note that fact on its amended statement of non-compliance. The statement shall be further amended if the petition is not filed or, if applicable, to address the outcome of the petition. The state shall also revise the state's taxability matrix, and certificate of compliance, as applicable, to clearly describe how the member state's nonconforming provision differs from the requirement of the Agreement.

E. This amendment (AM14009A01) revises Section 809 of the SSUTA related to the sanction of member states and was adopted by the SSTGB on September 16, 2015. No state is required to make a statutory change relating to this amendment and therefore this change did not require a second vote.

Summary of amendment - This amendment provides that once a member state is found to be out of compliance with the SSUTA, the Executive Committee shall consider what sanctions to impose in accordance with newly adopted SSTGB Rule 809 and the Governing Board must act upon that recommendation within a reasonable period of time. The amendment also indicates that a three-fourths vote of the entire Governing Board, excluding the state that is the subject of the sanctions is required to adopt the resolution imposing the sanctions.

Section 809: SANCTION OF MEMBER STATES

A. If a member state is found to be out of compliance with the Agreement, the ~~governing board may~~ Executive Committee shall consider sanctions against the

member state following the procedures set forth in Rule 809. ~~The sanctions that the governing board may impose include expulsion from the Agreement, or other penalties as determined by the governing board. The adoption of a resolution to sanction a member state for noncompliance with the Agreement shall require the affirmative vote of three-fourths of the entire governing board, excluding the state that is the subject of the resolution. The member state that is the subject of the resolution shall not vote on such resolution. Resolutions seeking sanctions shall be acted upon by the governing board within a reasonable period of time as set forth in the governing board's rules. The governing board shall provide an opportunity for public comment prior to action on a proposed sanction.~~

B. The Governing Board shall act upon the recommendation from the Executive Committee within a reasonable period of time as set forth in the Governing Board's rules. The Governing Board shall provide an opportunity for public comment prior to action on a proposed sanction. ~~No member state shall be sanctioned for failing to comply with any amendment to the Agreement adopted under section 901 of the Agreement or an interpretation or interpretative rule adopted under section 902 of the Agreement, if compliance with the amendment, interpretation or interpretive rule requires the state to make a statutory change, until the later of the first day of January at least two years after the adoption of the amendment or interpretive rule or the first day of a calendar quarter following the end of one full session of the state's legislature.~~

C. The adoption of a resolution to impose a sanction against a member state found out of compliance with the Agreement shall require the affirmative vote of three-fourths of the entire Governing Board, excluding the state that is the subject of the resolution. The member state that is the subject of the resolution shall not vote on such resolution. ~~No member state shall be sanctioned for failing to be in compliance with any term of the Agreement that the state has adopted, in substantially identical form, in its statutes if its noncompliance is a result of a judicial ruling in that state that interprets that term of the Agreement in a manner inconsistent with an interpretation by, or interpretive rule of, the governing board adopted under section 902 of the Agreement and the member state comes into compliance with the interpretation of the governing board by amending its statutes before the later of the first day of January at least two years after the issuance of the judicial decision or the first day of a calendar quarter following one full session of the state's legislature.~~

F. This amendment revises the definition of "sales price" as it relates to the exclusion for certain federal excise taxes and fees and was adopted by the SSTGB on September 16, 2015. No state is required to make a statutory change relating to this amendment and therefore this change did not require a second vote.

Summary of amendment - This amendment provides states the ability to exclude certain federal excise taxes and fees that are not directly imposed on a consumer from its definition of sales price as long as the excluded taxes and fees are specifically listed on the state's taxability matrix and only if the tax is separately states on the invoice, bill of sale or similar document given to the purchaser. Sellers are not required to separately state these items on the invoice, bill of sale or similar document given to the purchaser, unless the seller seeks to exclude them from the sales price.

Appendix C--Library of Definitions, SSUTA (10-8-14), pgs. 94-95

"**Sales price**" applies to the measure subject to sales tax and means the total amount of consideration, including cash, credit, property, and services, for which personal property or services are sold, leased, or rented, valued in money, whether received in money or otherwise, without any deduction for the following:

A. The seller's cost of the property sold;
B. The cost of materials used, labor or service cost, interest, losses, all costs of transportation to the seller, all taxes imposed on the seller, and any other expense of the seller;
C. Charges by the seller for any services necessary to complete the sale, other than delivery and installation charges;
D. Delivery charges;
E. Installation charges; and
F. Credit for any trade-in, as determined by state law.

Notwithstanding (B) above, a state may elect, by statute or administrative regulation, to exclude from sales price the following types of taxes, but only if that tax is separately stated on the invoice, bill of sale or similar document given to the purchaser:

1. Any or all 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. If there is no state statute authorizing or imposing the local tax, the language in the local ordinance will determine if the local tax may, but is not required, to be collected from the consumer; and/or

2. 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.

~~Such exclusion from sales price shall be listed on the state’s taxability matrix.~~ ~~The~~ Under paragraphs 1 and 2, the exclusion of a specific tax from sales price may not be based on the type of consumer or product sold.

3. Federal excise taxes or fees that are not directly imposed on a consumer that a state specifically lists on its taxability matrix. While a state may designate a category of federal excise taxes or fees that are excluded from sales price, only those specific federal excise taxes and fees listed on the state’s taxability matrix are excludable, which shall include a reference to the specific law (*e.g.,* diesel fuel and special excise taxes imposed under 26 U.S.C. § 4041).

Under paragraph 3, the exclusion of a specific tax or fee from sales price may not be based on the type of consumer.

All exclusions from sales price shall be listed on the state’s taxability matrix. Unless a seller seeks an exclusion from sales price, a seller is not required to separately state an exclusion on an invoice, billing or similar document given to the purchaser. ~~States~~ A state may exclude from “sales price” the amounts received for charges included in paragraphs (C) through (F) above, if they are separately stated on the invoice, billing, or similar document given to the purchaser. ~~States~~ A state may exclude from (C) above, “telecommunications nonrecurring~~”~~ charges” if they are separately stated on the invoice, billing or similar documents. A state doing so must define “telecommunications nonrecurring charges” as follows:

“**Telecommunications nonrecurring charges**” means an amount billed for the installation, connection, change or initiation of “telecommunications service” received by the customer.

“Sales price” shall not include:

A. Discounts, including cash, term, or coupons that are not reimbursed by a third party that are allowed by a seller and taken by a purchaser on a sale;

B. Interest, financing, and carrying charges from credit extended on the sale of personal property or services, if the amount is separately stated on the invoice, bill of sale or similar document given to the purchaser; and

C. Any taxes legally imposed directly on the consumer that are separately stated on the invoice, bill of sale or similar document given to the purchaser.

“Sales price” shall include consideration received by the seller from third parties if:

A. The seller actually receives consideration from a party other than the purchaser and the consideration is directly related to a price reduction or discount on the sale;

B. The seller has an obligation to pass the price reduction or discount through to the purchaser;

C. The amount of the consideration attributable to the sale is fixed and determinable by the 21 seller at the time of the sale of the item to the purchaser; and

D. One of the following criteria is met:

1. The purchaser presents a coupon, certificate or other documentation to the seller to claim a price reduction or discount where the coupon, certificate or documentation is authorized, distributed or granted by a third party with the understanding that the third party will reimburse any seller to whom the coupon, certificate or documentation is presented;

2. The purchaser identifies himself or herself to the seller as a member of a group or organization entitled to a price reduction or discount (a "preferred customer" card that is available to any patron does not constitute membership in such a group), or

3. The price reduction or discount is identified as a third party price reduction or discount on the invoice received by the purchaser or on a coupon, certificate or other documentation presented by the purchaser.

States may also exclude from "sales price" either employee discounts that are reimbursed by a third party on sales of motor vehicles, or manufacturer rebates on motor vehicles, or both.

G. The amendment creating Disclosed Practice 3 relating to whether a state provides liability relief in certain instances was adopted by the SSTGB on September 16, 2015. No state is required to make a statutory change relating to this amendment and therefore this change did not require a second vote.

Summary of amendment - This amendment creates a disclosed practice related to whether a state provides liability relief in certain instances.

Disclosed Practice Number 3 – Liability Relief

Note: These tax administration practices address whether a member state provides liability relief when the state is only required to provide relief "to the extent possible," as specified in section 328(C) and (D) of the Agreement.

Disclosed Practice 3.1 – Liability relief for erroneous information in the tax administration practices section of the taxability matrix

The State provides sellers and CSPs with liability relief for tax, interest and penalties if the sellers and CSPs charged and collected the incorrect tax due to erroneous information in the tax administration practices section of the taxability matrix.

Example 1: A state indicates when completing its tax administration practice for vouchers that it complies with voucher practice 1.1 and does not include the discount provided by the voucher as part of the sales price. The state subsequently amends its response to indicate that it does include the discount provided by the voucher as part of the sales price. Sellers and CSPs that relied on that response before the state changed its response would not be liable for any additional tax, interest or penalties relating to this practice.

Disclosed Practice 3.2 – Extended liability relief for changes to the tax administration practices section of the taxability matrix

When the State makes a change to its tax administration practice section of the taxability matrix, the State provides sellers and CSPs with liability relief for the tax, interest and penalties for having charged and collected the incorrect tax until the first day of the calendar month that is at least 30 days after notice of the change to the state's tax administration practices section of the taxability matrix is submitted to the governing board, provided the seller or CSP relied on the prior version of the taxability matrix.

Example 2: Same as Example 1 and assume the change to tax administration practices section of the member state's taxability matrix is made on May 15th. Sellers and CSPs would not be liable for any additional tax, interest, or penalty in reliance on the prior version of the taxability matrix until July 1st.

Disclosed Practice 3.3 – Extended liability relief for changes to the library of definitions section of the taxability matrix

When the State makes a change to the library of definitions section of its taxability matrix, the State provides sellers and CSPs with liability relief for the tax, interest and penalties for having charged and collected the incorrect tax until the first day of the calendar month that is at least 30 days after notice of the change to the member state's library of definitions section of the taxability matrix is submitted to the governing board, provided the seller or CSP relied on the prior version of the taxability matrix.

Example 3: A state indicates when completing its library of definitions section of the taxability matrix that it does not impose tax on durable medical equipment. The state

subsequently amends its response on May 15th to indicate that tax is imposed on durable medical equipment without a prescription. Sellers and CSPs will not be liable for any additional tax, interest, or penalty if it relied on the prior version of the taxability matrix until July 1st.

2015 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 (RP15010A01) revises Rule 327.9 – Sales Price Definition – Excluded Taxes. This was approved by the SSTGB on September 16, 2015. No state is required to make a statutory change relating to this amendment and therefore this change did not require a second vote.

Summary of amendment - This amendment modifies Rule 327.9 to allow a state to exclude certain federal excise taxes and fees that are not directly imposed on a consumer from its definition of sales price as long as the excluded taxes and fees are specifically listed on the state's taxability matrix and only if the tax is separately states on the invoice, bill of sale or similar document given to the purchaser. Sellers are not required to separately state these items on the invoice, bill of sale or similar document given to the purchaser, unless the seller seeks to exclude them from the sales price. See also AM15004.

Rule 327.9 – Sales Price Definition – Excluded Taxes

A. The purpose of this section of the sales price definition rule is to clarify which taxes are included in or excluded from the sales price as defined in Appendix C, Part I, Library of Definitions.

1. Sales price is the measure that is subject to sales tax. Because purchase price, the measure that is subject to use tax, has the same meaning as sales price, this rule applies to use tax as well as to sales tax. The sales and use taxes covered by the Agreement that are applied to the sales price of the retail sale of a product are not included in the sales price of that product, regardless of who bears the legal incidence of tax.

2. A tax imposed on a product prior to the retail sale of that product is an element of the cost to the seller of the product and shall be included in the sales price (measure) for purposes of calculating the sales tax by member states.

Example 1: Federal excise tax imposed on the sale by a manufacturer, producer or importer of ~~tires~~ beer for sale or consumption in the United States ~~to sellers~~. (26 U.S.C. § 5~~4~~051~~71~~) The federal excise tax is imposed on the manufacturer, producer or importer and constitutes an element of cost of beer ~~its tires~~ that is passed down to the retailer and ultimately to the consumer in the selling price. This tax is included in the sales price of the beer ~~tires~~.

3. The sales price definition states there is no deduction from the sales

price for "The cost of materials used, labor or service cost, interest, losses, all costs of transportation to the seller, all taxes imposed on the seller, and any other expense of the seller."

While provisions in the definition identifying the amounts that may not be deducted from the sales price are very broad, the exclusions from sales price are narrow and specific.

A state may elect to exclude from sales price, the following types of taxes, but only if that tax is separately stated on the invoice, bill of sale or similar document given to the purchaser:

~~A~~a. Any or all 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. If there is no state statute authorizing or imposing the local tax, the language in the local ordinance will determine if the local tax may, but is not required, to be collected from the consumer.

~~B~~b. 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.

c. The federal excise taxes excluded from the definition of "sales price" contained in Appendix C (Library of Definitions) part 1.

A state making an ~~either~~ exclusion must apply the exclusion to each tax by state statute or state administrative regulation. No excluded tax may be based on the type of consumer, such as "residential" consumer. Except for federal excise taxes excluded from the definition of "sales price" contained in Appendix C (Library of Definitions) part 1, the exclusion may not be based on the type of product sold.

A state must list such tax exclusion from sales price on the state's taxability matrix.

4. The sales price definition also states that the sales price shall not include "Any taxes legally imposed directly on the consumer that are separately stated on the invoice, bill of sale or similar document given to the purchaser." A tax imposed directly on the consumer that is not separately stated on the invoice, bill of sale or similar document given to the consumer is a cost or expense of the seller and is included in the sales price. There is no requirement for a seller

to separately state such taxes.

A tax is legally imposed directly on the consumer if the imposition statute specifies the tax is:

a. imposed on the consumer;
b. the seller is required to collect from or bill the consumer for the tax; or
c. the tax is to be paid by or is due by the consumer.

Such tax shall be considered a tax imposed directly on the consumer regardless of whether the statute provides that the seller is liable for the tax if the consumer does not pay the tax to the seller.

A tax that does not meet the criteria as a tax imposed directly on the consumer as explained in this rule is a tax imposed on the seller or an expense of the seller.

Example 1: Federal Excise Tax on indoor tanning services. Chapter 49, Section 5000B, states the tax "imposed by this section shall be paid by the individual on whom the service is performed". This tax is imposed directly on the consumer and when itemized on the invoice the tax is not included in the sales price.

Example 2: A municipality in State A imposes a 3% tax based on the retail sale of lodging services. The statutes in State A provide that the seller may collect this tax from the consumer and if the seller collects this tax from the consumer, it must be separately stated on the invoice the seller provides to the consumer. This tax is imposed on the seller and is included in the sales price. Such tax is excluded from sales price only in states electing the option available under the sales price definition and subsection A.3 of this rule.

5. State law that allows the local jurisdictions to impose a tax will be used to determine if the tax is imposed directly on the consumer or imposed on the seller. The state law controls whether those taxes are included or excluded from the sales price, regardless of whether the local jurisdiction's law or ordinance adopted provides that:

a. The tax is imposed on the consumer;
b. The tax must be collected from or billed to the consumer; or
c. The tax may be collected from the consumer.

If the state law is silent as to the collection or imposition of tax, the tax is

considered imposed on the seller and is included in the sales price.

If there is no state statute authorizing or imposing the tax, the language in the local ordinance will determine if the tax may, but is not required, to be collected from the consumer.

Example 1: State Law 1. Additional municipal non-ad valorem tax authorized--Rate. Any municipality may impose an additional municipal non-ad valorem tax at the rate of one percent upon the gross receipts of all leases or rentals of hotel, motel, campsites, or other lodging accommodations within the municipality for periods of less than twenty-eight consecutive days. Any person or retailer subject to taxation under this chapter may add the tax under this chapter, or the average equivalent thereof, to the price or charge.

Based on State Law 1, this tax is imposed on the seller and is included in the sales price. However, it is excluded from the sales price only in states electing the option available under the sales price definition and subsection A.3 of this rule, if the tax is separately stated on the invoice, bill of sale, or similar document given by the seller to the consumer, regardless of what the municipal ordinance says.

Example 2: State Law 2. The council shall have power to tax for revenue, license, and regulate pawnbrokers, peddlers, auctioneers, brokers, hawkers, commission merchants, showmen, jugglers, innkeepers, liquor dealers, toll bridges, ferries, insurance, telegraph and express companies and vendors of patents. Such tax may include both a tax for revenue and license. The city council shall have power to raise revenue by levying and collecting a tax on any occupation or business within the limits of the city and regulate the same by ordinance. All such taxes shall be uniform in respect to the class upon which they are imposed. It shall be the duty of the city clerk to deliver to the city treasurer the certified copy of the ordinance levying such tax, and the city clerk shall append thereto a warrant requiring the city treasurer to collect such tax.

Based on State Law 2, this tax is imposed on the seller and is included in the sales price since the state law is silent as to the collection or imposition of the tax.

Example 3: State Law 3 provides that municipalities may impose a local room tax. The state law indicates that these taxes may be passed on to or collected from the consumer, based on the ordinance passed by each municipality. Municipality A passes an ordinance to impose the local room

tax and that the tax may be passed on to or collected from the consumer. Municipality B passes an ordinance to impose the local room tax and that the tax may not be passed on to the consumer.

Based on State Law 3, these taxes are imposed on the seller and included in the sales price in both Municipality A and Municipality B. However, these taxes will be excluded from the sales price in those states electing the option available under the sales price definition and subsection A.3. of this rule, if the taxes are separately stated on the invoice, bill of sale, or similar document given by the seller to the consumer, regardless of what the municipal ordinance says.

6. Contracts between a seller and consumer will not alter upon whom the legal incidence of the tax is statutorily imposed.

7. As of September ~~January~~ 1, 2015~~1~~, ~~F~~federal taxes that are legally imposed directly on the consumer based on the above rules are excluded from the "sales price" when separately stated on the invoice, bill of sale, or other similar document given by the seller to the consumer.

a. Telecommunications Excise Tax. (26 U.S.C. § 4251)
b. Transportation of Persons by Air. (26 U.S.C. § 4261)
c. Transportation of Property by Air. (26 U.S.C. § 4271)
d. Tanning Service. (H.R. 3590, § 10907 Chapter 49, § 5000B)

8. As of January 1, 2011, subject to a state excluding certain federal excise taxes under paragraph 3 of the sales price definition, the following are examples of f~~F~~ederal taxes and fees that are included in the sales price, regardless of whether they are separately stated on the invoice, bill of sale, or other similar document given by the seller to the consumer. These are imposed on the seller or are a cost of expense of the seller.

a. Federal Universal Service Fund Fee
b. Federal Subscriber Line Charge
c. Federal Retail Tax on Heavy Trucks
d. Federal Alcohol Tax
e. Federal Tobacco Tax
f. Federal Firearms and Ammunition Excise Tax
g. Federal Gas Guzzler Tax
h. Federal Motor Fuel Tax

B. The purpose of this section is to explain that a partial exclusion of a definition is prohibited.

1. A member state that has adopted the Sales Price definition shall use the definition contained in the Agreement and shall not exclude from the sales price any amount or measure that is included in the sales price definition unless the Agreement specifically permits such a variation.

Example 1: A state imposes an excise tax on the receipts from wireless telecommunication services. The law does not state the consumer is to pay the tax or that the seller is required to collect the tax from the consumer. The law is silent concerning an authorization to pass the tax on to or collect the tax from the consumer. A state passing a sales tax statute to exclude the excise tax on wireless telecommunication services from the sales price is not in compliance with the Agreement.

Example 2: A state law allows municipalities to enact an ordinance or resolution imposing a tax on the privilege of furnishing, at retail, rooms or lodging to transients by hotelkeepers, motel operators and other persons furnishing accommodations that are available to the public. The state law provides the tax imposed under this law is not subject to the sales tax imposed by their state sales tax statutes. There is no language stating the tax must be collected from or paid by the consumer and no language stating the seller may pass the tax on or collect the tax from the ~~RP1100801~~ consumer. Instead, each municipality's ordinance or resolution indicates whether the tax may or may not be collected from the consumer.

Because the law is silent concerning an authorization to pass the tax on to or collect the tax from the consumer, this tax is imposed on the seller. The state excluding this tax from the sales price is not in compliance with the Agreement.

B. This amendment creates Rule 335 – Tax Administration Practices. This was approved by the SSTGB on May 12, 2015. No state is required to make a statutory change relating to this amendment and therefore this change did not require a second vote.

Summary of amendment - This amendment creates new SSTGB Rule 335 – Tax Administration Practices and provides the procedures for selecting disclosed practices and best practices.

Rule – 335 Tax Administration Practice Rule

A. **Purpose**. This procedural Rule prescribes the procedures applicable to the selection of a tax administration practice under Section 335 of the Agreement.

B. **Request for Selection of a Disclosed Practice.** This paragraph describes the procedures applicable to the development of a tax practice for disclosure.

1. **Request to the Governing Board:** A state or a person may request the Governing Board to select a tax practice for disclosure by completing the SLAC Request & Assignment Form and submitting the Form to the Executive Director for placement on the Governing Board agenda for either a regular or a special meeting.

2. **Referral to the State and Local Advisory Council.** The Governing Board may accept, modify or deny a request for the selection of a tax practice for disclosure. If the Governing Board accepts or modifies a request it will direct SLAC to develop and recommend a tax practice for disclosure. The referral to SLAC will generally be made using the SLAC Request & Assignment Form. The SLAC Chair, in consultation with the President of the Governing Board, may form an informal workgroup to develop a tax practice for disclosure prior to a formal Governing Board referral.

3. **State and Local Advisory Council**

   a. Upon initiation of the process, the SLAC Chair will provide public notice of the formation of a workgroup and will invite participation from all interested parties. SLAC will establish a workgroup comprised of interested state, local government and business representatives who will, using expertise and assistance of the SLAC Steering Committee, prepare a draft tax practice for disclosure.

   b. The SLAC Chair will provide the draft tax practice for disclosure to the SLAC delegates and the BAC with a reasonable opportunity for review, comment, and participation in continued development of the draft tax practice.

   c. The SLAC Chair will have sole discretion to call for formal final comments on a draft tax practice for disclosure from states, the BAC and other interested parties. Notice of such call for final comment shall be in accordance with Rule 806.2. Final comments shall be submitted to the SLAC Chair and Vice Chair within the specified time but in no case shall the period for submitting final comments be less than 20 days from the date of the notice for final comments on the draft tax practice for disclosure. The SLAC Chair will conduct a vote on a tax practice for

disclosure. If no quorum is present, the SLAC Chair will conduct an advisory vote, which will be reported to the Governing Board.

d. The draft tax practice for disclosure together with all written comments and voting results shall be presented to the Governing Board and placed on the agenda of the Governing Board for either a regular or a special meeting.

e. Notice is required consistent with Section 901.

C. **Requests for Selection of a Best Practice.** This paragraph describes the procedures applicable to the evaluation of a proposed best practice.

1. **Request to the Governing Board and Referral to the State and Local Advisory Council:** A state or a person may request the Governing Board to select a best practice from among the disclosed practices by completing the SLAC Request & Assignment Form and submitting the Form to the Executive Director for placement on the Governing Board agenda for either a regular or a special meeting. The Governing Board may accept, modify or deny such a request. If the Governing Board accepts or modifies a request it will direct SLAC to evaluate and vote on the request as provided within this Rule.

2. **Request Directly to the State and Local Advisory Council:** A state or person may also directly request that SLAC evaluate whether a tax practice under development for disclosure pursuant to paragraph B of this Rule, should be selected as a best practice, unless the same request has been denied by the Governing Board. The request will be made by completing the SLAC Request & Assignment Form and submitting the Form to the Executive Director. With respect to requests made directly to SLAC, the SLAC Chair in consultation with the SLAC Steering Committee may accept, modify or deny such a request. To the extent practicable, the SLAC Chair will seek to complete the procedures under subparagraph C.3 of this Rule concurrent with the completion of the procedures set forth in subparagraph B.3 of this Rule.

3. **State and Local Advisory Council**

a. The SLAC Chair will schedule a meeting or meetings of the full SLAC with at least 30 days notice to consider a request for a best practice and the SLAC Chair will include the request in the meeting notice. Notice shall be in accordance with Rule 806.2. At the meeting or meetings, the

SLAC Chair will allow the requestor to present the request and will solicit comments from the member states and the public.

b. Before concluding the full SLAC meeting or meetings in subparagraph C.3.a of this Rule, the SLAC Chair will conduct a vote identifying the number of SLAC members that support the selection of a draft tax practice or existing disclosed practice as a best practice. If no quorum is present, the SLAC Chair will conduct an advisory vote, which will be reported to the Governing Board.

c. A proposed best practice together with comments and voting results shall be presented to the Governing Board and placed on the agenda of the Governing Board for either a regular or a special meeting.

d. Notice is required consistent with Section 901 of the Agreement.

C. This amendment (RP15008) revises Rule 803 – Annual Recertification. This was approved by the SSTGB on September 16, 2015. No state is required to make a statutory change relating to this amendment and therefore this change did not require a second vote.

Summary of amendment - This amendment revises SSTGB Rule 803 – Annual Recertification. The amendment makes some formatting changes and indicates that the CRIC final report to the Governing Board may identify any known future compliance issues.

Rule 803 – Annual Recertification

A. **Recertification Requirement.** Pursuant to Section 803 of the Agreement, each member state shall annually recertify to the Governing Board by August 1 of each year that the state is in compliance with the Agreement. A state is in compliance with the Agreement if the effect of the state's laws, rules, regulations, and policies is substantially compliant with each of the requirements set forth in the Agreement.

1. **Recertification Documents**
   a. On or before August 1 of each year, each member state shall submit to the Executive Director either a statement certifying that the state is in compliance with the Agreement as it exists on August 1 of the year or a statement of noncompliance.
   b. With the statement, each member state shall submit:

(1) The certificate of compliance issued for the recertification period that sets out the state's statutes, rules, regulations, and other authorities adopted to comply with the specific provisions of the Agreement as of August 1 of the year;
(2) A list and the effective date of any of the state's statutes, regulations, or written policies that impacts the state's compliance that have changed since August 1 of the prior year;
(3) Its most current taxability matrix;
(4) A statement disclosing any known items of noncompliance with a description of the action the state intends to take to remedy the noncompliance; and
(5) A list of any significant administrative or judicial decisions (regardless of outcome) that impact the state's compliance since August 1 of the prior year.

2. **Posting documents.** Each member state shall post its statement of recertification or its statement of noncompliance and all supporting recertification documents on the state's web site on or before August 1 of each year. The Executive Director shall post all recertification filings on the Governing Board's web site.

B. **Review Responsibility.** Pursuant to Article 7, Section 2 of the bylaws, the Compliance Review and Interpretations Committee (CRIC) is responsible for reviewing each state's annual recertification filings, determining any needs for re-assessment and recommending to the Governing Board findings of non-compliance.

C. **CRIC Evaluation and Report**

1. On or before September 30 of the recertification year, the Executive Director shall:
   a. Review all statements and accompanying documents;
   b. Conduct a state-by-state review of each state's compliance with the Agreement; and
   c. Issue an initial written report to CRIC listing potential compliance issues for each member state or stating there are no compliance issues. The Executive Director shall publish the initial written report on the Governing Board's web site and CRIC shall hold at least one meeting to discuss the report and schedule dates for states and the public to submit comments.
2. Providing at least thirty days notice, CRIC shall give states and the public the opportunity to submit written comments to CRIC. Such responses and comments shall be delivered to the Executive Director who shall notice the

public of their filing and publish those documents on the Governing Board's website.

3. Providing at least ten days notice or until CRIC completes its review of a subject state's compliance, whichever is later, CRIC shall give the states and the public the opportunity to submit written comment to CRIC solely to address any issues previously raised in CRIC's report or to address comments received from the state or the public. Such responses and comments shall be delivered to the Executive Director who shall notify the public of their filing and publish those documents on the Governing Board's web site.
4. On or before November 30 of the recertification year, CRIC shall issue its final report to the Governing Board. Such report shall:
   a. Summarize, as practical, the comments received from the member states and the public;
   b. Describe how CRIC addressed those comments; and
   c. State how each CRIC member voted.
5. The CRIC final report to the Governing Board may identify any known future compliance issues a member state may have if the effect of the state's laws, rules, regulation, and policies does not substantially comply with any amendment, interpretation, or interpretive rule.
6. If any date provided in this rule falls on a weekend day, federal holiday or a banking holiday in a member state, such date shall be the next day that is not a weekend day, federal holiday or banking holiday in a member state.
7. The CRIC chair, for due cause shown, may extend the September 30 or November 30 deadlines established in this section.

D. **Review Standards**

1. **Scope of Review.** The member states' annual recertification of compliance covers all aspects of the Agreement, including any applicable rules and interpretations, and is not limited to changes made in the prior year.
2. **Determination of Compliance**
   a. A member state is presumed to be in compliance. Except as provided in paragraph b of this subsection, if documentation is provided to CRIC indicating a state is not in compliance, such state has an affirmative duty to explain how it is in compliance.
   b. If an issue of a state's compliance has previously been raised against a state for which it was found in compliance that was the subject of a prior unsuccessful challenge under this paragraph, such state need only respond that it previously was held in compliance on that same issue. CRIC and the Governing Board, however, must take into consideration any documentation that supports such state is not in compliance.

3. **Reliance.** The determination of a member state being in compliance shall be based only on a review of the state's laws, regulations and written policies; such provisions listed in order of preference and reliance. Legislation shall be relied upon only if it has passed both legislative chambers (or the legislative chamber for a unicameral state) and there is no known threat of a Governor's veto. A regulation shall be relied upon only if it has been fully adopted. A written policy shall be relied upon only if it is publically accessible through the state revenue agency's web site.

E. **Public Notice.** The Executive Director shall provide notice and copies of any statements of noncompliance received by a member state and any findings of noncompliance by the CRIC to and shall solicit comments from the following parties:
1. the authorized representative of each member state;
2. the Chair of the State and Local Advisory Council;
3. the Chair of the Business Advisory Council; and
4. the general public as provided in Rule 806.2.

F. **Agenda.** If possible, by December 31 of the recertification year any statements of noncompliance from a member state and any findings of noncompliance by the CRIC shall be placed on the agenda of the Governing Board for either a regular meeting or a special meeting. In addition, upon a motion at that same meeting, the Governing Board shall determine if a state is out of compliance that did not have a finding of noncompliance by CRIC based on documentation reviewed by CRIC or submitted to the Governing Board. If a member state is found to be out of compliance by the Governing Board, the member state shall be subject to sanctions as authorized under Section 809 of the Agreement.

G. **Appeal.** If any person disagrees with the Governing Board's determination, that person may invoke the issue resolution process provided for in Article X of the Agreement.

H. **Publication of the Decisions.** Once the decision of the Governing Board becomes final, either because no appeal is filed or the appeal procedures have been exhausted, the decision shall be sent to the subject state and a copy of the decision shall be posted on the Web. The Governing Board's web site shall list the following for each state found not in compliance:
1. The date a state was found not in compliance;
2. The noncompliance issue(s);
3. The sanction(s) imposed with any timeframes; and
4. When known, the date the state will return to compliance.

D. This amendment (RP15009A01) creates Rule 809 – Sanction of Member States. This was approved by the SSTGB on September 16, 2015. No state is required to make a statutory change relating to this amendment and therefore this change did not require a second vote.

Summary of amendment - This amendment creates SSTGB Rule 809 – Sanction of Member States and provides the procedures to be followed by the Executive Committee and Governing Board when recommending or imposing sanctions on a member state, along with the notification requirements.

Rule 809 – Sanction of Member States

A. Executive Committee to Consider Sanctions

If the Governing Board finds a member state is out of compliance with the Agreement, the Executive Committee shall consider what sanctions should be recommended to the Governing Board pursuant to the procedures set out in this rule.

B. Stay of Consideration of Sanctions

1. If a member state files a petition for reconsideration pursuant to Rule 1001, the Executive Committee shall stay consideration of sanctions for those findings of non-compliance for which the member state has filed the petition.

2. If the Governing board confirms a state is out of compliance under Rule 1001, the Executive Committee shall consider what sanctions, if any, should be recommended to the Governing Board pursuant to the procedures set out in this rule in light of any sanctions already imposed.

C. Notice and Comments

Within 30 days after the notice provided for in Section 805.1 is sent by the Executive Director, the Executive Committee shall provide a 30-day public comment period during which written comments may be submitted to the Executive Committee. All comments received by the Executive Committee shall be posted on the Governing Board website.

D. Public Meeting

No sooner than 10 days after the close of the public comment period, the Executive Committee shall hold a public meeting, which may be by teleconference pursuant to Rule 807.1(B)(2), convened in accordance with Rule 807 to determine the recommendation regarding sanctions to be made to the Governing Board. If a

member of the Executive Committee represents the member state that has been found by the Governing Board to be out of compliance, that committee member shall not vote on the recommendation. The meeting shall provide an opportunity for public comments. The subject state shall be afforded an opportunity to be heard by the Committee at such meeting.

E. Possible Recommendation

In arriving at a recommendation for sanction(s) the Executive Committee shall consider the requirement of the Agreement with which the state is out of compliance, the action which will be required to bring the subject state back into compliance with the Agreement and the length of time which will be required for the subject state to return to compliance with the Agreement. Recommendations which may be made by the Executive Committee include, but are not limited to:

1. Suspension of the subject state's right to vote on amendments to the Agreement;
2. Suspension of the subject state's right to vote to determine if a petitioning state is in compliance with the Agreement;
3. Suspension of the subject state's right to have any delegates serve on the Governing Board;
4. Suspension of the subject state's right to vote on any matter which may come before the Governing Board; or
5. Expulsion from membership in the Agreement.

F. Written Recommendation

1. When a recommendation of the proposed sanction(s) is made by the Executive Committee, it shall issue a written report which shall provide the Committee's rationale for its recommendation. A copy of the recommendation shall be sent to the subject state and the Governing Board delegates of each member state. The recommendation shall be posted on the Governing Board's website.
2. The Executive Committee shall issue a written recommendation within 90 days after the public meeting provided for in subsection (D) of this rule.

G. Agenda

Sanctions recommended by the Executive Committee shall be placed on the agenda of the Governing Board for the next regular or special meeting for which there is sufficient time for the required notice to be given.

H. Governing Board Action

1. At a meeting where a recommendation of the Executive Committee for a sanction is on the agenda, the Governing Board shall:

   a. impose a sanction recommended by the Executive

Committee;

b. impose a different sanction;

c . defer any action on imposition of a sanction until a date certain; or

d. decide not to impose a sanction.

2. If a sanction is imposed, the Governing Board shall specifically identify:

a. the corrective action(s) the member state must take to have the sanction removed; and

b. the person(s) who will verify and document that the member state has completed the corrective action(s).

3. When the member state has completed the required actions, which have been verified by the person(s) identified in subsection 2.b., the sanction imposed by the Governing Board with respect to that issue shall be lifted.

I. Effective Date of Sanction

The Governing Board shall determine the effective date of any sanction it imposes. The effective date may be conditional which would result in the sanction being imposed only if the subject state fails to come into compliance by a date certain.

J. Review of Sanctions for Continued Noncompliance

If a member state remains out of compliance with the same requirement of the Agreement after the next annual recertification process under section 803, the Executive Committee shall reconsider potential sanctions and make a recommendation to the Governing Board pursuant to the procedures set out in this rule.

K. Publication of Decision

The Executive Director shall send notice to the subject state and each member state's Governing Board delegates when a sanction is imposed or lifted. A copy of the decision shall be posted on the subject state's and the Governing Board's website.

E. This amendment amends Appendix C of the SSTGB Rules and relates to the minimum standards CSPs must meet to be certified. This was approved by the SSTGB on May 12, 2015.

Summary of amendment - This amendment amends Appendix C of the SSTGB Rules and Procedures to clarify that the data must be maintained in the United States, require

separate cost components detailing system development for startup companies, require companies provide copies of the procedures they follow in connecting their tax calculator to their client's system, review mapping procedures and review the specific Appendix F SST Reports required to be provided by the CSPs. In addition, a cyber security policy and if applicable, a telecommuting policy need to be in place. The changes from the prior version are shown using underlining and ~~strikeouts~~ and highlighted.

		Appendix C (05/12/2015)
	Criteria for CSP Evaluation	**Minimum Standards**
A	**Corporate Background and Experience:**	
1	Background information of the applicant was included, along with detailed experience with similar projects or other information that demonstrates that the applicant is qualified.	Must have similar: 1. Project tax experience, 2. Size and complexity, or 3. Project implementation.
2	If similar work has been performed for others, three references were listed (with contact names and telephone numbers) for whom such work was performed.	References should be followed up.
3	If applicable, subcontractors were listed that the applicant intends to use in fulfilling any contract entered into. Attached to this list is a description of the work that will be subcontracted and a discussion of the capabilities of the subcontractor, including the history and relationship to the applicant.	Changes to the application, if any, have been submitted via an addendum. (All subcontractors and/or partners must be submitted and approved by the Board and will require additional evaluation.
4	If the application is on behalf of a partnership or other multi-party entity, it identified each entity and provided background and experience information for each.	Any changes in the application require an addendum so all subcontractors and or partners must be submitted and approved by the Board and will require additional evaluation.
5	Specified and provided information on any key personnel employed by the applicant, subcontractors, or partners. This included the experience of these key persons and a brief summary of the type of work they will perform.	Any changes in the application require an addendum so all subcontractors and or partners must be submitted and approved by the Board and will require additional evaluation.

6	A statement of criminal history must be provided by the applicant acknowledging whether it, or any of its subcontractors or partners, including their officers, directors, or key personnel, have ever been convicted of a felony, or any crime involving moral turpitude, including, but not limited to fraud, misappropriations or deception. If there is no existence of criminal history, an acknowledgement to that effect must be provided.	Requiring background checks for those personnel who had not yet been checked.
7	A statement has been included indicating that for purposes of any work performed under this contract, the applicant, along with its partners and subcontractors, will maintain their books, records, computer systems, data, and backup facilities in the United States.	Requirement must be specifically met as indicated in criteria.
B	**Financial Soundness:**	
1	The applicant has submitted a business plan encompassing the CSP operations, signed by the applicant. If the business plan includes a subcontractor or partnership, the business plan includes details of the specific functions to be performed by each party.	Business plan should encompass three years of operations, including the start-up period and the first two years of operations. This should include separate cost components detailing system development costs, staffing costs, equipment and other fixed asset needs, facilities, and other necessary administrative and operating costs covering the start-up and contract periods. Financing sources should be sufficient to demonstrate the viability of the applicant's business plan.
2	Submitted audited financial statements for the last 3 years with a current certification from the chief financial officer stating that the statements are current, accurate and complete. Exceptions regarding any materially adverse changes since the date of the most recent financial statements were disclosed, if applicable.	Any changes in the application require an addendum so all subcontractors and/or partners must be submitted and approved by the Board and will require additional testing and certification. The financial statements must include the basic financial statements and notes to financial statements as defined by generally accepted accounting principles, as well as an auditor's opinion. If no audited financial statements are available, unaudited financial statements with a current certification from the chief financial officer or similar officer would be sufficient.

3	If the applicant is a subsidiary of another corporation, the applicant submitted unaudited financial statements with a certification from the CFO that statements were used to prepare audited parent company financial statements, in addition to submitting the audited financial statements of the parent company.	Changes to the application, if any, have been submitted via an addendum. (All subcontractors and/or partners must be submitted and approved by the Board and will require additional evaluation.) Financial statements provide a clear picture of the financial health of the subcontractors and partners.
4	Applicant submitted the following standard "Financial Ratios" for the last 3 years: Current Ratio; Quick Ratio; Net Working Capital Ratio; Profit Margin Ratio; Accounts Receivable Turnover Ratio & Debt to Equity Ratio.	Ratios must be within recognized industry norms. If an applicant has added a new partner or subcontractor that was not identified when they filed their original CSP application, they are required to amend their application and provide the same detail for them as required of the original partners. (see A-4 requirement)
5	If the applicant is a subsidiary, it provided the "Financial Ratios" stated above for consolidated financial statements of the parent company.	Ratios must be within recognized industry norms. If an applicant has added a new partner or subcontractor that was not identified when they filed their original CSP application, they should be required to amend their application and provide all the same detail for them as required of the original partners. (see A-4 requirement)
6	If the application was submitted on behalf of a partnership or other multi-party entity, the financial information listed above was included for each of the parties.	If an applicant has added a new partner or subcontractor that was not identified when they filed their original CSP application, they should be required to amend their application and provide all the same detail for them as required of the original partners. (see A-4 requirement)
C	**Project Staffing and Organization**	
1	The name, address, and telephone number of a person with authority to bind the applicant was included.	Included in the CSP application along with an Organizational chart.
2	The name, address, and telephone number of a person who can answer questions or provide clarification concerning the applicant's application was included.	Included in the CSP application along with an Organizational chart.

3	Applicant gave details of the proposed staffing and deployment of personnel to be assigned to the contractual undertaking should a contract be entered into (including information about the qualifications and experience of all key personnel).	Included in the CSP application along with an Organizational chart.
D	**Technical Approach**	
1	Applicant's system complies with the Uniform Sourcing requirement and accommodate sourcing rules of Associate Member States **{see Section 309 of the Streamlined Agreement, Section 400 (C) of the Certification Standards}**	This should be verified through the results from the system test process
2	Applicant's system complies with the Exemption Processing requirement **{see Section 317 of the Streamlined Agreement, Section 620 (D) of the Certification Standards}**	This should be verified through the results from the system test process
3	Applicant's system response complies with the Uniform Rounding requirement **{see Section 324 of the Streamlined Agreement}**	This should be verified through the results from the system test process
4	Applicant's system complies with the Uniform Definitions requirement **{see Section 104 and Appendix C of the Streamlined Agreement}**	This should be verified through the results from the system test process
5	Applicant's system complies with the Rate and Boundary Changes requirement **{see Section 305 of the Streamlined Agreement}**	This should be verified through the results from the system test process
6	Applicant's system complies with the Tax Collection Procedures requirement **{see Section 319 of the Streamlined Agreement}**	This should be verified through the results from the system test process
7	Applicant's system complies with the Liability Relief requirement **{see Section 306 of the Streamlined Agreement}**	Has met the requirement covered in Section 306 of the SSUTA.
8	Applicant's system complies with the Tax Remittance Procedures requirement **{see Section 319 of the Streamlined Agreement and Section 400(C) of the Certification Standards}**	This should be verified through the results from the system test process

9	Applicant's system complies with the Tax Reporting Procedures requirement **{see Section 321 of the Streamlined Agreement and Section 520 of the Certification Standards}**	This should be verified through the results from the system test process
10	Applicant's system complies with the Record Retention Procedures requirement **{see Section 630 of the Certification Standards and Section 321 of the Streamlined Agreement}**	Records need to be maintained for a minimum of 4 years, and preferably 7 years.
11	Applicant's system complies with the Audit Requirements. Each applicant must demonstrate that it can provide information in electronic format as required for certification and audit; must agree to any generally accepted sampling procedures, including electronically applied statistical sampling; and must be able to demonstrate that its systems are structured to provide for this functionality. **{see Section 301 and 806(C) of the Streamlined Agreement, Sections 630 (F) and 700 of the Certification Standards}**	This is mandatory and well-documented in the various sources referenced.
12	Applicant's system complies with the Taxpayer Privacy requirement **{see Section 321 of the Streamlined Agreement and Section 600 of the Certification Standards}**	Applicant should provide policy statements for each action they have invoked to meet the privacy standards and protection of data.
13	Applicant's application addressed the requirement for on-going real-time testing of the system including a method of conducting a performance test with an explanation of what will be revealed when the test is conducted (and the testing has confirmed this) **{see Section 300 of the Certification Standards}**	Remote access testing should be available on an on-going basis; however, state submission of test files to CSPs should be coordinated through the Governing Board and the CSP testing contact.
14	Applicant's system has shown the capability and applicant has given assurances that all taxes due will be collected and remitted to the appropriate Member states if the system is unavailable for a period of time.	Copy of disaster recovery plan. Plan to describe the redundancy and fail over capability of the system to ensure there is no loss of taxes due.

15	Applicant's system has demonstrated the capability to support applicant's statement of what lead time would be necessary and what information would be required to act on behalf of additional sellers in the event that a different CSP ceases operations for any reason.	Applicant stipulates how much lead time that it needs to act on behalf of additional sellers. We can gauge lead time based on the number of vendors they could inherit, volume of product codes involved, CSP's server availability and equipment capacity, as well as the size of their staff. The best indication of this may be how fast they can get their initial vendors operational should they become certified).
16	Applicant's system must be able to generate, transmit, and receive a bulk registration to and from the SST Central Registration system. Transmission must be accomplished using web services and in the format approved by TIGERS and the SST Governing Board.	This should be verified through the results from the system test process
E	**Certification Standards - General Controls**	
1	Applicant has demonstrated that it has in place an entity-wide security management program that establishes a framework and continuous cycle of activity for assessing risk, developing and implementing effective security procedures, and monitoring the effectiveness of these procedures. {see Section 110 of the Certification Standards}	Documents should include a detailed security management program that is adequately documented, approved, and up-to-date. The program should provide for an ongoing process of assessing risk, developing and implementing effective security procedures, monitoring the effectiveness of these procedures, and effectively remediating information security weaknesses. The application should also address security management related to those parts of the system related to the contract that are performed by subcontractors to provide assurance that external third-party activities are secure, documented, and monitored.
2	Applicant has demonstrated that access controls are in place that limit and detect inappropriate access to computer resources (data, equipment, and facilities). The access controls should include both logical and physical controls. {see Section 120 of the Certification Standards}	Access control policy should cover all points of access to the system and data, including base of operations, hosting site, and data backup installation. Since each of these systems may be owned by different parties, an understanding of the access control policies of each system should be obtained. Minimum standards for establishing

		physical and logical access controls include FISCAM AC 3.2 and NIST AC-1 through AC-22. Logical access controls should include authentication of users (e.g., passwords, other identifiers) that limit the files and other resources that can be accessed and the actions that can be executed. Physical access controls should restrict physical access to computer resources and data, as well as protect it from intentional or unintentional loss or impairment (e.g., persons gaining entry by going over the top of a partition, cutting a hole in a plasterboard wall). Documents should include a description of the access control policy that protects the Contractor's systems from unauthorized modification, loss, and disclosure. Logical access controls should provide authentication of users (e.g., passwords, other identifiers). Physical access controls (e.g., security at entrances and exits based on risk) should restrict physical access to computer resources and protect them from intentional or unintentional loss or impairment. An incident response program should also be included.
3	Applicant has demonstrated that it has in place a configuration management policy for the identification and management of security features for all hardware, software, and firmware components of the system. The configuration management system should systematically control changes to the system configuration during the system's life cycle. {see Section 130 of the Certification Standards}	Documents should include policies and procedures that support the configuration management plan, including maintaining current configuration identification information; authorizing, testing, approving, and tracking all configuration changes; routinely auditing and verifying the configuration; updating software promptly to protect against known vulnerabilities; and approving emergency changes to the configuration.

4	Applicant has demonstrated that it has in place effective entity-wide policies and procedures at the system and application levels for segregation of duties. {see Section 140 of the Certification Standards}	Documents should include policies and procedures that prevent one individual from controlling all critical stages of a process, and instead split the responsibilities between two or more organizational groups so that the likelihood is diminished that errors and wrongful acts will go undetected.
5	Applicant has demonstrated that it has in place effective contingency plans to prevent interruptions from resulting in lost or incorrectly processed data, which can cause financial losses, expensive recovery efforts, and inaccurate or incomplete information. {see Section 150 of the Certification Standards}	Documents should include policies and procedures for protecting information resources and minimizing the risk of unplanned interruptions, as well as a plan for recovering critical operations should interruptions occur. The contingency plan should address the entire range of potential disruptions of a certified service provider. The contingency plan should: 1. Assess the criticality and sensitivity of computerized operations and identify supporting resources; 2. Take steps to prevent and minimize potential damage and interruption; 3. Be up to date and provide for alternate data processing, storage, and telecommunications facilities; and 4. Be tested periodically, the test results analyzed, and the contingency plan adjusted accordingly.
6	Applicant has created a policy utilizing industry-standard availability/fault tolerance benchmarks.	Plan to describe the redundancy, fail over capability, and availability of the system.
F	**Application Controls**	
1	Applicant has demonstrated that application level general controls (“application security”) are in place at the application level, including those related to security management, access controls, configuration management, segregation of duties, and contingency planning. {see Section 210 of the Certification Standards}	Documents should include evidence that the following exists: application security management plan, risk assessments; remediation of security weaknesses; external third party provider activities are secure, documented, and monitored; application users are appropriately identified and authenticated; public access is controlled; an access audit and monitoring program is in place;

		application security violations are identified in a timely manner; exceptions and violations are properly analyzed and appropriate actions are taken; Physical security controls over application resources are adequate; changes to application functionality in production are authorized; unauthorized changes are detected and reported promptly; authorizations for changes are documented and maintained; changes are controlled as programs progress through testing to final approval; access to program libraries is restricted; access and changes to programs and data are monitored; there is segregation of duties between the security administration function of the application and the user functions; effective monitoring controls are in place to mitigate segregation of duty risks; application contingency planning includes a Business Impact Analysis (BIA) or equivalent; an application Contingency Plan exists and is periodically tested.
2	Applicant has demonstrated that it has in place a store-and-forward capability as backup to real-time mode.	Documents should include evidence that interactive systems between the Contractor and its sellers have been developed so that if the communications are interrupted, transactions are stored in a temporary file, and then forwarded automatically to the receiving system when communications are restored. Transactions logs and control records should be able to verify that all transactions have been forwarded and that the system is “made whole” as if the interruption to communications had not happened.
3	Applicant has provided evidence that business process (BP) controls are in place that demonstrate the completeness, accuracy, validity and confidentiality of transactions and data during application processing. {see Section 220 of the Certification Standards}	Documents should include policies and procedures related to transaction data input, transaction data processing, transaction data output, and master data setup and maintenance.

4	Applicant has demonstrated that it has in place the required predefined XML schemas, against which the transactions are validated, as well as appropriate restrictions on overriding and bypassing data validation and editing.	Documents should include policies and procedures demonstrating that the proper edits are in place, as well as restrictions on overrides to the system.
5	Applicant has provided documentation that appropriate interface controls are in place. {see Section 230 of the Certification Standards}	Documents should include policies and procedures evidencing the implementation of effective interface strategy and design and interface processing procedures. Errors during interface processing are identified, investigate, corrected and resubmitted for processing. Rejected interface data is isolated, analyzed and corrected in a timely manner.
6	Applicant has demonstrated that it has in place sufficient data management system controls over the entry, storage, retrieval and processing of information, including detailed, sensitive information such as financial transactions, customer names, and social security numbers. {see Section 240 of the Certification Standards}	Documents should include policies and procedures evidencing that the appropriate detective controls are in place, along with control capabilities over applications and/or functions not integrated into the applications.
7	Applicant has established procedures and mechanisms to properly apply rounding rules **{see Section 324 of the Streamlined Agreement}**	Copy of user/program specs, or complete testing of the system, or copies of applicant's completed test plan
8	Applicant maintains control mechanisms to provide assurance that the entry of erroneous data is captured, reported, investigated, and corrected **{see Section 220 (A) of the Certification Standards}**	A copy of user/program specs, or complete testing by States/STTP of the system, or copies of applicant's completed test plan. Also copies of error reports, files and logs. Policy as to how errors will be resolved.
G	**System Modification Accuracy**	
1	Applicant must demonstrate that procedures are in place to provide assurance that only authorized and tested software modifications are made to the application system **{see Section 310 of the Certification Standards}**	Copy of change control policies must include identification of individual access to files, and policy as to how programs are developed, changed, tested, and migrated into specific areas. Copies of approval forms, migration sheets, and test forms must be included.

2	Applicant must implement appropriate change control mechanisms to provide assurance that the appropriate level of software modification is matched to the data processed **{see Section 320 of the Certification Standards}**	Copy of change control policies must include identification of individual access to files, and policy as to how programs are developed, changed, tested, and migrated into specific areas. Copies of approval forms, migration sheets, and test forms must be included.
H	**Sufficiency of Information**	
1	Applicant demonstrated the system's ability to capture sufficient information to make an accurate tax determination **{see Section 400(A) of the Certification Standards}**	This should be verified through the results from the system test process
2	Applicant implemented appropriate features for providing assurance that adequate information is obtained from the purchaser, the seller, and the applicable state(s) so that the correct amount of tax is calculated, collected and remitted **{see Section 400(A) of the Certification Standards}**	Copy of procedures for connecting tax calculator with seller's system, including testing of seller transactions. For Applicants that rely upon their sellers to perform the mapping, review procedures provided to sellers on how to map taxable and exempt products and services.
3	Applicant established the system's ability to obtain, accumulate and report information on exempt sales **{see Section 400(B) of the Certification Standards}**	Analyze test decks results for exempt sales. Obtain separate representation from Applicant indicating that it understands the Appendix F audit file requirement, including the detailed information that it must contain.
4	Applicant implemented the proper use of state-provided sourcing information and compliance with state laws pertaining to taxability of tangible personal property and services **{see Section 400(C) of Certification Standards}**	This should be verified through the results from the system test process
5	With the use of an audit trail, applicant established a method to track all changes to the system including sourcing, taxability and mapping of products in order to record all authorized and unauthorized changes, dates of changes, and changes to hardware, software, and	Policy on how changes are tracked

	software upgrades **{see Section 400 of the Certification Standards}**	
I	**Data Security**	
1	Mechanisms and procedures are in place to provide assurance that data exchanged between all parties is secure, non-repudiated, and unaltered **{see Section 500 of the Certification Standards}**	Copy of policy describing type of security software, update sequence, and log of updates
2	For operational (transaction-related) data exchanged between a CSP and the Governing Board and the Member States, the appropriate standards are followed by applicant as set forth in the SST Certification and Auditing Standards documents **{see Section 500 of the Certification Standards}**	Copy of policy describing type of security software, update sequence, and log of updates
3	For operational (transaction-related) data exchanged between a CSP and participating sellers, the appropriate standards are followed as set forth in the SST Certification and Auditing Standards documents **{see Section 500 of the Certification Standards}**	Copy of policy describing type of security software, update sequence, and log of updates
4	For operational (transaction-related) data exchanged between a CSP and participating sellers, the appropriate transmission storage and virus protection is employed **{see Sections 550 and 560 of the Certification Standards}**	Copy of policy describing type of security software, update sequence, and log of updates. Diagram of configuration of system.
5	A cyber security policy is in place.	Copy of policy describing processes and practices designed to protect networks, computers, programs and data from attack, damage or unauthorized access. Should include actions to be taken in response to security incidents.
6	A telecommuting policy is in place.	Copy of telecommuting policy for employees and subcontractors. Should include written telecommuting agreement.

		telecommuting safety checklist, and approval of mobile technology.
J	**Privacy Standards and Data Protection**	
1	Mechanisms and procedures are in place to provide assurance that confidential taxpayer information is adequately protected, consumers' privacy is protected and confidential and proprietary information is prevented from being sold or re-used in any way **{see Section 610 of Certification Standards, Section 321 of the Streamlined Agreement}**	Copies of security and personnel policy/procedures that indicate how confidential taxpayer information is protected, consumers' privacy is protected and confidential and proprietary information is prevented from being sold or re-used in any way. Copies of confidentiality forms and exit forms/procedures for terminating personnel.
2	Mechanisms and procedures have been implemented to provide assurance that personally identifiable information is protected **{see Section 620 of the Certification Standards, Section 321 of the Streamlined Agreement}**	Copies of security policy/procedures that indicate how confidential taxpayer information is protected, consumers' privacy is protected and confidential and proprietary information is prevented from being sold or re-used in any way.
K	**Electronic Format Capability and Sampling Procedures**	
1	Procedures have been implemented to provide unrestricted access to people performing the certification including remote access testing **{see Sections 210 (B) and 300 of the Certification Standards}**	Provided procedures for testing and evaluation for certification as required per Appendix E of the SST Governing Board Rules and Sections 210 (B) and 300 of the Certification Standards.
2	Procedures and mechanisms have been established to provide access (either onsite or remote) to any documentation, system, database or system component, needed for them to perform the certification, re-certification, and audit **{see Sections 700 of the Certification Standards}**	Provided procedures and mechanisms for testing and evaluation for certification, recertification, and audit as required per Section 700 of the Certification Standards.

F. This amendment amends Appendix F of the SSTGB Rules and relates to the SST Reports to be filed by CSPs. This Appendix was amended twice during the year. Those amendments were approved by the SSTGB on May 12, 2015 and September 16, 2015.

Summary of amendment - This amendment revises Appendix F of the SSTGB Rules and Procedures and specifies the data that CSPs are required to provide with respect to its volunteer sellers along with the format required. The changes from the prior version are shown using underlining and ~~strikeouts~~ and highlighted.

SST Reports

The SST Governing Board Executive Director requires data from all Certified Service Providers (CSPs) pertaining to the CSP Services provided to sellers under the CSP contract entered into with the Streamlined Sales Tax Governing Board (SSTGB).
Effective January 1, 2015, CSPs are only required to provide a seller's data (compensation, audit and control total files) for those states in which the CSP is providing CSP Services for that seller under the CSP contract (i.e., those states in which the seller is a "volunteer seller" under the CSP contract). Section B.1. of the CSP contract allows the CSP and a seller registered through the Central Registration System, but who is not a "volunteer seller" in one or more of the member states, to agree that the CSP will not provide CSP Services for that seller in those particular states. Prior to January 1, 2015, CSPs were required to provide data for both volunteer and non-volunteer sellers. In addition to providing a seller's data to those states in which the seller is a "volunteer seller", the data must also be provided to the Core Team.

The administrators of the individual states may also require the Model 2 and Model 3 sellers to send the data for their respective states, irrespective of whether the seller is a volunteer or non-volunteer.
~~The SST Governing Board Executive Director requires data from all CSPs pertaining to all member states. The administrator for each state requires data from the CSPs and Model 2 and Model 3 filers pertaining to data for their respective states.~~

File Location: Each CSP will place the files in a centralized secure location as determined by the SSTGB Executive Director.

Date Required: Required reports and files in the following specified formats will be provided annually. The CSP will upload their files by February 15th of each year. This data will be for the previous calendar year. In cases where the CSP utilizes Product Mapping files, these files will be uploaded at the same time as the data reports. Model 2 filers will provide their files to the respective states as requested by each state auditor at the time of audit.

File Format: Files will be in a comma delimited (.csv) format. The CSPs and Model 2 filers will ensure there are no commas contained within the record fields.

- If the CSP combines the data, compensation and control total files into a zip file for convenience during the upload process, the file name should be listed as follows:
  - The first three characters represent the last three numbers of the SST CSP ETIN, as shown on the SER or the Model 2 and Model 3 filer's SSTID.
  - Fourth and fifth characters represent the two character alpha state abbreviation or "ED" in the case of the Executive Director report.

File Names: The file names for the compensation, audit and control totals files will be constructed as follows:

- The first three characters represent the last three numbers of the SST CSP ETIN, as shown on the SER or the Model 2 and Model 3 filer's SSTID.
- Fourth and fifth characters represent the two character alpha state abbreviation or "ED" in the case of the Executive Director report.
- Sixth character represents the data type: C (compensation), A (audit), or T (control totals).
- Seventh and eighth characters represent the year the information is for.
- Ninth character represents the version designator (V).
- Tenth through fifteenth characters represent the date uploaded to the centralized secure location in yymmdd format.

Example: Compensation data file from Test CSP, Inc. (CSP000001) for Arkansas for the year of 2014, submitted to the centralized secure location on February 15, 2015: 001ARC14V1150215.csv

The file name for the product mapping file will be constructed as follows:

- The first character represents the data type: M (product mapping).
- Second through tenth characters represents the Seller SSTID.
- Eleventh and twelfth characters represent the year the information is for.
- Thirteen through fifteenth characters represent the last three numbers of the SST CSP ETIN, as shown on the SER.
- Sixteenth character represents the version designator (V).
- Seventeenth through twenty-second characters represent the date submitted to the centralized secure location in yymmdd format.

Example: Product mapping data file from Test CSP, Inc. (CSP000001) submitted to the centralized secure location for the year of 2014, on February 15, 2015: MS9999999914001V1150215.csv

This naming convention will be used for all files to be transferred, as addressed within this document.

Requirements for Compensation Report

Each CSP must provide compensation data for states where the seller is a volunteer seller. This data must be provided to the centralized secure location. This data is required to be in the aggregate for each seller. Model 2 filers do not file a compensation report. In addition to providing a seller's compensation data to those states in which the seller is a "volunteer seller", the data must also be provided to the Core Team.

Compensation Reports are submitted by February 15th of each year. This data will be for the previous calendar year.

Amended return data will be included in the year the amended return is filed. The data on the amended return line should show the net increase or net decrease resulting from the amended return.

The compensation data file will contain the following information:

Field	Field Name	Description	Format	Maximum Length
1	Seller SSTID		Alpha/Numeric	9
2	Startup Date	Century, Year and Month seller started with CSP	CCYYMM	6
3	Reporting Period		CCYYMM	6
4	Month Filed	When return was filed	CCYYMM	6
5	Return Type	(O) Original, (A) Amended	Alpha	1
6	Comp Allowance Allowed	Y (yes), N (no)	Alpha	1
7	Tax Due for Month	Amount from Volunteer Sellers	Numeric	15 including 2 decimals
8	Cumulative Tax Due for all States for Current Compensation Reporting Year (Volunteer Sellers Only)	Compensation year is a 12-month calendar period from the Startup Date	Numeric	15 including 2 decimals
9	Tier One Tax Amount		Numeric	15 including 2 decimals
10	Tier One Compensation		Numeric	15 including 2 decimals
11	Tier Two Tax Amount		Numeric	15 including 2 decimals
12	Tier Two Compensation		Numeric	15 including 2 decimals
13	Tier Three Tax Amount		Numeric	15 including 2 decimals
14	Tier Three Compensation		Numeric	15 including 2 decimals
15	Tier Four Tax Amount		Numeric	15 including 2 decimals

16	Tier Four Compensation		Numeric	15 including 2 decimals
17	Tier Five Tax Amount		Numeric	15 including 2 decimals
18	Tier Five Compensation		Numeric	15 including 2 decimals
19	Tier Six Tax Amount		Numeric	15 including 2 decimals
20	Tier Six Compensation		Numeric	15 including 2 decimals
21	Tier Seven Tax Amount		Numeric	15 including 2 decimals
22	Tier Seven Compensation		Numeric	15 including 2 decimals
23	Affiliated Seller ID	Used to identify Affiliated Seller/Groups	Alpha/Numeric	30

Examples of Compensation Tables or Files for the year of 2014

Executive Director Report:

Seller SSTID	Startup Date	Reporting Period	Month Filed	Return Type	Comp Allowance Allowed	Tax Due for Month	Cumulative Tax Due for all States for Current Reporting Year (Volunteer Sellers Only)	Tier One Tax Amount	Tier One Compensation	Tier Two Tax Amount	Tier Two Compensation
S00000001	200609	201404	201405	O	Y	3500.00	23700.00	3500.00	280.00	0.00	0.00
S00000001	200609	201405	201406	O	Y	3000.00	26700.00	3000.00	240.00	0.00	0.00
S00000001	200609	201406	201407	O	Y	2000.00	28700.00	2000.00	160.00	0.00	0.00
S00000002	200704	201404	201405	O	Y	100000.00	100000.00	100000.00	8000.00	0.00	0.00
S00000002	200704	201405	201406	O	Y	100000.00	200000.00	100000.00	8000.00	0.00	0.00
S00000002	200704	201406	201407	O	Y	100000.00	300000.00	50000.00	4000.00	50000.00	3500.00

Specific State Report:

Seller SSTID	Startup Date	Reporting Period	Month Filed	Return Type	Comp Allowance Allowed	Tax Due for Month	Cumulative Tax Due for all States for Current Reporting Year (Volunteer Sellers Only)	Tier One Tax Amount	Tier One Compensation	Tier Two Tax Amount	Tier Two Compensation
S00000001	200609	201404	201405	O	Y	185.00	23700.00	185.00	14.80	0.00	0.00
S00000001	200609	201405	201406	O	Y	111.50	26700.00	111.50	8.92	0.00	0.00
S00000001	200609	201406	201407	O	Y	175.75	28700.00	175.75	14.06	0.00	0.00
S00000002	200704	201404	201405	O	Y	1500.00	100000.00	1500.00	120.00	0.00	0.00
S00000002	200704	201405	201406	O	Y	2500.00	200000.00	2500.00	200.00	0.00	0.00
S00000002	200704	201406	201407	O	Y	3000.00	300000.00	1500.00	120.00	1500.00	105.00

Requirements for Audit Work Files

The audit work files shall be provided as follows:
(a) A CSP shall provide each state and the Core Team with a file for those sellers which the CSP is providing CSP Services under the CSP contract entered into with the SSTGB (volunteer sellers only); and
(b) A Model 2 filer shall provide a file as requested by the administrator of the individual state.

Each state's file shall contain all the taxable and exempt records in the format indicated below for its state only. Fields 1 through 24 are required to be provided for all records. Fields 39, 40, and 41 are optional fields as determined necessary by each CSP. If an exemption by certificate is claimed, the remaining fields are also required to be completed using information from the Certificate of Exemption. In the case of Model 1 sellers, while the CSP is required to have a system in place to compile exemption certificates, they should not be considered out of contract compliance if not all the fields are populated, since many smaller sellers may not have the capability to enter the data elements as a part of the transaction data. In these instances, the CSP shall provide this information as a separate file in cases where not all fields are populated. If Model 2 Sellers do not have exemption information in an electronic format, hard copies may be provided.

~~Each state shall receive a file from each CSP and Model 2 filer of all taxable and exempt records in the format indicated below for its state only. The Audit Core Team will receive as needed a file(s) from Testing Central of taxable and exempt records of Model 1 seller transactions for all SST states in the format indicated below. Fields 1 through 25 are required to be provided for all records. Fields 39 and 40 are optional fields as determined necessary by each CSP. If an exemption by certificate is claimed, the remaining fields are also required to be completed using information from the Certificate of Exemption. In the case of Model 1, while the CSP is required to have a system in place to compile exemption certificates, they should not be considered out of contract compliance if not all the fields are populated, since many smaller sellers may not have the capability to enter the data elements as a part of the transaction data. The CSP may provide this information as a separate file in cases where not all fields are populated. If Model 2 Sellers do not have exemption information in an electronic format, hard copies may be provided.~~

Control Totals: Each CSP and Model 2 filer will provide a notification of control totals for each file distributed to every state, the ~~Audit~~ Core Team, Executive Director and others to assure that the audit and compensation files contain the same data that produced the related SERs and to verify that all records provided by each CSP or Model 2 filer are fully received by the intended parties.

The control totals will be summarized by each State. The report should be in one file such as Excel or another agreed-upon format. This notification shall include the following control total data elements for each State:

- Total number of line items
- Sum for total sales
- Sum for total taxable sales
- Sum for total exempt sales
- Sum for total tax

The control totals file will contain the following information:

Field	Field Name	Description	Format	**Maximum** Length
1	Ship To State	State name based on Ship To Address	Alpha	2
2	Total Number of Line Items	Sum of all line items for data download by State	Numeric	15
3	Total Sales Amount	Sum of total sales for data download by State	Numeric	15 including 2 decimals
4	Total Taxable Sales Amount	Sum of total taxable sales for data download by State	Numeric	15 including 2 decimals
5	Total Exempt Sales Amount	Sum of total exempt sales for data download by State	Numeric	15 including 2 decimals
6	Total Tax Amount	Sum of total tax amount for data download by State	Numeric	15 including 2 decimals

If a seller is not reporting on a normal calendar month basis, the CSP or Model 2 filer needs to ensure that all transaction records that comprise totals reported on the SERs for the year are included in the file.

Each state shall receive only those records where their state is included in the "Ship to State" field.

A separate "Product Mapping" file will be required when the following occurs;

1. Seller SKU or other seller unique code is sent but seller item description is not.
2. Seller sends CSP SKU or other CSP code (mapping is done in seller system using CSP codes)

The audit file will contain the following information:

Field	**Field Name**	**Description**	**Format**	

				Maximum Length
1	Seller SSTID	Seller SSTID	Alpha/Numeric	9
2	Seller Name	Seller Name	Alpha	210
3	Transaction Number	Invoice or other number required to identify the transaction source document	Alpha/Numeric	210
4	Transaction Line Item	Individual Line Number to be used in conjunction with the Transaction Number	Alpha/Numeric	4
5	Transaction Date	Century, Year, Month and Day the tax was calculated	CCYYMMDD	8
6	Total Amount of Sale	Includes Exempt and Taxable Amounts by State per Transaction Line Item	Numeric	15 including 2 decimals
7	Total Taxable Amount	Taxable Amount per Transaction Line Item	Numeric	15 including 2 decimals
8	Total Exempt Amount	Exempt Amount per Transaction Line item	Numeric	15 including 2 decimals
9	Total Tax Amount	Sum of all Jurisdictional tax amounts per Transaction Line Item	Numeric	15 including 2 decimals
10	Seller's SKU Number	Provide the SKU Number that identifies the seller's product	Alpha/Numeric	15
11	Seller's Description of the Item Sold	Provide the seller's invoice level description of item sold	Alpha/Numeric	210
12	CSP/CAS SKU Number	Provide the SKU Number that the item sold was mapped to	Alpha/Numeric	15
13	CSP/CAS SKU Description for the Item Sold	Provide the CSP/CAS SKU description for the item sold	Alpha/Numeric	210
14	Taxing Jurisdiction Code 1 (FIPS/GNIS/Composite/Name)	Taxing Jurisdiction Code used to report this transaction on the SER	Alpha/Numeric	100
15	Taxing Jurisdiction Code 2 (FIPS/GNIS/Name)	Taxing Jurisdiction Code used to report this transaction on the SER	Alpha/Numeric	100
16	Taxing Jurisdiction Code 3 (FIPS/GNIS/Name)	Taxing Jurisdiction Code used to report this transaction on the SER	Alpha/Numeric	100

17	Taxing Jurisdiction Code 4 (FIPS/GNIS/Name)	Taxing Jurisdiction Code used to report this transaction on the SER	Alpha/Numeric	100
18	Taxing Jurisdiction Code 5 (FIPS/GNIS/Name)	Taxing Jurisdiction Code used to report this transaction on the SER	Alpha/Numeric	100
19	Ship to Address1 **	Address line 1	Alpha/Numeric	210
20	Ship to Address2 **	Address line 2	Alpha/Numeric	210
21	Ship to City **	Name of city	Alpha	40
22	Ship to State **	2- Character State abbreviation	Alpha	2
23	Ship to Zip Code **	9 character zip code	Alpha/Numeric	9
24	Ship to Country **	3 character country abbreviation	Alpha	3
25	Exemption Type	(T) Taxable, (E) Entity, (P) Product	Alpha	1
26	State Where Exemption is Claimed	2- Character State abbreviation	Alpha	2
27	Name of Purchaser		Alpha	40
28	Type of Purchaser ID	“Tax ID”, “FEIN”, “DLN” or “FDN”	Alpha	6
29	Purchaser ID Number	This is the ID specified in field - Type of Purchaser ID	Alpha/Numeric	20
30	Purchaser Mailing Address		Alpha/Numeric	210
31	Purchaser City		Alpha	40
32	Purchaser State	2- Character State abbreviation	Alpha	2
33	Purchaser Zip Code	9 character zip code	Alpha/Numeric	9
34	Purchaser Country	3 character country abbreviation	Alpha	3
35	Purchaser Business Type Number	2-digit number	Numeric	2
36	Purchaser Business Type Description	Must be completed if “Other” is selected as the Purchaser Business Type	Alpha	40
37	Purchaser Exemption Reason Code	Letter selected on exemption form	Alpha	1
38	Purchaser Exemption Reason Description	If Purchaser Exemption Reason Code is ‘Other’ - provide the standard description of the exemption	Alpha	210
39	SER Filing Period	SER month represented by transaction (For example the Jan-dated transaction is reported on the Jan SER)	CCYYMM	6
40	Alternate Transaction Number	Seller Invoice Number if not recorded in	Alpha/Numeric	210

		Transaction Number field 3		
41	Optional Transaction Information	Optional field for use by CSP. Not optional field for states.	Alpha/Numeric	210

Additional Information: The "Seller's Description of the Item Sold" shall be the seller's invoice level description. Freight and discounts should be separate transaction line items.

** Field will contain address information as to where the item was shipped. If purchased over-the-counter the information will be the address where the item was sold.

The CSP will provide a Product Mapping Report when insufficient item sold information is passed from the Seller to the CSP. The file will include the Seller's Identifying Code of Products Sold, the Seller's Description of the Products, the CSP SKU Numbers to which the products were mapped and the CSP SKU Description.

The product mapping file will contain the following information:

Field	Field Name	Description	Format	Maximum Length
1	Seller SSTID	Seller SSTID	Alpha/Numeric	9
2	Beginning Effective Date	Century, Year, Month and Day	CCYYMMDD	8
3	Ending Effective Date	Century, Year, Month and Day	CCYYMMDD	8
4	Seller's SKU Number	Provide the SKU Number that identifies the seller's product	Alpha/Numeric	15
5	Seller's Description of the Item Sold	Provide the seller's invoice level description of item sold	Alpha/Numeric	210
6	CSP/CAS SKU Number	Provide the SKU Number that the item sold was mapped to	Alpha/Numeric	15
7	CSP/CAS SKU Description for the Item Sold	Provide the CSP/CAS SKU description of item sold	Alpha/Numeric	210

2015 Annual Report of Amendments to the Streamlined Sales and Use Tax Agreement (SSUTA) and Streamlined Sales Tax Governing Board (SSTGB) Rules and Interpretive Opinions

III. CRIC Interpretive Opinions

A. This interpretive opinion was adopted by the SSTGB on May 12, 2015. No state required to make a statutory change may be sanctioned for not following this interpretation until the later of January 1, 2017, 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 addresses whether all or parts of a continuous glucose monitoring (CGM) system meet the SSUTA definition of prosthetic device or durable medical equipment (DME).

Interpretive Opinion
2015-1

This Interpretive Opinion recommendation is made to the Governing Board by the Compliance Review and Interpretations Committee this 2nd day of April, 2015, in accordance with Article IX, Rule 902 of the Rules and Procedures adopted by the Streamlined Sales Tax Governing Board, Inc.

Ms. Suzanne Beaudeliare requested the interpretation on March 4, 2015. Ms. Beaudeliare requested expedited consideration under Streamlined Sales Tax Governing Board (SSTGB) Rule 902, subsection H.

Issue:
The issue is whether all or parts of a continuous glucose monitoring (CGM) system meet the SSUTA definition of prosthetic device or durable medical equipment (DME). The CGM system includes: (1) a single-use sensor probe, inserted under the skin and replaced weekly that contains an enzyme on the sensor which converts the glucose in tissue fluids into an electronic signal picked up by a reusable transmitter; (2) a reusable transmitter worn on the abdomen and attached to the probe which, at preprogrammed intervals measures and sends signals to a wireless receiver; (3) a wireless receiver which converts the signal to a glucose reading on the receiver screen display and which may be carried in the person's pocket or an optional carrying case; and (4) an optional clip/strap-on carrying case.

Facts:
Ms. Beaudeliare requests an interpretation that all four parts of the CGM system meet the SSUTA definition of "prosthetic device." The interpretive request states that the CGM is a system of devices some of which "…are worn on or in the body to support a person with a missing or malfunctioning pancreas by providing sensory cues to help them prevent physical malfunction of other organs and systems caused by episodes of hyperglycemia or hypoglycemia which can occur when the body's normal warning signals go undetected, such as is sometimes caused by central and autonomic nervous system dysfunction. Components (1) through (3) are all necessary for the system to function, as is item (4) when the person is

on the go and has no pocket, to keep the receiver in close proximity to the Transmitter and the person to continually remain in use."

In the alternative, if the CGM system does not meet the definition of "prosthetic device," Ms. Beaudeliare requests an interpretation that the "[r]eceiver meets the definition of DME, because it may be placed near the body (in a purse, on a desk, etc.), as long as it stays within 20 feet of the Transmitter. Note: future CGM systems may offer a software app in lieu of a Receiver to enable the display of glucose levels on the person's existing smart-phone," But that software app is not yet available for general use and consideration of software app, is excluded from the Interpretive Request and this Interpretive Opinion recommendation.

The CGM operates as a system; however, because each component of that system has a different useful life, each of the four items may be sold for a separate price and in separate transactions. At the initial sale, the sensor probe, the transmitter, and the wireless receiver are normally sold at the same time. The sensor probe, which attaches to the person's abdomen, has to be replaced weekly. The transmitter, which attaches to the sensor probe, lasts from three to six months. The receiver lasts for a year or more depending on the degree of wear and tear it goes through. The armband carrying case for the receiver is the only optional piece and is designed for active persons who participate in activities like jogging where the user's clothing has no pocket to securely carry the receiver; it has no other use.

Public Comment:
No written comments were submitted prior to the CRIC's meeting to discuss the interpretation request.

During the CRIC meeting, Ellen Thompson of Nebraska provided comments on the historical background concerning the prosthetic device definition. In particular, how the inclusion of orthotics and similar items influenced the current definition of prosthetic device.

In addition, Patricia Calore of Michigan inquired if the CGM system_should be viewed as a single product rather than as separate products. If the four items in the system are viewed as a single product, separate purchases of the different CGM items might be purchases of repair or replacement parts for the system and treated for sales tax purposes in the same manner as the system purchase. After further discussion, the committee members concluded none of the items either alone or together constituted a prosthetic device because of their function. Moreover, these items could reasonably be separated with respect to the DME definition consistent with the current practice of separately identifying some DME products that are useful only when combined or used with other health care products.

Recommendation:
By a unanimous vote of the members present, the Compliance Review and Interpretations Committee (CRIC) submits to the Governing Board a recommendation that the

interpretation proposed by the requestor not be accepted in part. The CRIC recommends that the Governing Board find that the single-use sensor probe and reusable transmitter are not defined under the Agreement and that the wireless receiver and carrying case meet the definition of DME.

The definition of a bundled transaction found in Appendix C of the Agreement specifically excludes transactions that contain durable medical equipment or medical supplies as one or more of the distinct and identifiable products if the seller's purchase price or sales price of the taxable tangible personal property is 50 percent or less of the total purchase price or sales price of the combined products; therefore, a purchase of the sensor probe, the transmitter, and the wireless receiver in a single transaction for one non-itemized price may or may not qualify as a bundled transaction depending on the mix of taxable and nontaxable products. As a result, tax treatment by states that do not tax or exempt all of these products in the same manner will be determined by each member state's law when the products are sold together for one non-itemized price.

Rationale:

1. Elements of prosthetic device not met.

Appendix C, Library of Definitions, Part II Product Definitions defines "prosthetic device" to mean "a replacement, corrective, or supportive device including repair and replacement parts for same worn on or in the body to:

A. Artificially replace a missing portion of the body;
B. Prevent or correct physical deformity or malfunction; or
C. Support a weak or deformed portion of the body."

Worn on the body:
The sensor probe and transmitter are worn in or on the body. The receiver is not worn in or on the body.

Replacement, corrective, or supportive device:
The sensor probe, transmitter, receiver monitor blood glucose levels and send an alert to the receiver if the glucose levels are out of range. The user will then review this information to determine if insulin is needed and decide whether to self administer insulin. The sensor probe, transmitter, and receiver act as diagnostic items. As such, none of these items artificially replace a missing portion of the body; prevent or correct physical deformity or malfunction; or support a weak or deformed portion of the body.

Accordingly, the sensor probe, transmitter, and receiver do not meet the requirements of A, B, or C of the definition of prosthetic device and so would not qualify as a prosthetic device, For similar reasons, the optional carrying case would not be a prosthetic device.

2. Receiver and carrying case are DME, while senor probe and transmitter are not defined.

Appendix C, Library of Definitions, Part II Product Definitions defines "durable medical equipment" to mean "equipment including repair and replacement parts for same, but does not include "mobility enhancing equipment," which:

A. Can withstand repeated use; and
B. Is primarily and customarily used to serve a medical purpose; and
C. Generally is not useful to a person in the absence of illness or injury; and
D. Is not worn in or on the body."

a. Sensor probe and transmitter

The sensor probe and transmitter when in use are physically attached and are worn in or on the body, and therefore, do not meet requirement D of the DME definition and so would not qualify as DME.

b. Receiver and an optional carrying case

The receiver can be used continuously for longer than a year to take repeated measurements over such time, and therefore, meets the requirement to withstand repeated use. The receiver is used to alert the user of abnormal glucose levels to help the user avoid a diabetic episode, meeting the medical purpose requirement. The receiver cannot be used for other purposes and would not be useful to a person that does not have diabetes, which might properly be characterized as an illness. Finally, during discussion it was determined that the receiver is not worn in or on the body; although, an optional carrying case is available to allow such portability. Therefore, both the receiver and associated carrying case that is used only with the receiver would be DME.

Participating Committee Members:

Myles Vosberg, Tom Atchley, Dan Noble, David Steines and Tim Jennrich

B. This interpretive opinion was adopted by the SSTGB on September 16, 2015. No state required to make a statutory change may be sanctioned for not following this interpretation until the later of January 1, 2018, 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 indicates that there is transportation involved when ready mix concrete is moved from the plant to the location indicated by the purchaser, the "transportation " of ready mix concrete can be separately stated on the invoice, the term "manufacturing" is not defined in the SSUTA and although transportation can be separately stated on the invoice, this interpretation does not determine whether the amounts indicated in the facts presented are (1) solely for "transportation" or (2) for a combination of "transportation" and other services/elements of sales price. That determination needs to be made by the individual state.

2015-2

This Interpretive Opinion recommendation is made to the Governing Board by the Compliance Review and Interpretations Committee this 9th day of July, 2015, in accordance with Article IX, Rule 902 of the Rules and Procedures adopted by the Streamlined Sales Tax Governing Board, Inc. Mr. Val Gibson of AMCS, LLC requested the interpretation on June 16, 2015. Mr. Gibson requested expedited consideration under Streamlined Sales Tax Governing Board (SSTGB) Rule 902, subsection H.

Issue:

The central issue is whether there is any transportation occurring during the delivery of ready mix concrete based on the facts provided. Four questions were asked:

1. Does the term "transportation" as stated in the definition of "delivery charges" as defined by the Streamlined Sales and Use Tax Agreement (SSUTA) include ready mixed concrete as defined below? If not, how and where is it excluded?

2. Can "transportation" as stated in the definition of "delivery charges" in the SSUTA be separately stated? If not, why?

3. Do the terms "handling, crating, packing, preparation for mailing or delivery, and similar charges" contained in the definition of "delivery charges" in the SSUTA include the term manufacturing? If so, why and where is that stated?

4. If a state's sales and use taxability matrix indicates that the state excludes "transportation, shipping, postage, and similar charges" from the definition of "sales price," does this mean that the transportation of concrete is excluded from the sales price if it is separately stated? If not, why?

(Note: AMCS has asked the Nevada Department of Taxation if the delivery of ready mixed concrete is subject to tax. According to Mr. Gibson, the response from the Department of Taxation, as confirmed by the Commissioners of the Department of Taxation, is that there is no delivery in ready mixed concrete, only manufacturing and therefore, delivery cannot be separately stated because there is no delivery. Since AMCS does not believe this is correct or in compliance with the SSUTA, they felt answers to the above questions need to be clearly provided. Mr. Gibson has also filed a complaint with the Executive Director of the SSTGB alleging that Nevada is not in compliance with the SSUTA relating to this issue.)

Background Provided by Mr. Gibson (Summarized)**:** The company owns and operates a couple of ready mixed concrete locations in the Las Vegas, Nevada area. The company has plants that are mixer plants (wet batched plants) where the concrete is fully mixed and then

dumped into the truck for transport to the purchaser. It also has plants where ingredients are dumped into the truck where various types of mixing have been done and the truck then completes the mixing process at the plant (dry batch plants). Once the mixing has been completed the truck then transports the concrete to the purchaser. In both cases, the trucks agitate the concrete during the transportation. In both cases, there are a number of methods that can be used to transport the concrete to the purchaser, but the most common method is a mixer truck, which is the method used in this case. A mixer truck keeps the material in an unhardened state contained within the drum. The other methods do not have that ability. The mixer truck can unload the material in a method more suitable to the purchaser than the other methods of transporting concrete. In all cases, the purchaser of the concrete has the ability to arrange or transport the material.

Public Comment:

Nevada Department of Taxation (Summarized) - The Nevada Department of Taxation provided comments on the request by Mr. Gibson. The Department noted that Mr. Gibson had sent two requests for advisory opinions regarding the delivery of concrete and appealed the decision of the Department. The Department's ruling has been upheld by the Commissioners. Efforts to resolve the issue have been unsuccessful.

The batching of ready mixed concrete is an exacting process. All of the processes must be performed so that the concrete has the required strength. Once it is batched, concrete cannot be transported without some processing during the transportation process. Courts in other states find that the processing of concrete is not complete until the concrete has been poured and molded into its final form at the jobsite. Most states have found that the manufacturing of concrete takes place in the mixer truck during delivery. It is also very telling that when a state offers a tax exemption for equipment used in the manufacturing process, the ready mix concrete industry argues that the mixer trucks should be exempt because the mixing is part of the manufacturing process. Under Nevada law, delivery charges which include preparation and delivery is a taxable event, and only delivery charges which are solely transportation may be tax exempt when separately stated. Any service that is part of the sale or necessary to complete a sale, is subject to tax. In addition, handling is a taxable service when associated with a sale. Both the applicable Nevada statutes and regulations dictate that delivery charges are not always non-taxable even if they are separately stated. Reading all the statutes together, delivery charges are considered a tax exempt service only when they are not part of the sale or necessary to complete the sale of tangible personal property. Only when delivery charges do not include any services that are part of the sale or necessary to complete the sale, would the delivery charges not be subject to tax if they are separately stated. In other words, if the delivery charges are separately stated and only include "transportation" they would not be subject to tax. At this point, the Nevada Tax

Commission has affirmed the Advisory Opinions as they were written. However, the Department has suggested to the Requestor and the Requestor's counsel that the proper procedure to change a regulation is through the regulatory process.

Response to State's Comment Provided by Mr. Val Gibson (Summarized) - Mr. Gibson provided a rebuttal to the state's comments. He noted that Paulina Oliver, who has represented the state on every call, has stated that there is transportation, yet no written response has indicated that. That is why he is requesting the interpretive opinion, so both parties have an understanding of if there is transportation in the ready mix industry. In the request, the transportation charges are separately stated and that is the only requirement that the state of Nevada requires for the transportation to not be taxable. The State of Nevada describes the moving of the ready mix from the seller's location to the purchaser's location as manufacturing and not transportation. Therefore, we are coming before this committee to have them answer the question according to the definitions adopted in the SSUTA on whether there is transportation or not. The State of Nevada is stating that the delivery of ready mix is a necessary part of the sale. And because it is so required it is taxable. Yes it is true that delivery and specifically transportation is a part of every sale. If the product can never be transported from the seller's location to the purchaser's location, how could a sale ever take place? That would be true for any product. The term necessary to complete the sale usually does not include delivery because the purchaser has the right to pick up the product. We are asking in our private letter ruling about the taxation of transportation and or delivery of ready mix. If a purchaser picks up the product (ready mixed concrete) at the seller's location, there is no delivery, so the taxation of delivery is not a question because it is not applicable. The State of Nevada states that a purchaser does not have the right or ability to pick it up at the seller's location. This is simply not true and it does happen, but it is just not what we are asking an opinion on. If the purchaser can pick the product up at the seller's location then the transportation is simply not, nor can it be, a requirement to make the sale. The state is relying upon the fact that the Nevada Tax Commission ruled that the private letter ruling is accurate in that there is no transportation or delivery in ready mix. Again, as outlined above, there has to be delivery and transportation in the manufacturing of ready mixed concrete. The mere fact that the Nevada Tax Commission has said that there is no transportation does not make it so. If that were the case, there would be no appeal rights to their decisions and there would be no cases remanded back to them to correct their decision from higher courts. Having cases remanded back to the Nevada Tax Commission happens on regular basis. Having this interpretative opinion clarifies the issue of if there is transportation in the ready mix industry.

Recommendation:

By a unanimous vote of the members present, the Compliance Review and Interpretations Committee (CRIC) submits to the Governing Board a recommendation that the interpretation proposed by the requestor be accepted in part. With respect to the first question, CRIC recommends that the Governing Board find that transportation does include ready mix concrete. With respect to the second question, CRIC recommends that the Governing Board find that the transportation as a component of delivery charges can be separately stated. CRIC did not feel that a ruling could be made with respect to the third question in its current form as the term "manufacturing" is not defined in the Agreement. Finally, with respect to the fourth question, CRIC recommends that the Governing Board find that if a state's taxability matrix indicates that it excludes transportation from the definition of "sales price," then transportation would be excluded if it is separately stated. With respect to the second and fourth questions, this answer does not mean that CRIC agrees that there is a separately stated charge solely for "transportation" under the facts provided. The determination of whether there is something more than transportation included in this charge with respect to ready mix concrete would need to be determined by the individual state.

Rationale:

1. "Transportation" is not defined in the Agreement. However, the Merriam-Webster Dictionary defines transportation to be the act or process of moving people or things from one place to another. Nevada does not deny there is movement of product in the delivery of ready mix concrete. The concrete has to be moved from the plant to the purchaser's location. Therefore, "transportation" is involved when ready mix concrete is delivered from the plant to the customer's location.

2. The Agreement defines "sales price" to mean "…the measure subject to sales tax and means the total amount of consideration, including cash, credit, property, and services, for which personal property or services are sold, leased, or rented, valued in money, whether received in money or otherwise, without any deduction for the following:

A. The seller's cost of the property sold;
B. The cost of materials used, labor or service cost, interest, losses, all costs of transportation to the seller, all taxes imposed on the seller, and any other expense of the seller;
C. Charges by the seller for any services necessary to complete the sale, other than delivery and installation charges;
D. Delivery charges;
E. Installation charges; and
F. Credit for any trade-in, as determined by state law.

States may exclude from "sales price" the amounts received for charges included in paragraphs (C) through (F) above, if they are separately stated on the invoice, billing, or similar document given to the purchaser."

The Agreement defines "delivery charges" to mean "…charges by the seller of personal property or services for preparation and delivery to a location designated by the purchaser of personal property or services including, but not limited to, transportation, shipping, postage, handling, crating, and packing.

A. A member state may exclude all delivery charges from the sales price of all personal property and services, or choose to exclude from the sales price of personal property or services one or more of the following components, and may amend the definition of delivery charges accordingly:

1. Handling, crating, packing, preparation for mailing or delivery, and similar charges; or
2. Transportation, shipping, postage, and similar charges."

It is clear from the definitions that "transportation" as a component of delivery charges can be separately stated. (Note: Although CRIC agreed that "transportation" of ready mix concrete can be separately stated, CRIC is not addressing whether the amounts indicated in the facts presented are (1) solely for "transportation" or (2) for a combination of "transportation" and other services/elements of sales price. That determination needs to be made by the individual state.)

3. The Agreement does not define "manufacturing." Manufacturing is defined differently on a state-by-state basis. Therefore, CRIC is not able to answer this question. A uniform definition of "manufacturing" would first need to be developed and added to the Agreement, which is beyond the scope of the CRIC process.

4. The Taxability Matrix provides information on how the state treats products for which a definition is in the Agreement. In Section 328 of the Agreement, it provides that 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.

Section A of the Taxability Matrix requires the state's to indicate whether "transportation, shipping, postage and similar charges" are included in or excluded from "sales price." If a state's Taxability Matrix excludes transportation, then transportation would be excluded if it is separately stated on the invoice or similar billing document given to the purchaser. (Note: Although CRIC agreed that "transportation" of ready mix concrete can be separately stated, CRIC is not addressing whether the amounts indicated in the facts presented are (1) solely for

"transportation" or (2) for a combination of "transportation" and other services/elements of sales price. That determination needs to be made by the individual state.)

Participating Committee Members:

Myles Vosberg, Tom Atchley, Dan Noble, Richard Cram, David Steines and Tim Jennrich

C. This interpretive opinion was adopted by the SSTGB on September 16, 2015. No state required to make a statutory change may be sanctioned for not following this interpretation until the later of January 1, 2018, 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 indicates that "prepaid wireless calling service" includes an offer of a specific amount of additional data service characterized as "rollover data" (or similarly worded language) that is added to and included in the amount of predetermined units or dollars that are paid for in advance when a customer makes a subsequent purchase to continue the right to utilize their prepaid wireless calling service.

Interpretive Opinion
2015-3

This Interpretive Opinion recommendation is made to the Governing Board by the Compliance Review and Interpretations Committee this 3rd day of September, 2015, in accordance with Article IX, Rule 902 of the Rules and Procedures adopted by the Streamlined Sales Tax Governing Board, Inc. Ms. Deborah Bierbaum from AT&T requested the interpretation on July 28, 2015. Ms. Bierbaum requested expedited consideration under Streamlined Sales Tax Governing Board (SSTGB) Rule 902, subsection H.

Issue:
The issue is whether prepaid wireless calling services as defined in Section 315 and Appendix C of the Streamlined Sales and Use Tax Agreement (SSUTA) include "rollover amounts," if the wireless provider's customer replenishes his or her service in advance and carryover the unused data from one month to the next.

Background Provided by Ms. Bierbaum (Summarized): Wireless providers are offering prepaid wireless customers the ability to carryover their balance of unused data service that was originally purchased as a prepaid wireless calling service from one month to the next if the customer replenishes their service before the current service period expires. The marketing plan as described effectively offers an amount of additional data service (i.e., the "rollover amount") when a customer makes a subsequent purchase before the current service period expires. The prepaid wireless calling service and the accompanying "rollover" will decline and expire unless the customer makes the purchase in advance to continue his/her right to utilize the service. The

"rollover amount" offered in this marketing plan is the specific amount of unused data that the vendor offers from the initial/earlier purchase that would otherwise expire. The definition of prepaid wireless calling service in Section 315 and in Appendix C of the SSUTA includes the condition that the service "must be paid for in advance and that it is sold in predetermined units or dollars of which the number declines with use in a known amount." Rule 327.2 further explains that the term "predetermined unit" includes but is not limited to units measured by dollars, events, time or combinations thereof. The "rollover amount" is therefore a part of the rights granted in the "predetermined units" of time that are offered in the subsequent purchase.

Public Comment: No written public comments were received. During the teleconference, Mr. Rick Walters (IL) inquired to make sure he had an understanding of the facts. He presented an example in which a person buys 120 minutes of prepaid wireless calling services and data, uses 60 of those minutes and then before the end of the month, purchases another 120 minutes of prepaid wireless calling services and data. He wanted to confirm that what we were talking about was the remaining 60 minutes and unused data. Ms. Bierbaum indicated that it is really just the unused data that they are asking about.

Various other comments were made and questions were asked including whether there is any additional charge for the "rollover amount." Ms. Bierbaum indicated that there is no additional charge for the rollover amount but the customer knows if they have an amount to rollover and if they prepay for the next month they will get to roll that amount over. If they do not prepay for the next month before the current period expires, the rollover amount is lost. Mr. Walters asked if the amount does not expire, then is this really prepaid? Ms. Bierbaum indicated that the "month" is the unit and that does expire. Tom Atchley (AR) indicated that another way to look at this is that what is rolled over was purchased and already paid for and if you extend, maybe you are really just amending the time period covered by the original transaction. Pat Calore indicated that the language talks about paying in advance and as long as the next month is paid for prior to hitting the expiration (whether due to reaching the end of the month, using up all the data, etc.), when you make the purchase for the next month, you really are just getting more data/minutes for the same price.

Recommendation:
By a unanimous vote of the members present, the Compliance Review and Interpretations Committee (CRIC) submits to the Governing Board a recommendation that the interpretation proposed by the requestor be accepted and as such, "prepaid wireless calling service" includes an offer of a specific amount of additional data service characterized as "rollover data" (or similarly worded language) that is added to and included in the amount of predetermined units or dollars that are paid for in advance when a customer makes a subsequent purchase to continue the right to utilize their prepaid wireless calling service.

Rationale:
At the time the customer made the initial purchase, the customer purchased prepaid wireless calling services that expired at the end of the month. When the customer purchased prepaid wireless calling services for the next month that included a "rollover amount," the customer was

again purchasing prepaid wireless calling service sold in predetermined units that will decline with use in a known amount. No additional payment is paid for the rollover amount. The customer is just getting more prepaid minutes/data for the same monthly charge.

Participating Committee Members:
Myles Vosberg, Tom Atchley, David Steines and Tim Jennrich. Absent were Dan Noble, Senator Wayne Harper and Richard Cram.

2015 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:

The Taxability Matrix contains four sections that must be completed: Section A – Administrative Definitions, Section B – Sales Tax Holidays, Section C – Product Definitions and Section D – Tax Administration Practices.

Instructions for Sections A, B and C of the Taxability Matrix

Each of the items listed in Sections A, B and C below are defined in the Library of Definitions in the Streamlined Sales and Use Tax Agreement (SSUTA) as amended through September 17, 2015. Refer to Appendix C of the SSUTA for each definition.

Place an “X” in the appropriate column under the heading “Treatment of definition” to indicate the treatment of each definition in your state. If a product definition was not adopted by your state, enter “NA” in the column under the heading “Reference” and indicate in the “Treatment of definition” columns the treatment of the product in your state. In accordance with the SSUTA, your state must adopt the definitions in the Library of Definitions that apply to your state without qualifications, except for those allowed by the SSUTA. For this reason, do not enter any comments or qualifications in the two columns under the heading “Treatment of definition.” If your state has adopted a definition in the Library of Definitions with a qualification not specified in the SSUTA, do not place an “X” in either column under the heading “Treatment of definition” but include a comment in the “Reference” column explaining the qualification. Enter the applicable statute/rule cite in the “Reference” column.

With respect to Sections A, B and C of the taxability matrix, 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 and use tax resulting from the seller or certified service provider relying on erroneous data provided by the member state relative to treatment of the terms defined in Sections A, B and C. **To the extent possible under each state’s laws**, sellers and CSPs are also relieved from tax liability to the member state and its local jurisdictions for having charged and collected the incorrect amount of sales and use tax until the first day of the calendar month that is at least 30 days after notice of a change to Sections A, B, or C of the state’s taxability matrix is submitted to the governing board, provided the seller or CSP relied on the prior version of the taxability matrix.

Instructions for Section D of the Taxability Matrix

2015 Report of Changes to SSUTA, SSTGB Rules and Interpretive Opinions

STATE NAME: ___________________

Streamlined Sales Tax Governing Board
Section 328 Best Practices Matrix

Effective Date:

With respect to Section D, "tax administration practices" have been approved by the Streamlined Sales Tax Governing Board (SSTGB) for each of the products, procedures, services, or transactions identified pursuant to Section 335 of the Streamlined Sales and Use Tax Agreement (SSUTA), as amended through September 17, 2015.

Use of the term "State" in each practice refers to the state completing the matrix.

Place an "X" in the appropriate column to indicate whether your State does or does not follow each practice identified.

For each tax administration practice identified in this matrix and further described in Appendix E 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 practice in the Statute/Rule Cite column.

For each tax administration practice identified in this matrix and further described in Appendix E of the SSUTA that your State does **not** follow, place an "X" in the "No" column, enter the statute or rule that applies to your state's treatment of this practice in the Statute/Rule Cite column and, if necessary, describe in the Comments column your state's practice in this area.

Conformance to a tax administration practice by a state is voluntary and no state shall be found not in compliance with the Agreement if it does not follow a tax administration practice adopted by the Governing Board.

With respect to Section D of this taxability matrix **and to the extent possible under each state's laws**, sellers and CSPs are relieved from tax liability to the member state and its local jurisdictions for having charged and collected the incorrect amount of sales and use tax resulting from the seller or certified service provider relying on erroneous data provided by the member state relative to the tax administration practices contained in Section D. In addition, **to the extent possible under each state's laws**, sellers and CSPs are also relieved from tax liability to the member state and its local jurisdictions for having charged and collected the incorrect amount of sales and use tax until the first day of the calendar month that is at least 30 days after notice of a change to Section D of the state's taxability matrix is submitted to the governing board, provided the seller or CSP relied on the prior version of the taxability matrix.

A. Administrative Definitions	Treatment of definition	Reference

2015 Report of Changes to SSUTA, SSTGB Rules and Interpretive Opinions

STATE NAME: ____________________

Streamlined Sales Tax Governing Board
Section 328 Best Practices Matrix

Effective Date:

Reference Number for SST Use Only	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.	Included in Sales Price	Excluded From Sales Price	Statute/Rule Cite/Comment
	Federal Excise Taxes – A state may exclude federal excise taxes or fees that are not directly imposed on a consumer if the state lists those taxes and a reference to the specific law on the state's taxability matrix. The tax must by separately stated on the invoice, bill of sale or similar document given to the purchaser	**Included in Sales Price**	**Excluded From Sales Price**	
11130	List all federal excise taxes or fees that are not directly imposed on the consumer that your states excludes from the sales price under this provision. • • •			

D. Tax Administration Practices on Liability Relief from Appendix E **(Note: These tax administration practices address whether a member state provides liability relief although the state is only required to provide relief "to the extent possible," as specified in sections 328(C) and (D) of the Agreement.)**		**Does Your State Follow this Practice?**		**Add Additional Comments if Desired. If You Answered No, Describe the Difference Between the Practice as Adopted by the Governing Board and Your State's Treatment**	
Reference Number	**Disclosed Practice 3 – Liability Relief**	**Yes**	**No**	**Statute/Rule Cite**	**Comment**
	Disclosed Practice 3.1 - Liability relief for erroneous information in the tax administration practices section of the taxability matrix	**If you answer**	**If you answer "No" to**		

STATE NAME: ___________________

Streamlined Sales Tax Governing Board
Section 328 Best Practices Matrix

Effective Date:

		"Yes" to 3.1, you do not need to complete 3.1.a, b, and c below.	**3.1, please complete 3.1.a, b, and c below.**		
Liability Relief 3.1	The State provides sellers and CSPs with liability relief for tax, interest and penalties if the sellers and CSPs charged and collected the incorrect tax due to erroneous information in the tax administration practices section of the taxability matrix.				
Liability Relief 3.1.a.	Liability Relief for Tax				
Liability Relief 3.1.b.	Liability Relief for Interest				
Liability Relief 3.1.c.	Liability Relief for Penalties				
	Disclosed Practice 3.2 - Extended liability relief for changes to the tax administration practices section of the taxability matrix	**If you answer "Yes" to 3.2, you do not need to complete 3.2.a,**	**If you answer "No" to 3.2, please complete 3.1.a, b, and c below.**		

2015 Report of Changes to SSUTA, SSTGB Rules and Interpretive Opinions

STATE NAME: ___________________

Streamlined Sales Tax Governing Board
Section 328 Best Practices Matrix

Effective Date:

		b, and c below.			
Liability Relief 3.2	When the State makes a change to its tax administration practice section of the taxability matrix, the State provides sellers and CSPs with liability relief for the tax, interest and penalties for having charged and collected the incorrect tax until the first day of the calendar month that is at least 30 days after notice of the change to the state's tax administration practices section of the taxability matrix is submitted to the governing board, provided the seller or CSP relied on the prior version of the taxability matrix.				
Liability Relief 3.2.a.	Liability Relief for Tax				
Liability Relief 3.2.b.	Liability Relief for Interest				
Liability Relief 3.2.c.	Liability Relief for Penalties				
	Disclosed Practice 3 .3 Extended liability relief for changes to the library of definitions section of the taxability matrix	**If you answer "Yes" to 3.3, you do not need to complete 3.3.a, b, and c below.**	**If you answer "No" to 3.3, please complete 3.3.a, b, and c below.**		
Liability Relief 3.3	When the State makes a change to the library of definitions section of its taxability matrix, the State provides sellers and CSPs				

STATE NAME: ___________________

Streamlined Sales Tax Governing Board
Section 328 Best Practices Matrix

Effective Date:

	with liability relief for the tax, interest and penalties for having charged and collected the incorrect tax until the first day of the calendar month that is at least 30 days after notice of the change to the member state's library of definitions section of the taxability matrix is submitted to the governing board, provided the seller or CSP relied on the prior version of the taxability matrix.				
Liability Relief 3.3.a.	Liability Relief for Tax				
Liability Relief 3.3.b.	Liability Relief for Interest				
Liability Relief 3.3.c.	Liability Relief for Penalties				