

2016 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 2016. 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 December 14, 2016, 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.”

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Section I. Amendments to the SSUTA

A. (AM16004) This amendment revises Section 302 of the SSUTA was adopted by the SSTGB on October 14, 2016. 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 specifically provides that Section 302 of the SSUTA does not apply to sales or use taxes levied on “energy.” The amendment also contains a definition of “energy” that applies solely for purposes of Sections 302 and 308 of the SSUTA. The changes from the prior version are shown using underlining and ~~strikeouts~~.

Section 302: STATE AND LOCAL TAX BASES

- A. The tax base for local jurisdictions shall be identical to the state tax base unless otherwise prohibited by federal law.
- B. This section does not apply to sales or use taxes levied on:
 - 1. ~~fuel~~Fuel used to power motor vehicles, aircraft, locomotives, or watercraft;
 - 2. ~~or to electricity~~Electricity, piped natural or artificial gas or other fuels delivered by the seller;
 - 3. ~~and the~~The retail sale or transfer of motor vehicles, aircraft, watercraft, modular homes, manufactured homes, or mobile homes; and
 - 4. Energy. Solely for purposes of this section and section 308, “energy” means natural or artificial gas, oil, gasoline, electricity, solid fuel, wood, waste, ice, steam, water, and other materials necessary and integral for heat, light, power, refrigeration, climate control, processing, or any other use in any phase of the manufacture of tangible personal property.

B. (AM16004) This amendment revises Section 308 of the SSUTA was adopted by the SSTGB on October 14, 2016. 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 specifically provides that Section 308 of the SSUTA does not apply to sales or use taxes levied on “energy.” The amendment also contains a definition of “energy” that applies solely for purposes of Sections 302 and 308 of the SSUTA. The changes from the prior version are shown using underlining and ~~strikeouts~~.

Section 308: STATE AND LOCAL TAX RATES

- A. No member state shall have multiple state sales and use tax rates on items of personal property or services, except that a member state may impose a single additional rate, which may be zero, on food and food ingredients and drugs as defined by state law pursuant to the Agreement. In addition, if federal law prohibits the imposition of local tax on a product that is subject to state tax, the

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state may impose an additional rate on such product, provided such rate achieves tax parity for similar products.

- B. A member state that has local jurisdictions that levy a sales or use tax shall not have more than one local sales tax rate or more than one local use tax rate per local jurisdiction. If the local jurisdiction levies both a sales tax and use tax, the local rates must be identical.
- C. The provisions of this section do not apply to sales or use taxes levied on energy as defined in Section 302 of the Agreement, fuel used to power motor vehicles, aircraft, locomotives, or watercraft, or to electricity, piped natural or artificial gas, or other fuels delivered by the seller, or the retail sale or transfer of motor vehicles, aircraft, watercraft, modular homes, manufactured homes, or mobile homes.

C. (AM16001) This amendment revises Section 318 of the SSUTA and was adopted by the SSTGB on May 4, 2016. The second vote on this amendment was waived on May 4, 2016 by a unanimous vote of those states present and voting. States are required to comply with this provision by January 1, 2019.

Summary of amendment - This amendment identifies web services as the standard transmission process for the receipt of uniform tax returns and other formatted information as approved by the SSTGB. The changes from the prior version are shown using underlining and ~~strikeouts~~.

Section 318: UNIFORM TAX RETURNS

Each member state shall...[unchanged text removed]

- E. Adopt a web services as the standardized transmission process ~~to that~~ allows for receipt of uniform tax returns and other formatted information as approved by the governing board. Such a process will provide for the filing of separate returns for multiple legal entities in a single transmission for each state and will not include any requirement for manual entry or input by the seller of any of the aforementioned information. This process will allow a certified service provider, a tax preparer, or any other person authorized to do so, to file returns for more than one seller in a single electronic transmission. However, sellers filing returns for multiple legal entities may only do so for affiliated legal entities.

States shall comply with this provision by January 1, 2019.

D. (AM16003) - This amendment revises Section 323 of the SSUTA and was adopted by the SSTGB on May 3, 2016. 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 323 provides the requirements a state must follow with respect to imposing caps or thresholds on sales of clothing. The changes from the prior version are shown using underlining and ~~strikeouts~~.

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Section 323: CAPS AND THRESHOLDS

- A. Except as provided in D. below, ~~N~~no member state may have caps or thresholds on the application of state sales or use tax rates or exemptions that are based on the value of the transaction or item or have caps or thresholds that are based on the application of the rates unless the member state assumes the administrative responsibility in a manner that places no additional burden on the retailer.
- B. Except as provided in D. below, ~~N~~no member state that has local jurisdictions that levy a sales or use tax may place caps or thresholds on the application of local rates sales or use tax rates or exemptions that are based on the value of the transaction or item.
- C. The provisions of this section do not apply to sales or use taxes levied on the retail sale or transfer of motor vehicles, aircraft, watercraft, modular homes, manufactured homes, or mobile homes or to instances where the burden of administration has been shifted from the retailer.
- D. 1. ~~For s~~States may only ~~that~~ have a cap or threshold on “clothing” ~~before~~ January 1, 2006 the provisions of this section do not apply to sales or use tax thresholds for exemptions that are based on the value of “essential clothing” except as ~~provided~~ defined in the Library of Definitions. The threshold must be based on the sales price or purchase price of each individual item of clothing. A state that has a cap or threshold on “clothing” may either:
- a. Provide that the entire sales price or purchase price of each individual item of clothing is taxable if the sales price or purchase price of that item is over a certain dollar threshold; or
 - b. Provide that only the portion of the sales price or purchase price of each individual item of clothing over a certain dollar threshold is taxable.
2. The threshold on the sale price or purchase price of each individual item of clothing may not be less than \$110, and must apply to both the state and any local sales or use taxes.
3. Any state that adopts a clothing cap or threshold must clearly indicate and explain that treatment in its Certificate of Compliance and Taxability Matrix.
4. If a state adopts a clothing threshold under this section of the Agreement and also adopts a sales tax holiday on “clothing” under Section 322 of the Agreement, the clothing threshold under this section of the Agreement shall not apply during the sales tax

~~D.~~ E. A state that adopts a cap or threshold pursuant to this section is not required to eliminate that cap or threshold unless the federal law authorizing states to require remote sellers to collect and remit sales and use tax prohibits states from using such caps or thresholds.

E. (SL16033) - This amendment creates Disclosed Practice 4 and was approved by the SSTGB on December 14, 2016. No state is required to make a statutory change relating to this amendment and therefore this change did not require a second vote. Each state is required to

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update their online taxability matrix to indicate the treatment of this disclosed practice in their state by the first day of the calendar month that is at least 60 days from when it was approved. Therefore each state has until March 1, 2017 to complete this update.

Summary of amendment - This amendment creates Disclosed Practice 4 relating to whether a state will allow the use of the Limited Power of Attorney/Agent Authorization form.

Disclosed Practice Number 4 - Limited Power of Attorney/Agent Authorization (Adopted December 16, 2016)

Background: Pursuant to Section 501.A. of the Agreement, the governing board has certified various certified service providers (CSPs) and, pursuant to Section 501.B.6., has entered into contracts with those CSPs to perform the services listed in Section 501 for sellers. In performing those services, it is frequently necessary for the CSP, through its employees, to discuss issues with the member states regarding returns filed and payments made by or on behalf of a seller. Those discussions may involve the disclosure by the state of confidential information. Accordingly, each state generally requires written authorization from the seller to disclose that information to the CSP and its employees. In addition, taxpayer representatives other than CSPs may represent sellers in a similar capacity and may have the same need to discuss returns filed and payments made by or on behalf of a seller with the member states and receive confidential information.

The Fundamental Purpose of the SSUTA, set out in Section 102, is to simplify and modernize sales and use tax administration in the member states in order to substantially reduce the burden of tax compliance for all sellers. In furtherance of that purpose the governing board has approved a form of Limited Power of Attorney/Agent Authorization to authorize the states to disclose confidential information (Form F0023). There is no requirement that a state accept this form. It is anticipated that changes to the form may be made by the Executive Committee from time to time, with prior notice to the states to allow them adequate time to review. The revised version of the form will be posted on the governing board's website. Each member state may then update its response to this disclosed practice to indicate whether it will accept the revised form.

Disclosed Practice 4.1.

The member state will accept a signed copy of the Limited Power of Attorney/Agent Authorization form posted to the governing board's website, as sufficient authority for the state to disclose to the CSP any confidential information of the seller necessary to allow the CSP to fulfill its obligations under its contract with the governing board and to fulfill its responsibilities to the seller under Section 501 of the Agreement.

Disclosed Practice 4.2.

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The member state will accept a signed copy of the Limited Power of Attorney/Agent Authorization form posted to the governing board's website, as sufficient authority for the state to disclose to the seller's appointed agent, other than a CSP, any confidential information of the seller as authorized on the form to allow the agent to fulfill its obligations to the seller.

Note: Adoption of this Disclosed Practice by the member state does not require the state to, or prevent the state from, using the form for any other purpose that may fall within the terms of the form. Acceptance of the form by a member state does not require the state to allow the Agent to represent a seller at an administrative hearing.

II. Rule Amendments

- A. (RP16001A01) This amendment revises Rule 809 – Sanction of Member States and was adopted by the SSTGB on October 14, 2016. 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 Rule 809 relating to the procedures for the Executive Committee to follow when developing its recommendation of sanctions that will be presented to the Governing Board for consideration as well as the procedures related to the imposition of sanctions on a member state. The changes from the prior version are shown using underlining and ~~strikeouts~~.

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, using its discretion, 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

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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

1. In arriving at a recommendation for sanction(s), the Executive Committee shall consider the following factors and may consider other factors:

1. the requirement(s) of the Agreement with which the state is out of compliance,;
2. the action which will be required to bring resulting additional burden the subject state back into noncompliance places on sellers and purchasers, as applicable;
3. whether the noncompliance is the result of a newly identified issue with a requirement of the Agreement and;
4. whether the length of time which will be required for noncompliance is the subject result of an action by the state to return to or its local jurisdictions compliance with the Agreement;
5. the length of time the state has been out of compliance with a requirement of the Agreement;
6. any efforts taken by the subject state to address the noncompliance;

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7. any increase in the number of noncompliance issues the subject state has with the Agreement; and
 8. any actions which will be required to address the noncompliance.
2. Recommendations which may be made by the Executive Committee include, but are not limited to:
- (a) No sanction being imposed;
 - (b) Suspension of the subject state's right to vote on amendments to the Agreement;
 - (c) Suspension of the subject state's right to vote to determine if a petitioning state is in compliance with the Agreement;
 - (d) Suspension of the subject state's right to vote on any matter which may come before the Governing Board;
 - (e) Suspension of the subject state's right to have any delegates serve on the Governing Board; or
 - (f) 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. If there are multiple sanctions recommended, the Committee shall identify which sanction or sanctions, if any, would be removed if a particular instance of noncompliance is corrected. 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. 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.

G.H. 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.

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H.I. Governing Board Action

- 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.

- If a sanction is imposed, the Governing Board shall specifically identify in writing:
 - the corrective action(s) the member state must take to have the sanction(s) removed; and
 - the person(s) who will verify and document that the member state has completed the corrective action(s);

- 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.J. 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.K. 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.L. Publication of Decision

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The Executive Director shall ~~send notice to~~ notify the subject state and each member state's Governing Board delegates ~~when~~ in writing when the Governing Board renders a decision to impose or lift a sanction ~~is imposed or lifted~~. A copy of ~~the~~ any such decision shall be posted on the subject state's and the Governing Board's website.

B. (RP16002) This amendment revises Appendix H – Recertification Process of the SSTGB Rules and Procedures and was adopted by the SSTGB on October 14, 2016. 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 amends Appendix H – Recertification Process to reflect the recertification process that takes place. The changes from the prior version are shown using underlining and ~~strikeouts~~.

Appendix H

Recertification Process

The purpose of the recertification process is to ensure that a Certified Service Provider (CSP) continues to comply with all requirements ~~and standards~~ as set forth by the Streamlined Sales Tax (SST)-Governing Board. ~~(Board)~~, per Appendix C (Minimum Standards) of the Rules, as well as per the CSP Contract. The recertification process shall be ~~conducted~~ performed by the Certification Committee and Audit Committee Core Team (Core Team) as a part of its contract compliance audit, at intervals approved by the Board.

General Understanding

A representative from the Certification Committee shall contact the CSP representative to schedule a time to begin the process. The parties request specific materials necessary for performing the recertification evaluation. The Core Team will also hold a contract compliance audit entrance meeting to discuss the process.

As per the ~~Certification Standards~~ paper, conference. A representative of the Certification Committee will participate in this conference as necessary.

The Certification Committee and Core Team shall be provided with sufficient and timely access to those staff, facilities, systems, databases, documentation, policies, procedures, and records deemed necessary for performing the recertification process. Confidentiality agreements may be required.

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Timely communication between all parties is important. Testing Central shall monitor the operational performance of a CSP (i.e., quarterly testing, bulk registrations, SER filings, security issues, rate and boundary files) and will inform the ~~appropriate representative(s)~~ Executive Director, Certification Committee and Core Team, of any issues.—~~noted.~~ Information obtained during the recertification process may also be communicated to the Audit Committee.

Recertification Process

The recertification process may include, but is not limited to the following:

- ~~1) Verification that the CSP meets the requirements outlined in the Streamlined Sales and Use Tax Agreement (SSUTA), including confirming that Seller Taxes were timely~~
 1. The Core Team will evaluate contract compliance, including:
 - a) Reviewing the CSP's compliance with the terms of the CSP contract through annual representations, questionnaires, direct inquiries, and specific tests.
 - b) Evaluating the CSP's systems and processes to verify compensation is calculated in accordance with the contract by reviewing the compensation and audit reports required in Appendix F.
 - c) Verifying appropriate procedures for mapping exist, are in conformance with the mapping requirements, and are followed in the initial mapping setup, as well as during updates and corrections to mapping.
 - d) Verifying appropriate entity-based and use-based exemption data elements are captured by the CSP's system.
 - a)e) Verifying tax collected was remitted to the appropriate tax authorities.
 - ~~C. assessing whether exemption certificates received from customers were accurately completed or data elements to support purchases by exempt purchasers were maintained,~~
 - ~~9. reconciling the use of discounts to reduce the tax base,~~
 - ~~10. determining whether tax was accurately credited for returned merchandise or cancelled sales,~~
 - ~~and verifying that any reimbursements received by the Contractor were properly calculated and applied.~~
- 2) ~~Verification of contract compliance.~~

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- 3) ~~Verification that~~
- f) Verifying sales tax amounts correctly flow through to the simplified electronic returns (SERs).
2. The Core Team will evaluate compliance with Appendix F (Audit Reports), including verifying that the data files are complete and determining if the audit transaction data reconciles to the control total files.
- 4.3. ~~The Certification Committee will evaluate whether the CSP meets/continues to meet the requirements found in the Certification Standards, Appendix G, and listed in the Minimum Standards (Appendix C.—), including whether the required policies, procedures, and practices support the individual requirements.~~
- 4) ~~Verification of compliance with Testing Central requirements. Verification that a web-based administrative site is provided as prescribed in the SST~~
4. The Certification Committee will inquire with Testing Central and with the states regarding any issues they have documented related to the CSP's compliance with the minimum standards and operational performance, including whether the CSP has resolved or is working to resolve the respective issues.
- 5) ~~The Certification Committee will evaluate, as well as inquire of Testing Central and with the states the CSP's compliance with the requirements contained in Appendix E (Testing Process for Certification of Service Providers, Appendix E and SST CSP Site Administration, Appendix F.~~
- 2.5. ~~Review and Automated Systems), including the status of ongoing testing of the existence and severity systems for accuracy of complaints from member states against the CSP. system changes, updates to tax rules, and boundary and rate table changes.~~
- ~~Determination if~~
- 3.6. ~~The Core Team will evaluate whether there are any changes in financial position or continuing operations that could have a negative impact on the ability of the CSP to continue as a going concern—, per Appendix O (Annual Representation and Related Requirements).~~
- 6) ~~Substantiating that required audit trails exist for sales records maintained;~~
7. At the conclusion of the recertification process, subsequent to meeting with the Core Team, as well as the CSP, to resolve any open issues, the Certification Committee will prepare a report to the Executive Committee containing a recommendation on whether the CSP has maintained compliance with the CSP minimum standards. (The Core Team

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independently issues its contract compliance audit report to the Executive Committee on whether the CSP has maintained compliance with the CSP contract.)

C. (RP16003A01) This amendment revises Appendix O – Annual Representation and Related Requirements of the SSTGB Rules and Procedures and was adopted by the SSTGB on October 14, 2016. 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 Appendix O – Annual Representation and Related Requirements of the SSTGB Rules and Procedures. The amendment results in some additional information being provided by the CSPs at the time they submit their annual representation letter relating to submitting Appendix F data files, mapping procedures, data security and back-up information. The changes from the prior version are shown using underlining and ~~strikeouts~~.

APPENDIX O

ANNUAL REPRESENTATION AND RELATED REQUIREMENTS

The following sections include requirements the CSPs must comply with for certification, recertification, and contract compliance, as required per CSP contract sections E.30 (Trust Account) and E.31 (Performance Bond and Security):

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

SECTION I

Sample Annual Representation

[CSP LETTERHEAD]

(INSERT DATE)

To Craig Johnson, Executive Director Streamlined
Sales Tax Governing Board, Inc. 100 Majestic
Drive, Suite 400

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Westby, WI 54667

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

1. We acknowledge the following information:
 - Our main office is located at:
 - Our systems/hosting facility is located at:
 - Our backup facilities are located at:
 - The current officers of the company are:
 - Key staff, phone numbers, and their primary functions include:
 - Our subcontractors performing services related to the CSP contract, as defined per section E.11 (Assignment and Subcontracting) of the CSP contract, including names, addresses, and functions include:
 - If a partnership entity, our major partners, including names, addresses, and functions include:
 - If a corporate entity, our major shareholders, including names, addresses, and percentage of ownership include:
 - Adequate and auditable internal controls and security features are in place over the collection of taxes, remittance of taxes to the individual states, calculation of compensation, and authorization of transactions.
 - We have chosen [month/day] as the annual date at which we will obtain from each Seller a statement of its status in each Member State and Associate Member State, as required per Section D.4 (Reporting Requirements) of the CSP contract.
 - We maintain the books, records, systems documentation and logs, and other documents in the United States, insofar as they relate to work performed or money received under the CSP Contract.
 - All production computer and backup functions used for performing services under the CSP contract are performed within the United States' boundaries, as required per CSP contract sections E.26 (Systems Location) and E.27 (Records).
 - The trust bank account is timely reconciled, is secured through [FDIC or applicable bank collateral agreements], and includes the appropriate controls, including proper segregation of duties, access controls, electronic banking controls, and management oversight, as required per CSP contract section E.30 (Trust Account).
 - The trust bank account is with the following bank, located at:
 - An internal/external audit of the trust bank account and related procedures was last performed on:
 - Our performance bond/security is in force and set at the correct amount based upon section E.31 (Performance Bond and Security) of the CSP contract.

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- Our standards for advertising are in compliance with the requirements as contained in Section E.33 (Prohibited Advertising) of the CSP contract.
 - Our standards of confidentiality over records are in compliance with the requirements, as contained in Section E.34 (Confidentiality of Records) of the CSP contract.
 - Our procedures for compiling Appendix F data files are current and are utilized by the staff that generate these files. (A copy of these procedures is attached.)
 - Our procedures for mapping are current and any revisions are issued to the sellers and/or CSP staff that perform the mapping. (A copy of these procedures is attached.)
 - Changes in our policies and procedures regarding data security and IT are as follows: (Copies of any policy changes are attached.)
 - The last successful test of our data recovery plan was on [mm/dd/yyyy]:
 - The frequency of backup of our data is:
 - The last successful backup of our data was on [mm/dd/yyyy]:
 - Other changes, exceptions or special circumstances that should be communicated to the Executive Director, Certification Committee or Audit Team, are as follows:
2. There have been no:
- a. Violations or possible violations of laws, regulations, policies or procedures that have occurred related to the performance bond/security or trust bank account, except for the following:
 - b. Material changes in our financial condition or organizational structure or that of our partners or subcontractors, as required per CSP contract section E.31(4)(b) (Performance Bond and Security) that would have an effect upon our operations as a certified service provider, except for the following:
 - c. Instances of assignment, subcontracting, merger, consolidation or acquisition, as required per CSP contract sections E.11 (Assignment and Subcontracting) and E.12 (Merger, Consolidation and Acquisition), except for the following:
 - d. Instances of theft or loss of ~~tax~~-data under our control or by our subcontractors, hosting facilities or data backup site, except for the following: (If any theft or loss of data occurred, a list of the dates and description of the theft or loss and the steps taken to remediate the problem and assure it will not occur again are attached.)
3. ~~If available, an~~ A copy of the most recent SSAE No. 16 audit report (Reporting on Controls at a Service Organization) or similar IT security report is attached.
4. ~~If available, a current copy of our audited~~ Our most recent financial statements is ~~are~~ attached.

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

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_____ (Printed Name and Title)	_____ (Signature)	_____ (Date)
_____ (Printed Name and Title)	_____ (Signature)	_____ (Date)

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

Two signatures are required

SECTION II Trust Bank Account Minimum Controls

Per Section E.30 of the CSP contract:

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

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

1. The trust bank account should be set up at a banking institution approved by the Executive Director. The designation on the trust bank account should read "[CSP Company Name]-tax account in trust for the Streamlined Sales Tax Governing Board

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member states, their local taxing jurisdictions and all state and local taxing jurisdictions processed by the Contractor.”

2. Policies and procedures should be put in place and kept current in order to:
 - Keep trust fund collections separate from CSP operating monies.
 - Perform timely reconciliations of the trust bank account and immediately follow up on unusual or unauthorized transactions.
 - Establish a clear audit trail of taxes collected, taxes remitted, compensation transferred, and adjustments to the account.
 - Maintain the proper amount of FDIC and/or bank collateral coverage amounts.
 - Establish and monitor that the proper segregation of duties exists over the authorization, entry, recording, and reconciliation of transactions made to the trust bank account.
 - Establish appropriate electronic controls and procedures over the trust bank account to prevent unauthorized access to or transfers from the bank account.
3. Management should review these policies and procedures to verify that they are appropriate and being complied with.

SECTION III

Program for Evaluating Financial Soundness

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

Procedures:

1. Review the CSP’s policies and procedures to assess whether they reflect current operations.
2. Review the trust bank account statements for proper name and location.
3. Review documents detailing the amount of FDIC or collateral coverage over the trust bank account.
4. Review the bank reconciliations for the past twelve months. Determine whether they have been performed timely, whether outstanding amounts exist for extended periods, and whether unusual transactions or outstanding balances are followed up.
5. Assess whether the trust bank account is operated as a separate fiduciary account and that all Seller Taxes processed by the CSP are deposited into the trust bank account.
6. Assess whether the trust taxes are kept separate from the CSP’s own funds.
7. Assess whether the corresponding general ledger account on the CSP’s accounting system provides a clear audit trail of all deposits of Seller Taxes, remittances of taxes to the Member States and Associate Member States, transfers of CSP compensation from the trust bank account to the CSP’s general business account, and all other account transactions.

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8. Assess whether controls exist to alert the CSP when taxes have not been received from the seller, when tax payments have not been debited by the States, when erroneous or fraudulent debits have been made to the trust bank account, etc.
9. Determine who has authorization to access the account electronically and whether they have any incompatible duties.
10. Evaluate the segregation of duties over the ability to authorize, enter, record and reconcile transactions of the trust bank account.
11. Review internal and external audit reports related to the CSP's operations. Assess whether any control weaknesses exist that impact the CSP's operations.
12. Review the CSP's financial statements over the past twelve months, or earlier. Assess whether any material changes in financial condition have occurred that could impact the CSP's financial soundness.
13. Review with Testing Central whether the states have reported instances of late filing or paying by the CSP. If so, assess whether the CSP has made corrections to its systems and the related processes.
14. Prepare a report for the Executive Director on the evaluation of financial soundness.

III. Other SSTGB Guidance Updated

A. (TG16002) The Technology Implementation Guide was updated and approved by the SSTGB on May 4, 2016. No state is required to make a statutory change related to the updating of this document and therefore this change did not require a second vote.

Summary of Changes: The Technology Implementation Guide (TG16002) provides information for the States, sellers and CSPs to use relating to the Streamlined Sales Tax Registration System, the Simplified Electronic Return and the Rates and Boundary Databases.

The primary changes made during this update were to:

- Revise the Table of Contents layout and format
- Update language for consistency throughout (SSUTA, Agreement, SST, etc.)
- Added detail to the state checklist and updated references
- Added references to SSTGB Rules and Appendices that may be applicable
- Added language from SSUTA to specifically explain requirements (120-day notice to catalog sellers, etc.)
- Added information related to SERs and descriptions of fields
- Added 2019 date related to the deadline for using web services.
- Updated all of the schema changes related to the SERs and the new registration system
- Added information related to bulk registrations and CSPs – how to create new registrations, update existing, unregistering, etc.

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- Updated to include all of the current schemas
- Updated to include all of the SST Definitions used in the schemas

The entire Technology Implementation Guide can be found at this link: [Technology Implementation Guide – Approved May 4, 2016](#)