To: Small Seller/Vendor Compensation Task Force

From: Harley Duncan

Re: Task Force Status and Next Steps

Date: September 7, 2008

This memorandum is intended to provide a status report and to outline some potential next steps for the Task Force.

**Information Needs**
We have had sessions addressing most of the information needs we identified at the outset of our efforts, including prior studies on the cost of collection, an overview of the retail sector (with some information on the distribution by size), information on online sales by firm size, sales tax collections by firm size, and the operational aspects of sales tax compliance among small sellers, large sellers and CSP’s.

As I see the remaining needs, they are these:

- More discussion of the overall retailing sector and the online sector in particular by size as we begin to discuss small seller thresholds. I will reach out to a person I think may be able to help. I will also try to find a good contact at Gartner and Forrester Research. If anyone has suggested contacts at either of these places, please forward them to me.

- A discussion with eBay and Amazon about their operations. I will be attempting to schedule this for the near future (possibly the week of Sept. 15.)

- A discussion on various aspects of online retailing (e.g., shopping carts, etc.) and their impact on compliance, small sellers and the like. If anyone has a suggested contact for this presentation, please let me know because I know of no one.

- More discussion of payment vehicles used in retailing. I will try to identify someone at the Federal Reserve or their latest study to fill this gap.

- A review of the impact of Streamlined on collection costs. I will be contacting some Task Force members to begin compiling this information in the near future.

- Data on the volume of remote sales on which tax is not collected and the nature of sellers of such goods. The FY 2009 Streamlined budget has been amended to partially finance a study of this nature.

**Next Steps**
Other than completing the information gathering, it seems that the next task for the group is to identify the policy and structural issues that will need to be addressed as we set about discussing vendor compensation and small seller thresholds. I have attached a
first-cut at identifying a number of those issues. This is a revised draft based on some discussions we have had.

I would like everyone (Task Force members and others) to add to, combine, modify or otherwise comment on this list. This is an important task since this list of questions will constitute the bulk of the agenda for the remaining task force discussions.

Once I receive comments, we will have a task force call to decide on how we want to approach the deliberation of these questions and issues. It is my sense that we would benefit from having a task force meeting that is devoted to a discussion among task force members so that we can begin to build consensus where possible and identify differences where those may exist.

I hope this is helpful in pulling things together and setting the status of our group. I look forward to your comments, and I will be in touch soon with information on additional teleconferences.
Policy/Structural Issues

I. Small Seller Exception
   A. What is the purpose/justification for a small seller threshold
      1. Recognize multistate burden and differential impact by size?
      2. Balance costs/benefits to sellers and states?
      3. Offset political issues?
   B. If there is a small seller exception, how should it be structured?
      1. National totals
      2. By state – How does this affect small vs. large states?
      3. Combination of 1 and 2
      4. Proper look back period
      5. What is the appropriate ‘metric’ – gross sales, taxable sales, ‘remote’ sales
      6. How should exempt sales be treated?
      7. Should a small seller threshold deal with “border” sellers
   C. Does it make sense to phase any threshold in?
      1. Allow time for SST and states to adjust
      2. Allow time for additional solutions to reach the market
   D. What is the relationship of a small seller threshold to vendor compensation
      1. Could a threshold vary by state based on compensation?

II. Vendor Compensation
   A. Should it recognize differences in size of retailer? How?
   B. Should it recognize differences in selling channels? How?
   C. Should it recognize difference in nexus v. non-nexus sellers? How?
   D. Should it reflect costs associated with differing payment mechanisms? How?
   E. Should it reflect differing sales tax systems?
   F. Should there be a cap on compensation?
      1. What is the role and impact of a “cap” on compensation?
   G. What are the economic effects/incentives with different compensation plans?
   H. How should costs be assigned between state collections and local collections?
   I. What is the relationship of vendor compensation to payments to CSPs?

III. Alternatives
   A. What alternatives to small seller exceptions and compensation exist?
   B. What is the impact of ‘making technology available?’
   C. What is the impact of ‘paying for technology?’
   D. What is impact if technology is available and not used?