

Streamlined Simplifications

State Level Administration: State and local sales and use taxes must be administered at the state level. This means only one return must be filed per state, one remittance per state per period and only one audit for any audit period. Local governments cannot require separate returns or remittances and cannot perform separate audits.

State and Local Tax Bases: If a state has local jurisdictions that levy a sales or use tax, the tax base for the local jurisdiction must be the same as the state base unless prohibited by federal law. The taxpayer will only have to keep up with one tax base and will apply both state and local tax to taxable transactions. Exceptions to this rule: motor vehicles, aircraft, watercraft, modular homes, manufactured homes, and mobile homes.

Centralized Registration System: Taxpayers or their agent can register one time in the centralized registration system and be registered in all member states (including associate member states if desired). The registration is done on-line and no written signature is required. No fees or extra information is required and the taxpayer can cancel its registration at any time.

Notification of State Tax Changes: Member states are encouraged to give taxpayers as much advance notice of state tax rate and base changes as practicable. Member states are also encouraged to make state rate changes effective on the first day of a calendar quarter.

Local Rate and Boundary Changes: Local rate and boundary changes must be effective on the first day of the calendar quarter after a minimum of sixty day's notice. This gives taxpayers time to implement the new rates and update or receive updates to jurisdictional boundary databases. States are required to provide databases of state and local rates and boundaries (either based on zip codes or addresses). These databases provide information necessary to taxpayers in order to accurately apply the appropriate tax rate to transactions and to report tax to the proper jurisdiction.

Relief from Certain Liability: Relief from liability is provided to taxpayers who use the state rate and boundary databases when errors occur due to errors in the database.

Database Requirements: The databases for rates and boundaries must be in downloadable format.

State and Local Tax Rates: States may have only one sales and use tax rate, except that a single additional rate may be imposed on food and food ingredients and drugs. Local jurisdictions may have only one sales and use tax rate. Taxpayers do not have to keep up with multiple rates per jurisdiction.

General Sourcing Rules and Definitions: Provides rules for sourcing of transactions that member states must follow and provides definitions of certain terms used in those rules. This provides taxpayers with consistency and ease in sourcing transactions. The rules decrease the potential for transactions being taxable in more than one state.

Telecommunications and Related Services Sourcing and Definitions: Provides rules for sourcing telecommunications and related services and definitions for the various terms used and services being sourced. Consistent rules for sourcing telecommunications make it easier to determine the correct taxing jurisdiction for a complicated service. The rules decrease the potential for the same service being taxable in more than one state.

Enactment and Administration of Exemptions: Provides rules the member states must follow in enacting product-based, use-based or entity-based exemptions. Provides for a uniform exemption certificate that can be used in member states and allows electronic certificates. If the proper documentation is obtained and maintained by the taxpayer, they are relieved from liability if a purchaser improperly claims an exemption. Uniform rules and forms make it easier for the taxpayer to administer exemptions.

Uniform Tax Returns: A simple, uniform return may be used by taxpayers registered under the Agreement. Only one return is required for each period for all jurisdictions in the state and it is due no sooner than the 20th day of the month following the month in which the transaction occurred. The uniform return requires less information than most state returns. Having one return form to use for all the member states and requiring only one return per state makes tax administration of the return process simpler and less prone to error.

Uniform Rules for Remittances of Funds: Except for taxpayers that collect more than \$30,000 in sales and use tax in the state during the preceding calendar year, only one remittance for each return is required. The states that require electronic remittance must allow both ACH credit and ACH debit payments. A uniform rule for handling legal banking holidays is provided.

Uniform Rules for Recovery of Bad Debts: Requires member states to allow a deduction for bad debts. Rules for computation of bad debt and timing for taking the deduction are provided, making it easier for the taxpayer to take the deduction.

Sales Tax Holidays: Rules are provided for sales tax holidays. Member states that have such holidays may only exempt products defined in the Agreement and the exemption must apply to all state and local sales and use taxes. Proper notice of the holiday must be given. Requirements for layaway sales, rain checks, coupons and discounts, exchanges and other transactions are provided.

Caps and Thresholds Prohibition: Caps and thresholds that must be administered by the seller are prohibited. The prohibition applies to state and local sales and use taxes. Caps and thresholds are difficult for sellers to administer and often difficult to program into the seller's billing system.

Rounding Rule: A uniform rule for rounding the amount of tax due is provided and must be used by the member states. Taxpayers do not have to keep up with brackets in the member states and no changes are needed to billing systems when tax rates change.

Customer Refund Procedures: If a purchaser is allowed to seek a refund of over-collected taxes from the seller, the request must be in writing and the seller has 60 days to respond. The notice to the seller must contain the information needed to determine the validity of the claim. These procedures provides uniform rules for customer remedies and some protection for the seller from class action law suits.

Direct Pay Permit Requirement: Each member state is required to provide for a direct pay authority allowing the holder to purchase goods and services without payment of tax to the supplier. The purchaser is required to self accrue tax due. This allows taxpayers who make purchases that may be exempt to accrue tax only on the taxable portion of the transaction, rather than seeking refunds or credits for overpaid tax if tax had been paid on the entire transaction at time of purchase.

Uniform Definitions: Uniform definitions are provided for certain administrative terms and for various products. Member states must adopt the definitions, where applicable, in substantially the same form as in the Agreement and must apply them in a manner that is consistent with the Agreement. Uniform terms and product definitions provide the taxpayer with more certainty as to the tax base and makes tax application easier to determine.

Taxability Matrix: Member states must complete a taxability matrix showing the tax treatment of the uniform terms and defined products. This is to ensure consistency in application of the definitions. The matrix must be in downloadable format. Taxpayers relying on the matrix are relieved from liability for errors in tax application caused by errors in the matrix. The matrix is an easy tool for taxpayers to use in determining whether a transaction is subject to tax.

Effective Date for Tax Changes: A rule is provided for the application of new rates in cases where services are billed for periods starting before the effective date of the rate change and ending after it. The rule makes it easier to administer the rate change and provides for the application of the new rate for an entire period, so the seller does not have to split it.

Bundled Transactions Rule: One of the defined terms is for bundled transactions. A rule is provided requiring member states to apply the term consistently. A special rule is provided for

transactions including telecommunications services, ancillary services, Internet access or audio or video programming service. This makes it easier to determine what is a bundled transaction and how it should be taxed.

Specified Digital Products Rule: One of the defined products is “specified digital products” which includes certain types of products delivered electronically. The rule provides requirements for the member states to follow when taxing a specified digital product or any other product delivered electronically after January 1, 2010. This rule requires states to tax such products separate from the taxation of tangible personal property. In the past the some states have included various products delivered electronically in their taxation of tangible personal property. The taxpayer will have more certainty as to whether such products are taxable under the rule.

Certified Service Providers: Under the Agreement, certain entities may be certified as a service provider that performs such services as computation and remittance of tax on transactions and filing returns. A taxpayer may use a CSP to perform these functions and be relieved from liability for errors in tax by the CSP. The CSP takes over the administrative function for the seller.

Certified Automated Systems: The Agreement provides for the certification of software for the computation and application of tax on transactions. Sellers may use the software or a vendor using the software, to compute tax. The seller can make the payments and file the returns or have a vendor do so. The CAS provides seller with a reliable tax application tool.