# STREAMLINED SALES AND USE TAX AGREEMENT

## Adopted November 12, 2002 and amended through October 15, 2026

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## ARTICLE I

## PURPOSE AND PRINCIPLE

**Section 101: TITLE**

This multistate Agreement shall be referred to, cited, and known as the Streamlined Sales and Use Tax Agreement.

**Section 102: FUNDAMENTAL PURPOSE**

It is the purpose of this Agreement to simplify and modernize sales and use tax administration in the member states in order to substantially reduce the burden of tax compliance. The Agreement focuses on improving sales and use tax administration systems for all sellers and for all types of commerce through all of the following:

A. State level administration of sales and use tax collections.

B. Uniformity in the state and local tax bases.

C. Uniformity of major tax base definitions.

D. Central, electronic registration system.

E. Simplification of state and local tax rates.

F. Uniform sourcing rules for all taxable transactions.

G. Simplified administration of exemptions.

H. Simplified tax returns.

I. Simplification of tax remittances.

J. Protection of consumer privacy.

*See Compiler's Notes for history.*

**Section 103: TAXING AUTHORITY PRESERVED**

This Agreement shall not be construed as intending to influence a member state to impose a tax on or provide an exemption from tax for any item or service. However, if a member state

chooses to tax an item or exempt an item from tax, that state shall adhere to the provisions concerning definitions as set out in Article III of this Agreement.

**Section 104: DEFINED TERMS**

This Agreement defines terms for use within the Agreement and for application in the sales and use tax laws of the member states. The definition of a term is not intended to influence the interpretation or application of that term with respect to other tax types.

An alphabetical list of all the terms defined in the Agreement and their location in the Agreement is found in Appendix B of this Agreement, the Index of Definitions. Terms defined for use within this Agreement are set out in Article II of the Agreement. Many of the uniform definitions for application in the sales and use tax laws of the member states are set out in Appendix C of this Agreement, the Library of Definitions. Definitions that are not set out in Appendix C are defined when applied in a particular section of the Agreement and are set out in that section of the Agreement. The appendices have the same effect as the Articles in the Agreement.

**Section 105: TREATMENT OF VENDING MACHINES**

The provisions of the Agreement do not apply to vending machines sales. The Agreement does not restrict how a member state taxes vending machine sales.

**Section 106: TREATMENT OF CANNABIS AND PRODUCTS CONTAINING CANNABIS**

The provisions of the Agreement do not apply to the sales or use of cannabis or products containing cannabis; including, but not limited to, products referred to as marijuana.

**Section 107: SPECIFIC RESPONSES TO PRESIDENTIALLY DECLARED STATES OF EMERGENCY**

A.

1. Except for Section 325 of the Agreement, the provisions of the Agreement do not apply to legislative or executive actions taken by a member state specifically related to a federally declared state of emergency by the President of the United States under the Robert T. Stafford Disaster Relief and Emergency Act (P.L. 100-707 and as may be

amended), the National Emergencies Act (P.L. 94-412 and as may be amended), or a similar act.

2. This exception only applies during and up to one calendar year after the state of emergency declared ends.
3. A state is encouraged to follow as many of the provisions of the Agreement as possible when taking these temporary actions and to try to minimize any burdens imposed on sellers.
4. A state shall identify any actions to which this provision applies as soon as possible by updating the state's taxability matrix, if applicable, and note it in the state's annual recertification documents. The state shall also provide notice to the Executive Director of these legislative or executive actions within 30 days after enactment and such notice shall be posted on the Governing Board's website.

B. A member state failing to provide at least thirty days between the enactment and the effective date of the legislative or executive action shall relieve the seller of liability for incorrectly collecting tax if:

1. The seller properly collected tax based on the law immediately preceding the action;
2. The seller's failure to properly collect the tax does not extend beyond thirty days after the effective date of the action; and
3. Any tax collected by the seller must be remitted to the state.

## ARTICLE II
## DEFINITIONS

The following definitions apply in this Agreement:

**Section 201: AGENT**

A person appointed by a seller to represent the seller before the member states.

**Section 202: CERTIFIED AUTOMATED SYSTEM (CAS)**

Software certified under the Agreement to calculate the tax imposed by each jurisdiction on a transaction, determine the amount of tax to remit to the appropriate state, and maintain a record of the transaction.

**Section 203: CERTIFIED SERVICE PROVIDER (CSP)**

An agent certified under the Agreement to perform the seller's sales and use tax functions as outlined in the contract between the Streamlined Sales Tax Governing Board and the Certified Service Provider, other than the seller's obligation to remit tax on its own purchases.

*See Compiler's Notes for History.*

**Section 204: ENTITY-BASED EXEMPTION**

An exemption based on who purchases the product or who sells the product. An exemption that is available to all individuals shall not be considered an entity-based exemption.

*See Compiler's Notes for history.*

**Section 205: MODEL 1 SELLER**

A seller registered under the Agreement that has selected a CSP as its agent to perform the seller's sales and use tax functions as outlined in the contract between the Streamlined Sales Tax Governing Board and the Certified Service Provider, other than the seller's obligation to remit tax on its own purchases.

*See Compiler's Notes for history.*

**Section 206: MODEL 2 SELLER**

A seller registered under the Agreement that has selected a CAS to perform part of its sales and use tax functions, but retains responsibility for remitting the tax.

*See Compiler's Notes for history.*

**Section 207: MODEL 3 SELLER**

A seller registered under the Agreement that has sales in at least five member states, has total annual sales revenue of at least five hundred million dollars, has a proprietary system that calculates the amount of tax due each jurisdiction, and has entered into a performance agreement with the member states that establishes a tax performance standard for the seller. As used in this definition, a seller includes an affiliated group of sellers using the same proprietary system.

*See Compiler's Notes for history.*

**Section 207.1: MODEL 4 SELLER**

A seller that is registered under the Agreement and is not a Model 1 Seller, a Model 2 Seller or a Model 3 Seller.

*See Compiler's Notes for history.*

**Section 208: PERSON**

An individual, trust, estate, fiduciary, partnership, limited liability company, limited liability partnership, corporation, or any other legal entity.

**Section 209: PRODUCT-BASED EXEMPTION**

An exemption based on the description of the product and not based on who purchases the product or how the purchaser intends to use the product.

**Section 210: PURCHASER**

A person to whom a sale of personal property is made or to whom a service is furnished.

**Section 211: REGISTERED UNDER THIS AGREEMENT**

Registration by a seller under the central registration system provided in Article IV of this Agreement.

*See Compiler's Notes for History.*

**Section 212: SELLER**

A person making sales, leases, or rentals of personal property or services.

*See Compiler's Notes for history.*

*Interpretation issued: The Governing Board issued Interpretative Opinion 2008-01 relating to the definition of "seller."*

**Section 213: STATE**

Any state of the United States, the District of Columbia, and any territory of the United States including American Samoa, Guam, Northern Mariana Islands, Puerto Rico, and the U.S. Virgin Islands.

*See Compiler's Notes for history.*

**Section 214: USE-BASED EXEMPTION**

An exemption based on a specified use of the product by the purchaser.

*See Compiler's Notes for history.*

## ARTICLE III
## REQUIREMENTS EACH STATE MUST ACCEPT TO PARTICIPATE

### Section 301: STATE LEVEL ADMINISTRATION

A. Each member state shall provide state level administration of sales and use taxes subject to the Agreement. The state level administration may be performed by a member state's Tax Commission, Department of Revenue, or any other single entity designated by state law. Sellers and purchasers are only required to register with, file returns with, and remit funds to the state level authority. The state level authority of a member state shall provide for collection of any local taxes and distribution of them to the appropriate taxing jurisdictions. The state level authority shall conduct, or others may be authorized to conduct on its behalf, subject to the provisions of subsection (B), all audits of the sellers and purchasers for that state's tax and the tax of its local jurisdictions. Except as provided herein, local jurisdictions shall not conduct independent sales or use tax audits of sellers and purchasers.

B. If authorized by its state law, nothing in this section prohibits the state level authority from authorizing audits of taxpayers to be conducted or performed by others on behalf of the state level authority so long as: (1) the person is conducting the audit for all taxes due and not just for taxes due to a specific local taxing jurisdiction, (2) the person is subject to the same confidentiality provisions (and other protections afforded to a taxpayer) as a person working for the state level authority, (3) absent fraud, a refund claim filed subsequent to the audit that covers part of the audit period or mutual consent, the audit does not cover an audit period already conducted by the state level authority or another person acting on its behalf and (4) the audit is subject to the same administrative and appeal procedures granted to audits conducted by the state level authority.

   *See Compiler's Notes for history.*

### 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 used to power motor vehicles, aircraft, locomotives, or watercraft;

2. Electricity, piped natural or artificial gas or other fuels delivered by the seller;
3. 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.

C.

1. A state that allows a different local base as provided in this section may allow the reporting of these taxes on the Simplified Electronic Return using the format approved by the Governing Board.
2. A state that has a different local base as provided in this section may provide information on the different bases or different rates as provided in Section 308 in a separate boundary file using the format approved by the Governing Board.
3. The approved formats for reporting on the SER and the optional boundary file will be published in the Streamlined Sales Tax Technology Guide.
4. States that choose to require separate reporting of these taxes on the SER must notify the Governing Board of their intention to do so and would be effective no sooner than the first day of a calendar quarter beginning at least 6 months after notifying the Governing Board.

*See Compiler's Notes for history.*

**Section 303: SELLER REGISTRATION**

Each member state shall participate in an online sales and use tax registration system in cooperation with the other member states. Under this system:

A. A seller registering under the Agreement may register in one or more of the states utilizing the central registration system provided in Article IV of this Agreement.
B. A certified service provider may require a seller registering under the Agreement, as a condition of receiving CSP services, to register in all of the full member states.

C. The member states agree not to require the payment of any registration fees or other charges for a seller registering through the central registration system in a state in which the seller has no legal requirement to register.

D. A written signature from the seller is not required.

E. An agent may register a seller under uniform procedures adopted by the member states.

F. A seller may cancel its registration under the system at any time under uniform procedures adopted by the Governing Board. Cancellation does not relieve the seller of its liability for remitting to the proper states any taxes collected.

G. Nothing in this section shall be construed to relieve a seller of any legal obligation it may have under a state's laws to register in that state or its obligation to collect and remit taxes for at least thirty-six months in a state and meet all other requirements for amnesty set out in Section 402 of this Agreement in order to be eligible for amnesty in such state.

H. Whenever a state joins the Agreement, sellers already registered under the Agreement shall be notified by the Governing Board and may elect to be registered in that state.

I. The Governing Board shall make information available regarding the requirements and options for filing a simplified electronic return and for filing remittances in any member state. A member state may provide information to sellers concerning other tax return filing options in that state.

J. The Governing Board shall cause the system for registering under the Agreement to include a feature that allows sellers registered under the Agreement to update relevant registration data in the system and have such updated data provided to all affected states utilizing the system. The Governing Board shall establish conditions and procedures to allow states which are not members of the Agreement to participate in the registration system.

*See Compiler's Notes for history.*

**Section 304: NOTICE FOR STATE TAX CHANGES**

A. Each member state shall lessen the difficulties faced by sellers when there is a change in a state sales or use tax rate or base by making a reasonable effort to do all of the following:

   1. Provide sellers with as much advance notice as practicable of a rate change.
   2. Limit the effective date of a rate change to the first day of a calendar quarter.
   3. Notify sellers of legislative changes in the tax base and amendments to sales and use tax rules and regulations.

B. Failure of a seller to receive notice or failure of a member state to provide notice or limit the effective date of a rate change shall not relieve the seller of its obligation to collect sales or use taxes for that member state.

C. Each member state failing to provide for at least thirty days between the enactment of the statute providing for a rate change and the effective date of such rate change shall relieve the seller of liability for failing to collect tax at the new rate if:

   1. the seller collected tax at the immediately preceding effective rate; and
   2. the seller's failure to collect at the newly effective rate does not extend beyond thirty days after the date of enactment of the new rate.

D. Notwithstanding subsection (C), if the member state establishes the seller fraudulently failed to collect at the new rate or solicits purchasers based on the immediately preceding effective rate this relief does not apply.

E. Member states may provide for relief of liability for failing to collect tax as a result of a tax change beyond the liability relief required by subsection (C).

*See Compiler's Notes for history.*

**Section 305: STATE RATES, LOCAL RATES AND BOUNDARIES**

A. Each member state that has local jurisdictions that levy a sales or use tax shall:

   1. Provide that local rate changes will be effective only on the first day of a calendar quarter after a minimum of sixty days' notice to sellers.
   2. Apply local sales tax rate changes to purchases from printed catalogs wherein the purchaser computed the tax based upon local tax rates published in the catalog only on the first day of a calendar quarter after a minimum of one hundred twenty days' notice to sellers.
   3. For sales and use tax purposes only, apply local jurisdiction boundary changes only on the first day of a calendar quarter after a minimum of sixty days' notice to sellers.
   4. Provide and maintain a database that describes boundary changes for all taxing jurisdictions. This database shall include a description of the change and the effective date of the change for sales and use tax purposes.
   5. Provide and maintain a database of all sales and use tax rates for all of the jurisdictions levying taxes within the state. For the identification of states, counties, cities, and parishes, codes corresponding to the rates must be provided according to Federal

Information Processing Standards (FIPS) as developed by the National Institute of Standards and Technology. For the identification of all other jurisdictions, codes corresponding to the rates must be in the format determined by the Governing Board.

6. Provide and maintain a database that assigns the proper tax rates and jurisdictions to each five-digit and nine-digit zip code within a member state.
   (a) If the nine-digit zip code area includes more than one tax rate in any level of taxing jurisdiction the state must assign the lowest combined tax rate imposed in the nine-digit zip code area.
   (b)
      i. If the five-digit zip code area includes more than one tax rate in any level of taxing jurisdiction, the state may assign the highest, lowest or any rate in-between the highest and lowest rates, based on the rates imposed in the five-digit zip code area.
      ii. If a state assigns the highest rate or any rate in-between the highest and lowest rates within a five-digit zip code area and the seller followed the procedures provided in section 309.A. but the purchaser failed to provide the requested information at the time of the sale, neither the state nor the seller is required to allow the purchaser a refund for the difference between the tax collected and the tax that would have been collected if the requested information had been provided. However, this does not preclude a purchaser from seeking a refund if the purchaser provided the requested information at the time of the sale but later proves the information was inaccurate.
   (c) Except as provided in paragraph 7.c, if a seller or CSP is unable to determine the applicable rate and jurisdiction using the nine-digit zip code designation applicable to a transaction as provided in section 309.A.2 or 3., the seller or CSP shall apply the rate for the five-digit zip code area.
7. (a) Have the option of supplementing the database required in subsection (A.6) of this section by providing address-based boundary database records for assigning taxing jurisdictions and their associated rates. The database records must be in the same approved format as the database records pursuant to subsection A.6 of this section

and must meet the requirements developed pursuant to the federal Mobile Telecommunications Sourcing Act (4 U.S.C.A. Sec. 119(a)).

(b) Except as provided in subsections 306.C. and D., a member state may require that sellers and CSPs, in order to obtain the liability relief provided under section 306 of this Agreement, follow the requirements provided in section 309.A.2 and 3. and use the address-based database records provided by that member state.

(c) If a seller or CSP is unable to determine the applicable rate and jurisdiction using an address-based database record, the seller or CSP shall use the nine-digit zip code to determine the applicable rate and jurisdiction. If a seller or CSP is unable to determine the applicable rate and jurisdiction using the nine-digit zip code designation applicable to a transaction as provided in section 309.A.2.or 3. the seller or CSP shall apply the rate for the five digit zip code area.

B. A member state that has local jurisdictions that do not levy a sales or use tax, need only provide and maintain a database that includes a five-digit zip code and/or nine-digit zip code as necessary.

C. States that have met the requirements of subsection (A.6) may also elect to certify vendor provided address-based databases for assigning tax rates and jurisdictions. The databases must be in the same approved format as the database records pursuant to (A.7) of this section and must meet the requirements developed pursuant to the federal Mobile Telecommunications Sourcing Act (4 U.S.C.A. Sec. 119 (a)). If a state certifies a vendor address-based database, a seller or CSP may use that database in place of the database provided for in subsection A.6 or A.7 of this section. Vendors providing address-based databases may request certification of their databases from the Governing Board. Certification by the Governing Board does not replace the requirement that the databases be certified by the states individually.

D. Make databases provided pursuant to subsections A.5, A.6, A.7 and C. available to a seller or CSP by the first day of the month prior to the first day of a calendar quarter. Databases must be in a format approved by the Governing Board and available on each state's website or other location determined by the Governing Board.

*See Compiler's Notes for history.*

**Section 306: RELIEF FROM CERTAIN LIABILITY**

A. Each member state shall relieve sellers and CSPs using databases pursuant to subsections (A.5), (A.6), (A.7) and (C) of Section 305 from liability to the member state and local jurisdictions for having charged and collected the incorrect amount of sales or use tax resulting from their reliance on erroneous data provided by a member state on tax rates, boundaries, or taxing jurisdiction assignments.

B. If a seller demonstrates that requiring the use of the address-based database would create an undue hardship, a member state may extend the relief from liability to such seller for a designated period of time.

C. For sourcing the retail sale of a product that does not require a complete street address to transfer or deliver the product, if the seller does not request the complete street address including the five-digit zip code or nine-digit zip code as provided in subsection 309.A.3., a member state is not required to relieve the seller or CSP from any additional liability that may be due as a result of incorrect sourcing.

D. A member state that does not require sellers to request the complete street address including the five-digit zip code or nine-digit zip code, but allows the seller to use the five-digit zip code as provided in subsection 309.A.3., shall relieve sellers and CSPs for not having charged and collected the correct amount of sales or use tax as a result of sourcing to the incorrect taxing jurisdiction

*See Compiler's Notes for history.*

**Section 307: DATABASE REQUIREMENTS AND EXCEPTIONS**

A. The electronic databases provided for in Section 305, subsections (A.4), (A.5), (A.6), and (A.7) shall be in a downloadable format approved by the Governing Board. The databases may be directly provided by the state or provided by a vendor as designated by the state. A database provided by a vendor as designated by a state shall be applicable to and subject to all provisions of Sections 305, 306 and this section. These databases must be provided at no cost to the user of the database.

B. The provisions of Section 305, subsections (A.6) and (A.7) do not apply when the purchased product is received by the purchaser at the business location of the seller.

The databases provided by Section 305, subsections (A.4), (A.5), (A.6), and (A.7) are not a requirement of a state prior to entering into the Agreement. A seller that did not have a

requirement to register in a state prior to registering pursuant to this Agreement or a CSP shall not be required to collect sales or use taxes for a state until the first day of the calendar quarter commencing more than sixty days after the state has provided the databases required by Section 305, subsections (A.4), (A.5), and (A.6).

*See Compiler's Notes for history.*

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

B. Except as provided in subsection C., 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.

1. A member state that has local jurisdictions that levy a sales or use tax, may assign the highest, lowest, or any rate in-between, within the five-digit zip code area, if the area includes more than one tax rate in any level of taxing jurisdiction. The rate shall be reflected in the state's electronic databases provided for in section 305.
2. A member state that has local jurisdictions that levy a sales or use tax, must assign the lowest combined tax rate imposed in a nine-digit zip code area if the area includes more than one tax rate in any level of taxing jurisdiction. The rate shall be reflected in the state's electronic databases provided for in section 305.

D. 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.

E.

1. A state or local jurisdiction that allows a different rate on items of personal property or services as provided in this section may allow the reporting of these taxes on the Simplified Electronic Return using the format approved by the Governing Board.
2. A state or local jurisdiction that has different rates as provided in this section may provide information on the different rates or different bases as provided in section 302 in a separate boundary file using the format approved by the Governing Board.
3. The approved formats for reporting on the SER and the optional boundary file will be published in the Streamlined Sales Tax Technology Guide.
4. States that choose to require separate reporting of these taxes on the SER must notify the Governing Board of their intention to do so and would be effective no sooner than the first day of a calendar quarter beginning at least 6 months after notifying the Governing Board.

*See Compiler's Notes for history.*

**Section 309: APPLICATION OF GENERAL SOURCING RULES AND EXCLUSIONS FROM THE RULES**

A.

1. Each member state shall agree to require sellers to source the retail sale of a product in accordance with Section 310 or Section 310.1.
2. For purposes of sourcing the retail sale of a product to the address of the purchaser as provided in subsections 310.A.2., 3., and 4. and subsections 310.1.A. and B. and for purposes of subsection 305.A.6 and 7, if the transaction requires a complete street address to transfer or deliver the product, a seller has exercised due diligence if the seller has obtained from the purchaser at the time of sale or has previously obtained in the ordinary course of the seller's business the complete street address and five-digit zip code and the seller or CSP:
   (a) standardized the address using either:
      1. the look-up application available from the United States Postal Service;
      2. software certified by the Coding Accuracy Support System (CASS™); or
      3. other software approved by the Governing Board; and

(b) if the state has an address-based database, the seller or CSP shall use the result from (a) of this subsection to match to the address-based records as provided in subsection 305.A.7.

(c) If the seller or CSP cannot match the address to the address-based records or the state does not have an address-based database, the seller or CSP shall use the result from (a) of this subsection to determine the nine-digit zip code designation applicable to the transaction to match to the nine-digit zip code records as provided in subsections 305.A.6 and 7.

(d) If the seller or CSP cannot match the nine-digit zip code to the nine-digit zip code records, the seller or CSP shall use the five-digit zip code to match to the five-digit zip code records provided in subsections 305.A.6 and 7.

3.

(a) For purposes of sourcing the retail sale of a product to an address for the purchaser as provided in subsections 310.A.2., 3. and 4. and subsections 310.1.A. and B., and for purposes of subsections 305.A.6 and 7, if the transaction does not require a complete street address to transfer or deliver the product, a seller has exercised due diligence if the seller has requested from the purchaser at the time of sale, unless the seller has previously obtained in the ordinary course of business of the seller, either the purchaser's complete street address and five-digit zip code and/or the purchaser's nine-digit zip code.

1. If the seller obtains the purchaser's complete street address and five-digit zip code, the seller or CSP shall:

a. standardize the address using either:

i. the look-up application available from the United States Postal Service;

ii. software certified by the Coding Accuracy Support System (CASS™); or

iii. other software approved by the Governing Board; and

b. if the state has an address-based database, use the result from a. to match to the address-based records as provided in subsection 305.A.7; or

c. if the seller or CSP cannot match the address to the address-based records or the state does not have an address-based database, the seller or CSP shall use the result from a. of this subsection to determine the nine-digit zip code

designation applicable to the transaction to match to the nine-digit zip code records as provided in subsections 305.A.6 and 7; or

2. If the seller only obtained the purchaser's nine-digit zip code, the seller or CSP shall use the nine-digit zip code to match to the nine-digit zip code records as provided in subsections 305.A.6 and 7.
3. If the seller or CSP cannot match the address to the address-based records or the nine-digit zip code to the nine-digit zip code records, the seller or CSP shall use the five-digit zip code to match to the five-digit zip code records provided in subsections 305.A.6 and 7.

(b) A state may allow the seller to use only the five-digit zip code contained in the seller's books and records or obtained from the purchaser's payment instrument for purposes of sourcing the transaction for their state.

4. A seller that has not obtained or requested from the purchaser the complete street address including the five-digit zip code as provided in Section 309.A.2. and 3., or the nine-digit zip code as provided in Section 309.A.3., shall use the five-digit zip code contained in the seller's books and records or obtained from the purchaser's payment instrument for purposes of sourcing the transaction. However, the state is not required to provide the liability relief in Section 306.
5. For purposes of a "request" as required by this section, all of the following apply:

(a)

i. A seller has provided a location on its ordering page that allows a purchaser to enter their complete street address and five-digit zip code and/or nine-digit zip code that is at least as prominently displayed (e.g., in the same size or larger font), as other information requested from the purchaser that is necessary to complete the sale.

ii. The purchaser's address may be populated based on the address associated with the payment instrument selected by the purchaser or the purchaser's location based on global positioning services (GPS) location at the time of the sale if that information is maintained by the seller.

(b) A seller may not expressly label the address and zip code information and/or nine-digit zip code as "optional." However, the seller is not precluded from indicating

what information is "mandatory" to complete the transaction. The seller may indicate the information is used to determine the correct amount of tax(es).

(c) The seller is not required to reject the transaction if the information is not provided by the purchaser.

6. Each member state shall agree that once a seller has sourced a transaction to the appropriate state as provided in this section, the seller shall collect the applicable tax pursuant to section 305.

B. Except as provided in Section 310.1, the provisions of Section 310 apply to all sales regardless of the characterization of a product as tangible personal property, a digital good, or a service.

C. Except as otherwise provided in this Agreement, the provisions of Section 310 and Section 310.1 only apply to determine a seller's obligation to pay or collect and remit a sales or use tax with respect to the seller's retail sale of a product. These provisions do not affect the obligation of a purchaser or lessee to remit tax on the use of the product to the taxing jurisdictions of that use.

D. Sections 310 and 310.1 do not apply to sales or use taxes levied on the following:

1. The retail sale or transfer of watercraft, modular homes, manufactured homes, or mobile homes. These items must be sourced according to the requirements of each member state.
2. The retail sale, excluding lease or rental, of motor vehicles, trailers, semi-trailers, or aircraft that do not qualify as transportation equipment, as defined in Section 310, subsection (D). The retail sale of these items shall be sourced according to the requirements of each member state, and the lease or rental of these items must be sourced according to Section 310, subsection (C).
3. Telecommunications services and ancillary services, as set out in Section 315, and Internet access service shall be sourced in accordance with Section 314.
4. Florist sales as defined by each member state. Such sales must be sourced according to the requirements of each member state.
5. The retail sale of products and services qualifying as direct mail shall be sourced in accordance with Section 313.

*See Compiler's Notes for history.*

**Section 310: GENERAL SOURCING RULES**

A. Except as provided in Section 310.1, the retail sale, excluding lease or rental, of a product shall be sourced as follows:

1. When the product is received by the purchaser at a business location of the seller, the sale is sourced to that business location.
2. When the product is not received by the purchaser at a business location of the seller, the sale is sourced to the location where receipt by the purchaser (or the purchaser's donee, designated as such by the purchaser) occurs, including the location indicated by instructions for delivery to the purchaser (or donee), known to the seller.
3. When subsections (A)(1) and (A)(2) do not apply, the sale is sourced to the location indicated by an address for the purchaser that is available from the business records of the seller that are maintained in the ordinary course of the seller's business when use of this address does not constitute bad faith.
4. When subsections (A)(1), (A)(2), and (A)(3) do not apply, the sale is sourced to the location indicated by an address for the purchaser obtained during the consummation of the sale, including the address of a purchaser's payment instrument, if no other address is available, when use of this address does not constitute bad faith.
5. When none of the previous rules of subsections (A)(1), (A)(2), (A)(3), or (A)(4) apply, including the circumstance in which the seller is without sufficient information to apply the previous rules, then the location will be determined by the address from which tangible personal property was shipped, from which the digital good or the computer software delivered electronically was first available for transmission by the seller, or from which the service was provided (disregarding for these purposes any location that merely provided the digital transfer of the product sold). If a seller has not complied with section 309.A., and as a result sources the transaction under this subsection, a state is not required to provide the liability relief under section 306.

B. The lease or rental of tangible personal property, other than property identified in subsection (C) or subsection (D), shall be sourced as follows:

1. For a lease or rental that requires recurring periodic payments, the first periodic payment is sourced the same as a retail sale in accordance with the provisions of subsection (A). Periodic payments made subsequent to the first payment are sourced to the primary

property location for each period covered by the payment. The primary property location shall be as indicated by an address for the property provided by the lessee that is available to the lessor from its records maintained in the ordinary course of business, when use of this address does not constitute bad faith. The property location shall not be altered by intermittent use at different locations, such as use of business property that accompanies employees on business trips and service calls.

2. For a lease or rental that does not require recurring periodic payments, the payment is sourced the same as a retail sale in accordance with the provisions of subsection (A).
3. This subsection does not affect the imposition or computation of sales or use tax on leases or rentals based on a lump sum or accelerated basis, or on the acquisition of property for lease.

C. The lease or rental of motor vehicles, trailers, semi-trailers, or aircraft that do not qualify as transportation equipment, as defined in subsection (D), shall be sourced as follows:

1. For a lease or rental that requires recurring periodic payments, each periodic payment is sourced to the primary property location. The primary property location shall be as indicated by an address for the property provided by the lessee that is available to the lessor from its records maintained in the ordinary course of business, when use of this address does not constitute bad faith. This location shall not be altered by intermittent use at different locations.
2. For a lease or rental that does not require recurring periodic payments, the payment is sourced the same as a retail sale in accordance with the provisions of subsection (A).
3. This subsection does not affect the imposition or computation of sales or use tax on leases or rentals based on a lump sum or accelerated basis, or on the acquisition of property for lease.

D. The retail sale, including lease or rental, of transportation equipment shall be sourced the same as a retail sale in accordance with the provisions of subsection (A), notwithstanding the exclusion of lease or rental in subsection (A). "Transportation equipment" means any of the following:

1. Locomotives and railcars that are utilized for the carriage of persons or property in interstate commerce.

2. Trucks and truck-tractors with a Gross Vehicle Weight Rating (GVWR) of 10,001 pounds or greater, trailers, semi-trailers, or passenger buses that are:
    a. Registered through the International Registration Plan; and
    b. Operated under authority of a carrier authorized and certificated by the U.S. Department of Transportation or another federal authority to engage in the carriage of persons or property in interstate commerce.
3. Aircraft that are operated by air carriers authorized and certificated by the U.S. Department of Transportation or another federal or a foreign authority to engage in the carriage of persons or property in interstate or foreign commerce.
4. Containers designed for use on and component parts attached or secured on the items set forth in subsections (D)(1) through (D)(3).

*See Compiler's Notes for history.*

*Interpretations issued: (a) The Governing Board issued Interpretation 2006-03 on April 18, 2006 relating to the sourcing of initial lease payments made to dealers. (b) The Governing Board issued Interpretation 2007-02 on September 20, 2007 relating to the sourcing of sales when a third party shipping company picks up the product at the seller's location.*

**Section 310.1: ELECTION FOR ORIGIN-BASED SOURCING**

A. A member state that has local jurisdictions that levy or receive sales or use taxes may elect to source the retail sale of tangible personal property and digital goods pursuant to the provisions of this section in lieu of the provisions of subsection A (2), (3) and (4) of Section 310 if they comply with all provisions of subsection (C) of this section and the only exception to Section 310 is the exception provided for in subsection (B) of this section.

B. A member state may source retail sales, excluding lease or rental, of tangible personal property or digital goods to the location where the order is received by the seller if:
    1. The order is received in the same state by the seller where receipt of the product by the purchaser (or the purchaser's donee, designated as such by the purchaser) occurs;
    2. Location where receipt of the product by the purchaser occurs is determined pursuant to Section 310A (2), (3) and (4); and
    3. At the time the order is received, the recordkeeping system of the seller used to calculate the proper amount of sales or use tax to be imposed captures the location where the order is received.

C. A member state electing to source sales pursuant to this section shall comply with all of the following:

1. When the location where the order is received by the seller and the location where the receipt of the product by the purchaser (or the purchaser's donee, designated as such by the purchaser) occurs as determined pursuant to Section 310A (2), (3) and (4) are in different states, the sale must be sourced pursuant to the provisions of Section 310.
2. When the sale is sourced pursuant to this section to the location where the order is received by the seller, only the sales tax for the location where the order is received by the seller may be levied. No additional sales or use tax based on the location where the product is delivered to the purchaser may be levied on that sale. The purchaser shall not be entitled to any refund if the combined state and local rate or rates at the location where the product is received by the purchaser is lower than the rate where the order is received by the seller.
3. A member state may not require a seller to utilize a recordkeeping system which captures the location where an order is received to calculate the proper amount of sales or use tax to be imposed.
4. A purchaser shall have no additional liability to the state for tax, penalty or interest on a sale for which the purchaser remits tax to the seller in the amount invoiced by the seller if such invoice amount is calculated at either the rate applicable to the location where receipt by the purchaser occurs or at the rate applicable to the location where the order is received by the seller. A purchaser may rely on a written representation by the seller as to the location where the order for such sale was received by the seller. When the purchaser does not have a written representation by the seller as to the location where the order for such sale was received by the seller, the purchaser may use a location indicated by a business address for the seller that is available from the business records of the purchaser that are maintained in the ordinary course of the purchaser's business to determine the rate applicable to the location where the order was received.
5. The location where the order is received by or on behalf of the seller means the physical location of a seller or third party such as an established outlet, office location or automated order receipt system operated by or on behalf of the seller where an order is initially received by or on behalf of the seller and not where the order may be

subsequently accepted, completed or fulfilled. An order is received when all of the information from the purchaser necessary to the determination whether the order can be accepted has been received by or on behalf of the seller. The location from which a product is shipped shall not be used in determining the location where the order is received by the seller.

6. Such member state shall provide for direct pay permits pursuant to Section 326 of this Agreement and the requirements of this subsection. Purchasers which remit sales and use tax pursuant to such a permit shall remit tax at the rate in effect for the location where receipt of the product by the purchaser occurs or the product is first used as determined by state law. A member state may establish reasonable thresholds at which level the member state will consider direct pay applications, provided the threshold must be based upon purchases with no distinction between taxable and non-taxable purchases. The member state shall establish a process for application for a direct pay permit as provided herein. The member state may require the applicant to demonstrate:
    a. Ability to comply with the sales and use tax laws of the state,
    b. A showing of a business purpose for seeking direct payment permit and how the permit will benefit tax compliance, and
    c. Proof of good standing under the tax laws of the state.

    The member state shall review all permit applications in a timely manner so that applicants receive notification of authorization or denial within one hundred twenty (120) days. The member state may not limit direct pay applicants to businesses engaged in manufacturing or businesses that do not know the ultimate use of the product at the time of the purchase.
7. When taxable services are sold with tangible personal property or digital products pursuant to a single contract or in the same transaction, are billed on the same billing statement(s), and, because of the application of this section, would be sourced to different jurisdictions, a member state shall elect either origin sourcing or destination sourcing to determine a single situs for that transaction. Such member state election is required until such time as the Governing Board adopts a uniform methodology to address such sales.

8. A member state that elects to source the sale of tangible personal property and digital goods pursuant to the provisions of this section shall inform the Governing Board of such election.

*See Compiler's Notes for history.*

*Interpretation Issued: On April 30, 2010 the Governing Board issued Interpretation 2010-01 related to whether a renter of TPP can utilize origin-based sourcing rules in a state that has adopted origin-based sourcing rules under Section 310.1.*

**Section 311: GENERAL SOURCING DEFINITIONS**

For the purposes of Section 310, subsection (A), the terms "receive" and "receipt" mean:

A. Taking possession of tangible personal property,

B. Making first use of services,

C. Taking possession or making first use of digital goods, whichever comes first,

D. Taking possession of a digital code if, at the time of the sale of the code, the seller does not know where receipt of the related specified digital product or product transferred electronically will occur, or

E. Taking possession of a redemption code if, at the time of the sale of the code, the seller does not know where receipt of the related product or service will occur.

The terms "receive" and "receipt" do not include possession by a shipping company on behalf of the purchaser.

**Section 312: MULTIPLE POINTS OF USE (Repealed on December 14, 2006)**

*See Compiler's Notes for history.*

*Interpretation issued: The Governing Board issued interpretation 2006-07 related to the "concurrently available for use in more than one jurisdiction" language on August 29, 2006*

**Section 313: Direct Mail SOURCING**

A. Notwithstanding Sections 310 and 310.1, the following provisions apply to sales of "advertising and promotional direct mail:"

   1. A purchaser of "advertising and promotional direct mail" may provide the seller with either:

      a. A direct pay permit.

b. An Agreement certificate of exemption claiming "direct mail" (or other written statement approved, authorized or accepted by the state); or

c. Information showing the jurisdictions to which the "advertising and promotional direct mail" is to be delivered to recipients.

2. If the purchaser provides the permit, certificate or statement referred to in subparagraph a or b of paragraph 1 of subsection (A) of this section, the seller, in the absence of bad faith, is relieved of all obligations to collect, pay, or remit any tax on any transaction involving "advertising and promotional direct mail" to which the permit, certificate or statement applies. The purchaser shall source the sale to the jurisdictions to which the "advertising and promotional direct mail" is to be delivered to the recipients and shall report and pay any applicable tax due.

3. If the purchaser provides the seller information showing the jurisdictions to which the "advertising and promotional direct mail" is to be delivered to recipients, the seller shall source the sale to the jurisdictions to which the "advertising and promotional direct mail" is to be delivered and shall collect and remit the applicable tax. In the absence of bad faith, the seller is relieved of any further obligation to collect any additional tax on the sale of "advertising and promotional direct mail" where the seller has sourced the sale according to the delivery information provided by the purchaser.

4. If the purchaser does not provide the seller with any of the items listed in subparagraphs a, b or c of paragraph 1 of subsection (A) of this section, the sale shall be sourced according to Section 310.A.5. The state to which the "advertising and promotional direct mail" is delivered may disallow credit for tax paid on sales sourced under this paragraph.

B. Notwithstanding Sections 310 and 310.1, the following provisions apply to sales of "other direct mail."

1. Except as otherwise provided in this paragraph, sales of "other direct mail" are sourced in accordance with Section 310.A.3.

2. A purchaser of "other direct mail" may provide the seller with either:

a. A direct pay permit; or

b. An Agreement certificate of exemption claiming "direct mail" (or other written statement approved, authorized or accepted by the state).

3. If the purchaser provides the permit, certificate or statement referred to in subparagraph a or b of paragraph 2 of subsection (B) of this section, the seller, in the absence of bad faith, is relieved of all obligations to collect, pay or remit any tax on any transaction involving "other direct mail" to which the permit, certificate or statement apply. Notwithstanding paragraph 1 subsection (B), the sale shall be sourced to the jurisdictions to which the "other direct mail" is to be delivered to the recipients and the purchaser shall report and pay applicable tax due.

C. For purposes of this section:

1. "Advertising and promotional direct mail" means:
   a. printed material that meets the definition of "direct mail," in Appendix C, Part 1;
   b. the primary purpose of which is to attract public attention to a product, person, business or organization, or to attempt to sell, popularize or secure financial support for a product, person, business or organization. As used in this subsection, the word "product" means tangible personal property, a product transferred electronically or a service.
2. "Other direct mail" means any direct mail that is not "advertising and promotional direct mail" regardless of whether "advertising and promotional direct mail" is included in the same mailing. The term includes, but is not limited to:
   a. Transactional direct mail that contains personal information specific to the addressee including, but not limited to, invoices, bills, statements of account, payroll advices;
   b. Any legally required mailings including, but not limited to, privacy notices, tax reports and stockholder reports; and
   c. Other non-promotional direct mail delivered to existing or former shareholders, customers, employees, or agents including, but not limited to, newsletters and informational pieces.

   Other direct mail does not include the development of billing information or the provision of any data processing service that is more than incidental.

D. 1.
   a. This section applies to a transaction characterized under state law as the sale of services only if the service is an integral part of the production and distribution of printed material that meets the definition of "direct mail."

b. This section does not apply to any transaction that includes the development of billing information or the provision of any data processing service that is more than incidental regardless of whether "advertising and promotional direct mail" is included in the same mailing.

2. If a transaction is a "bundled transaction' that includes "advertising and promotion direct mail," this section applies only if the primary purpose of the transaction is the sale of products or services that meet the definition of "advertising and promotional direct mail."
3. Nothing in this section shall limit any purchaser's:
   a. Obligation for sales or use tax to any state to which the direct mail is delivered,
   b. Right under local, state, federal or constitutional law, to a credit for sales or use taxes legally due and paid to other jurisdictions, or
   c. Right to a refund of sales or use taxes overpaid to any jurisdiction.
4. This section applies for purposes of uniformly sourcing "direct mail" transactions and does not impose requirements on states regarding the taxation of products that meet the definition of "direct mail" or to the application of sales for resale or other exemptions.

*See Compiler's Notes for history.*

**Section 313.1: ELECTION FOR ORIGIN-BASED DIRECT MAIL SOURCING**

A. Notwithstanding Sections 310, 310.1 and 313, a member state may elect to source the sale of all direct mail delivered or distributed from a location within the state and delivered or distributed to a location within the state pursuant to the provisions of this section.

B. If the purchaser provides the seller with a direct pay permit or an Agreement certificate of exemption claiming direct mail (or other written statement approved, authorized or accepted by the state), the seller, in the absence of bad faith, is relieved of all obligations to collect, pay, or remit the applicable tax on any transaction involving "direct mail." The purchaser must report and pay any applicable tax due. An Agreement certificate of exemption claiming direct mail shall remain in effect for all future sales of direct mail by the seller to the purchaser until it is revoked in writing.

C. Except as provided in subsection (B) and the second sentence of this subsection, the seller shall collect the tax according to Section 310 A.5. To the extent the seller knows that a portion of the sale of direct mail will be delivered or distributed to a location in another state, the seller shall collect the tax on that portion according to Section 313.

D. Notwithstanding subsection (C) of this section, a seller may elect to use the provisions of Section 313 to source all sales of "advertising and promotional direct mail."

E. Nothing in this section limits a purchaser's obligation for sales or use tax to any state to which the direct mail is delivered, except that a purchaser whose direct mail is sourced under the first sentence of subsection (C) of this section shall owe no additional sales or use tax to that state based on where the purchaser uses or delivers the direct mail in the state.

F. A member state that elects to source the sale of direct mail pursuant to the provisions of this section shall inform the Governing Board in writing at least sixty days prior to the beginning of the calendar quarter such election begins.

*See Compiler's Notes for history.*

**Section 314: TELECOMMUNICATION AND RELATED SERVICES SOURCING RULE**

A. Except for the defined telecommunication services in subsection (C), the sale of telecommunication service sold on a call-by-call basis shall be sourced to (i) each level of taxing jurisdiction where the call originates and terminates in that jurisdiction or (ii) each level of taxing jurisdiction where the call either originates or terminates and in which the service address is also located.

B. Except for the defined telecommunication services in subsection (C), a sale of telecommunications services sold on a basis other than a call-by-call basis, is sourced to the customer's place of primary use.

C. The sale of the following telecommunication services shall be sourced to each level of taxing jurisdiction as follows:

   1. A sale of mobile telecommunications services other than air-to-ground radiotelephone service and prepaid calling service, is sourced to the customer's place of primary use as required by the Mobile Telecommunications Sourcing Act.
   2. A sale of post-paid calling service is sourced to the origination point of the telecommunications signal as first identified by either (i) the seller's telecommunications system, or (ii) information received by the seller from its service provider, where the system used to transport such signals is not that of the seller.
   3. A sale of prepaid calling service or a sale of a prepaid wireless calling service is sourced in accordance with Section 310. Provided however, in the case of a sale of prepaid

wireless calling service, the rule provided in Section 310, subsection (A)(5) shall include as an option the location associated with the mobile telephone number.

4. A sale of a private communication service is sourced as follows:

   Service for a separate charge related to a customer channel termination point is sourced to each level of jurisdiction in which such customer channel termination point is located.

   a. Service where all customer termination points are located entirely within one jurisdiction or levels of jurisdiction is sourced in such jurisdiction in which the customer channel termination points are located.
   b. Service for segments of a channel between two customer channel termination points located in different jurisdictions and which segment of channel are separately charged is sourced fifty percent in each level of jurisdiction in which the customer channel termination points are located.
   c. Service for segments of a channel located in more than one jurisdiction or levels of jurisdiction and which segments are not separately billed is sourced in each jurisdiction based on the percentage determined by dividing the number of customer channel termination points in such jurisdiction by the total number of customer channel termination points.
   d. The sale of Internet access service is sourced to the customer's place of primary use.
   e. The sale of an ancillary service is sourced to the customer's place of primary use.

*See Compiler's Notes for history.*

**Section 315: TELECOMMUNICATION SOURCING DEFINITIONS**

For the purpose of Section 314, the following definitions apply:

A. "Air-to-Ground Radiotelephone service" means a radio service, as that term is defined in 47 CFR 22.99, in which common carriers are authorized to offer and provide radio telecommunications service for hire to subscribers in aircraft.

B. "Ancillary services" means services that are associated with or incidental to the provision of "telecommunications services", including but not limited to "detailed telecommunications billing", "directory assistance", "vertical service", and "voice mail services".

C. "Call-by-call Basis" means any method of charging for telecommunications services where the price is measured by individual calls.

D. "Communications Channel" means a physical or virtual path of communications over which signals are transmitted between or among customer channel termination points.

E. "Customer" means the person or entity that contracts with the seller of telecommunications services. If the end user of telecommunications services is not the contracting party, the end user of the telecommunications service is the customer of the telecommunication service, but this sentence only applies for the purpose of sourcing sales of telecommunications services under Section 314. "Customer" does not include a reseller of telecommunications service or for mobile telecommunications service of a serving carrier under an agreement to serve the customer outside the home service provider's licensed service area.

F. "Customer Channel Termination Point" means the location where the customer either inputs or receives the communications.

G. "End user" means the person who utilizes the telecommunication service. In the case of an entity, “end user” means the individual who utilizes the service on behalf of the entity.

H. "Home service provider" means the same as that term is defined in Section 124(5) of Public Law 106-252 (Mobile Telecommunications Sourcing Act).

I. "Mobile telecommunications service" means the same as that term is defined in Section 124(7) of Public Law 106-252 (Mobile Telecommunications Sourcing Act).

J. "Place of primary use" means the street address representative of where the customer's use of the telecommunications service primarily occurs, which must be the residential street address or the primary business street address of the customer. In the case of mobile telecommunications services, "place of primary use" must be within the licensed service area of the home service provider.

K. "Post-paid calling service" means the telecommunications service obtained by making a payment on a call-by-call basis either through the use of a credit card or payment mechanism such as a bank card, travel card, credit card, or debit card, or by charge made to a telephone number which is not associated with the origination or termination of the telecommunications service. A post-paid calling service includes a telecommunications service, except a prepaid wireless calling service, that would be a prepaid calling service except it is not exclusively a telecommunication service.

L. "Prepaid calling service" means the right to access exclusively telecommunications services, which must be paid for in advance and which enables the origination of calls using an access

number or authorization code, whether manually or electronically dialed, and that is sold in predetermined units or dollars of which the number declines with use in a known amount.

M. "Prepaid wireless calling service" means a telecommunications service that provides the right to utilize mobile wireless service as well as other non-telecommunications services, including the download of digital products delivered electronically, content and ancillary services, which must be paid for in advance that is sold in predetermined units or dollars of which the number declines with use in a known amount.

N. "Private communication service" means a telecommunication service that entitles the customer to exclusive or priority use of a communications channel or group of channels between or among termination points, regardless of the manner in which such channel or channels are connected, and includes switching capacity, extension lines, stations, and any other associated services that are provided in connection with the use of such channel or channels.

O. "Service address" means:

1. The location of the telecommunications equipment to which a customer's call is charged and from which the call originates or terminates, regardless of where the call is billed or paid.
2. If the location in subsection (O)(1) is not known, service address means the origination point of the signal of the telecommunications services first identified by either the seller's telecommunications system or in information received by the seller from its service provider, where the system used to transport such signals is not that of the seller.
3. If the location in subsection (O)(1) and subsection (O)(2) are not known, the service address means the location of the customer's place of primary use.

*See Compiler's Notes for history.*

*Interpretations issued: On September 16, 2015, the Governing Board issued Interpretive Opinion 2015-3 relating to "prepaid wireless calling services" and rollover amounts.*

**Section 316: ENACTMENT OF EXEMPTIONS**

A. A member state shall enact entity-based, use-based and product-based exemptions in accordance with the provisions of this section and shall utilize common definitions in accordance with the provisions of Section 327 and Library of Definitions in Appendix C of this Agreement.

B.

1. A member state may enact a product-based exemption without restriction if Part II of the Library of Definitions does not have a definition for such product.
2. A member state may enact a product-based exemption for a product if Part II of the Library of Definitions has a definition for such product and the member state utilizes in the exemption the product definition in a manner consistent with Part II of the Library of Definitions and Section 327 of this Agreement.
3. A member state may enact a product-based exemption exempting all items included within a definition in Part II of the Library of Definitions but shall not exempt specific items included within the product definition unless the product definition sets out an exclusion for such item.

C.

1. A member state may enact an entity-based or a use-based exemption for a product without restriction if Part II of the Library of Definitions does not have a definition for such product.
2. A member state may enact an entity-based or a use-based exemption for a product if Part II of the Library of Definitions has a definition for such product and the member state utilizes in the exemption the product definition in a manner consistent with Part II of the Library of Definitions and Section 327 of this Agreement.
3. A member state may enact an entity-based exemption for an item if Part II of the Library of Definitions does not have a definition for such item but has a definition for a product that includes such item.
4. A member state may not enact a use-based exemption for an item which effectively constitutes a product-based exemption if Part II of the Library of Definitions has a definition for a product that includes such item.
5. A member state may enact a use-based exemption for an item if Part II of the Library of Definitions has a definition for a product that includes such item, if not prohibited in Subsection (C) (4) of this section and if consistent with the definition in Part II of the Library of Definitions.

For purposes of complying with the requirements in this section, the inclusion of a product within the definition of tangible personal property is disregarded.

*See Compiler's Notes for history.*

**Section 317: ADMINISTRATION OF EXEMPTIONS**

A. Each member state shall observe the following provisions when a purchaser claims an exemption:

1. The seller shall obtain identifying information of the purchaser and the reason for claiming a tax exemption at the time of the purchase as determined by the Governing Board.
2. A purchaser is not required to provide a signature to claim an exemption from tax unless a paper exemption certificate is used.
3. The seller shall use the standard form for claiming an exemption electronically as adopted by the Governing Board.
4. The seller shall obtain the same information for proof of a claimed exemption regardless of the medium in which the transaction occurred.
5. A member state may utilize a system wherein the purchaser exempt from the payment of the tax is issued an identification number that shall be presented to the seller at the time of the sale.
6. The seller shall maintain proper records of exempt transactions and provide them to a member state when requested.
7. A member state shall administer use-based and entity-based exemptions when practicable through a direct pay permit, an exemption certificate, or another means that does not burden sellers.
8. In the case of drop shipment sales, member states must allow a third party vendor (e.g., drop shipper) to claim a resale exemption based on an exemption certificate provided by its customer/re-seller or any other acceptable information available to the third party vendor evidencing qualification for a resale exemption, regardless of whether the customer/re-seller is registered to collect and remit sales and use tax in the state where the sale is sourced.

B. Each member state shall relieve sellers that follow the requirements of this section from the tax otherwise applicable if it is determined that the purchaser improperly claimed an exemption and to hold the purchaser liable for the nonpayment of tax. This relief from liability does not apply to a seller who fraudulently fails to collect tax; to a seller who solicits

purchasers to participate in the unlawful claim of an exemption; to a seller who accepts an exemption certificate when the purchaser claims an entity-based exemption when (1) the subject of the transaction sought to be covered by the exemption certificate is actually received by the purchaser at a location operated by the seller and (2) the state in which that location resides provides an exemption certificate that clearly and affirmatively indicates (graying out exemption reason types on the uniform form and posting it on a state's web site is an indicator) that the claimed exemption is not available in that state.

C. Each state shall relieve a seller of the tax otherwise applicable if the seller obtains a fully completed exemption certificate or captures the relevant data elements required under the Agreement within 90 days subsequent to the date of sale. A member state may provide for a period longer than 90 days for the seller to obtain necessary information.

D. 1. If the seller has not obtained an exemption certificate or all relevant data elements as provided in Section 317, subsection (C) a member state shall provide the seller with 120 days subsequent to a request for substantiation by a member state, to either:

   a. Obtain a fully completed exemption certificate from the purchaser, taken in good faith which means that the seller obtain a certificate that claims an exemption that (i) was statutorily available on the date of the transaction in the jurisdiction where the transaction is sourced, (ii) could be applicable to the item being purchased, and (iii) is reasonable for the purchaser's type of business; or

   b. Obtain other information establishing that the transaction was not subject to the tax. A member state may provide for a period longer than 120 days for sellers to obtain the necessary information.

   2. If the seller obtains the information described in subsection (D)(1) of this section, the member state shall relieve the seller of any liability for the tax on the transaction unless it is discovered through the audit process that the seller had knowledge or had reason to know at the time such information was provided that the information relating to the exemption claimed was materially false or the seller otherwise knowingly participated in activity intended to purposefully evade the tax that is properly due on the transaction. The state must establish that the seller had knowledge or had reason to know at the time the information was provided that the information was materially false.

E. Nothing in this section shall affect the ability of member states to require purchasers to update exemption certificate information or to reapply with the state to claim certain exemptions.

F. Each member state shall relieve a seller of the tax otherwise applicable if it obtains a blanket exemption certificate from a purchaser with which the seller has a recurring business relationship. Notwithstanding the provisions of subsection (E) of this section, a member state may not request from the seller renewal of blanket certificates or updates of exemption certificate information or data elements when there is a recurring business relationship between the buyer and seller. For purposes of this section a recurring business relationship exists when a period of no more than twelve months elapses between sales transactions.

G. Each state shall post on its website the uniform paper exemption certificate (streamlined sales and use tax exemption certificate) as revised and adopted by the Governing Board, with any applicable graying out of non-applicable exemption types (pursuant to subsection (B) of this Section and Rule 317.1.A.5.a.). Every state shall conform to the amendment in subdivision D of this section by July 31, 2010.

*See Compiler's Notes for history.*

*Interpretation issued: On December 19, 2011 the Governing Board issued Interpretative Opinion 2011-03 related to the meaning of "120 days" in Section 317.D 1.*

**Section 318: UNIFORM TAX RETURNS**

Each member state shall:

A. Require that only a single tax return for each taxing period for each seller be filed for the member state to include all the taxing jurisdictions within the member state.

B.

1. Require that returns be due no sooner than the twentieth day of the month following the month in which the transaction occurred.
2. When the due date for a return falls on a Saturday or Sunday or legal holiday in the subject member state, the return shall be due on the next succeeding business day. If the return is filed in conjunction with a remittance and the remittance cannot be made pursuant to Section 319.E.2, the return shall be accepted as timely filed on the same day as the remittance under that subsection.

C. Make available to all sellers, whether or not registered under the Agreement, except sellers of products qualifying for exclusion from the provisions of Section 308 of this Agreement, a simplified return that is filed electronically as follows:

1. The simplified electronic return (hereinafter SER) shall be in a form approved by the Governing Board and shall contain only those fields approved by the Governing Board. The SER shall contain two parts. Part 1 shall contain information relating to remittances and allocations and part 2 shall contain information relating to exempt sales.
2. Each member state must notify the Governing Board if it requires the submission of the part 2 information. Provided, no state may require the submission of part 2 information from a model 4 seller which has no legal requirement to register in such state.
3. Returns shall be required as follows;
   a. Certified service providers must file a SER in all member states in which the model 1 seller is registered under the Agreement, on behalf of model 1 sellers. Certified service providers, on behalf of such sellers, shall file the audit reports provided for in Article V of the Governing Board's rules and procedures for such states, and in addition, shall be required to file part 1 of the SER each month for each member state in which the model 1 seller is registered under the Agreement,. A state shall allow a model 1 seller to file both part 1 and the part 2 of the SER. A model 1 seller which chooses to file both part 1 and the part 2 of the SER shall still be required to file the audit reports provided for in Article V of the Governing Board's rules and procedures.
   b. Model 2 and model 3 sellers must file a SER in all member states in which they are registered under the Agreement. Such sellers shall file part 1 of the SER every month for all states in which they are registered under the Agreement. Such sellers shall have the following options for meeting their obligation to furnish part 2 information:
      i. File part 2 of the SER together with part 1 of the SER every month; or
      ii. File part 2 of the SER at the same time part 1 of the SER for the month of December is due. Part 2 information filed pursuant to this option shall cover the month of December and all previous months of the same calendar year and shall only require annual and not monthly totals.

Such sellers shall only be required to file part 2 of the SER for any state which has notified the Governing Board that it will require the submission of the part 2 information pursuant to paragraph 2 of this subsection.

c. Every member state shall allow model 4 sellers to file a SER. Such sellers shall file part 1 of the SER every month unless a state allows less frequent filing. Model 4 sellers which have a legal requirement to register in such state shall have the following options for meeting their obligation to furnish part 2 information:

   i. File part 2 of the SER together with part 1 of the SER; or

   ii. File part 2 of the SER at the same time part 1 of the SER for the month of December is due. Part 2 information filed pursuant to this option shall cover the months of December and all previous months of the same calendar year and shall only require annual and not monthly totals.

   Such sellers shall only be required to file part 2 of the SER for any state which has notified the Governing Board that it will require the submission of the part 2 information pursuant to paragraph (2) of this subsection. Model 4 sellers which elect not to file a SER shall file returns in the form and pursuant to schedules afforded to sellers not registered under the Agreement according to the requirements of each member state.

d. Every member state shall allow sellers not registered under the Agreement that are registered in the state to file a SER. Such sellers shall file part 1 of the SER every month unless a state allows less frequent filing and shall have the following options for meeting their obligation to furnish part 2 information:

   i. File part 2 of the SER together with part 1 of the SER; or

   ii. File part 2 of the SER at the same time part 1 of the SER for the month of December is due. Part 2 information filed pursuant to this option shall cover the month of December and all previous months of the same calendar year and shall only require annual and not monthly totals.

   Such sellers shall only be required to file part 2 of the SER for any state which has notified the Governing Board that it will require the submission of the part 2 information pursuant to paragraph (2) of this subsection.

4. A state which requires the submission of part 2 information pursuant to paragraph (2) of this subsection may provide an exemption from this requirement to a seller under terms and conditions set out by the state.
5. A state may require a seller which elects to file a SER to give at least three months notice of the seller's intent to discontinue filing a SER.

D. Adopt web services as the standardized transmission process 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.

E. Give notice to a seller registered under this Agreement which has no legal requirement to register in the state, or a failure to file a required return and a minimum of thirty days to file thereafter prior to establishing a liability amount for taxes based solely on the seller's failure to timely file a return. Provided, a member state may establish a liability amount for taxes based solely on the seller's failure to timely file a return if such seller has a history of non-filing or late filing.

F. Nothing in this section shall prohibit a state from allowing additional return options or the filing of returns less frequently.

*See Compiler's Notes for history.*

**Section 319: UNIFORM RULES FOR REMITTANCES OF FUNDS**

Each member state shall:

A. Require only one remittance for each return except as provided in this subsection. If any additional remittance is required, it may only be required from sellers that collect more than thirty thousand dollars in sales and use taxes in the member state during the preceding calendar year as provided herein. The state shall allow the amount of any additional remittance to be determined through a calculation method rather than actual collections. Any additional remittances shall not require the filing of an additional return.

B. Require, at each member state's discretion, all remittances in payment of taxes reported on the approved simplified return format to be remitted electronically.

C. Allow for electronic payments by all remitters by both ACH Credit and ACH Debit.

D. Provide an alternative method for making "same day" payments if an electronic funds transfer fails.

E.

1. Provide that if a due date for a payment falls on a Saturday, Sunday, or legal holiday in a member state, the payment, including any related payment voucher information, is due to that state on the next succeeding business day.
2. Additionally, if the Federal Reserve Bank is closed on a due date that prohibits a person from being able to make a payment by ACH Debit or Credit, the payment shall be accepted as timely if made on the next day the Federal Reserve Bank is open.

F. Require that any data that accompanies a remittance be formatted using uniform tax type and payment type codes approved by the Governing Board.

G. Adopt a standardized transmission process approved by the Governing Board that allows for the remittance in a single electronic transmission of a single (bulk) payment for taxes reported on multiple SERs by affiliated entities, certified service providers or preparers. Each state shall comply with this provision no later than two years after the Governing Board approves such a standardized transmission process.

*See Compiler's Notes for history.*

**Section 320: UNIFORM RULES FOR RECOVERY OF BAD DEBTS**

Each member state shall use the following to provide a deduction for bad debts to a seller. To the extent a member state provides a bad debt deduction to any other party, the same procedures will apply. Each member state shall:

A. Allow a deduction from taxable sales for bad debts. Any deduction taken that is attributed to bad debts shall not include interest.

B. Utilize the federal definition of "bad debt" in 26 U.S.C. Sec. 166 as the basis for calculating bad debt recovery. However, the amount calculated pursuant to 26 U.S.C. Sec. 166 shall be adjusted to exclude: financing charges or interest; sales or use taxes charged on the purchase price; uncollectable amounts on property that remain in the possession of the seller until the

full purchase price is paid; expenses incurred in attempting to collect any debt, and repossessed property.

C. Allow bad debts to be deducted on the return for the period during which the bad debt is written off as uncollectable in the claimant's books and records and is eligible to be deducted for federal income tax purposes. For purposes of this subsection, a claimant who is not required to file federal income tax returns may deduct a bad debt on a return filed for the period in which the bad debt is written off as uncollectable in the claimant's books and records and would be eligible for a bad debt deduction for federal income tax purposes if the claimant was required to file a federal income tax return.

D. Require that, if a deduction is taken for a bad debt and the debt is subsequently collected in whole or in part, the tax on the amount so collected must be paid and reported on the return filed for the period in which the collection is made.

E. Provide that, when the amount of bad debt exceeds the amount of taxable sales for the period during which the bad debt is written off, a refund claim may be filed within the member state's otherwise applicable statute of limitations for refund claims; however, the statute of limitations shall be measured from the due date of the return on which the bad debt could first be claimed.

F. Where filing responsibilities have been assumed by a CSP, allow the service provider to claim, on behalf of the seller, any bad debt allowance provided by this section. The CSP must credit or refund the full amount of any bad debt allowance or refund received to the seller.

G. Provide that, for the purposes of reporting a payment received on a previously claimed bad debt, any payments made on a debt or account are applied first proportionally to the taxable price of the property or service and the sales tax thereon, and secondly to interest, service charges, and any other charges.

H. In situations where the books and records of the party claiming the bad debt allowance support an allocation of the bad debts among the member states, permit the allocation.

**Section 321: CONFIDENTIALITY AND PRIVACY PROTECTIONS UNDER MODEL 1**

A. The purpose of this section is to set forth the member states' policy for the protection of the confidentiality rights of all participants in the system and of the privacy interests of consumers who deal with Model 1 sellers.

B. As used in this section, the term "confidential taxpayer information" means all information that is protected under a member state's laws, regulations, and privileges; the term "personally identifiable information" means information that identifies a person; and the term "anonymous data" means information that does not identify a person.

C. The member states agree that a fundamental precept in Model 1 is to preserve the privacy of consumers by protecting their anonymity. With very limited exceptions, a CSP shall perform its tax calculation, remittance, and reporting functions without retaining the personally identifiable information of consumers.

D. The Governing Board may certify a CSP only if that CSP certifies that:

1. Its system has been designed and tested to ensure that the fundamental precept of anonymity is respected;
2. That personally identifiable information is only used and retained to the extent necessary for the administration of Model 1 with respect to exempt purchasers and proper identification of taxing jurisdictions;
3. It provides consumers clear and conspicuous notice of its information practices, including what information it collects, how it collects the information, how it uses the information, how long, if at all, it retains the information and whether it discloses the information to member states. Such notice shall be satisfied by a written privacy policy statement accessible by the public on the official web site of the CSP;
4. Its collection, use and retention of personally identifiable information will be limited to that required by the member states to ensure the validity of exemptions from taxation that are claimed by reason of a consumer's status or the intended use of the goods or services purchased and for documentation of the correct assignment of taxing jurisdictions; and
5. It provides adequate technical, physical, and administrative safeguards so as to protect personally identifiable information from unauthorized access and disclosure.

E. Each member state shall provide public notification to consumers, including their exempt purchasers, of the state's practices relating to the collection, use and retention of personally identifiable information.

F. When any personally identifiable information that has been collected and retained is no longer required for the purposes set forth in subsection (D)(4), such information shall no longer be retained by the member states.

G. When personally identifiable information regarding an individual is retained by or on behalf of a member state, such state shall provide reasonable access by such individual to his or her own information in the state's possession and a right to correct any inaccurately recorded information.

H. If anyone other than a member state, or a person authorized by that state's law or the Agreement, seeks to discover personally identifiable information, the state from whom the information is sought should make a reasonable and timely effort to notify the individual of such request.

I. This privacy policy is subject to enforcement by member states' attorneys general or other appropriate state government authority.

J. Each member states' laws and regulations regarding the collection, use, and maintenance of confidential taxpayer information remain fully applicable and binding. Without limitation, the Agreement does not enlarge or limit the member states' authority to:

   1. Conduct audits or other review as provided under the Agreement and state law.
   2. Provide records pursuant to a member state's Freedom of Information Act, disclosure laws with governmental agencies, or other regulations.
   3. Prevent, consistent with state law, disclosures of confidential taxpayer information.
   4. Prevent, consistent with federal law, disclosures or misuse of federal return information obtained under a disclosure agreement with the Internal Revenue Service.
   5. Collect, disclose, disseminate, or otherwise use anonymous data for governmental purposes.

K. This privacy policy does not preclude the Governing Board from certifying a CSP whose privacy policy is more protective of confidential taxpayer information or personally identifiable information than is required by the Agreement.

*See Compiler's Notes for history.*

**Section 322: SALES TAX HOLIDAYS**

A. If a member state allows for temporary exemption periods, commonly referred to as sales tax holidays, the member state shall:

   1. Not apply an exemption unless the items to be exempted are specifically defined in Part II or Part III(B) of the Library of Definitions and the exemptions are uniformly applied to state and local sales and use taxes.

a. for sales tax holidays on clothing, a member state may exclude baby receiving blankets.

2. Provide notice of the exemption period at least sixty days prior to the first day of the calendar month in which the exemption period will begin.
3. Not apply an entity or use based exemption to items except a member state may limit a product based exemption to items purchased for personal or non-business use.
4. Not require a seller to obtain an exemption certificate or other certification from a purchaser for items to be exempted during a sales tax holiday.

B. A member state may establish a temporary exemption of sales of "all Tangible Personal Property" as defined in Part I of the Library of Definitions if the exemption is uniformly applied to state and local sales and use taxes.

1. A member state may exclude from the temporary exemption of "all tangible personal property" any or all of the following:
   a. Items defined in Part II or Part III(B) of the Library of Definitions if the state has adopted the definition within its sales and use tax statutes;
   b. Any or all items identified in Sections 105, 106 or 302.B. of the Agreement; or
   c. Leases or rentals of tangible personal property.
2. A member state shall exclude from the temporary exemption of "all tangible personal property" sold, leased, or rented as a monthly recurring charge on a customer invoice or bill of sale, in conjunction with the provision of the following services:
   a. "Telecommunications service" as defined in Part II of the Library of Definitions;
   b. Internet access service;
   c. Radio and television audio and visual programming services, regardless of the medium, including the furnishing of transmission, conveyance and routing of such services by the programming service provider. Radio and television audio and video programming services shall include but not be limited to cable services as defined in 47 USC 522(6) and audio and video programming services delivered by commercial mobile radio service providers, as defined in 47 CFR 20.3.

C. A member state may establish a sales tax holiday that utilizes price thresholds set by such state and the provisions of the Agreement on the use of thresholds shall not apply to exemptions provided by a state during a sales tax holiday. In order to provide uniformity, a

price threshold established by a member state for exempt items shall include only items priced below the threshold. A member state shall not exempt only a portion of the price of an individual item during a sales tax holiday.

D. The following procedures are to be used by member states in administering a sales tax holiday exemption:

1. Layaway sales - A sale of eligible property under a layaway sale qualifies for exemption if:
   a. final payment on a layaway order is made by, and the property is given to, the purchaser during the exemption period; or
   b. the purchaser selects the property and the retailer accepts the order for the item during the exemption period, for immediate delivery upon full payment, even if delivery is made after the exemption period.
2. Bundled sales - Member states will follow the same procedure during the sales tax holiday as agreed upon for handling a bundled sale at other times.
3. Coupons and discounts - A discount by the seller reduces the sales price of the property and the discounted sales price determines whether the sales price is within a sales tax holiday price threshold of a member state. A coupon that reduces the sales price is treated as a discount if the seller is not reimbursed for the coupon amount by a third-party. If a discount applies to the total amount paid by a purchaser rather than to the sales price of a particular item and the purchaser has purchased both eligible property and taxable property, the seller should allocate the discount based on the total sales prices of the taxable property compared to the total sales prices of all property sold in that same transaction.
4. Manipulation or splitting of items normally sold together - A transaction shall not be manipulated to make it appear as if it meets the criteria for a sales tax holiday and articles that are normally sold as a single unit must continue to be sold in that manner. For example, a pair of shoes cannot have each shoe sold separately so that the sales price of each shoe is within a sales tax holiday price threshold.
5. Rain checks - A rain check allows a customer to purchase an item at a certain price at a later time because the particular item was out of stock. Eligible property that customers purchase during the exemption period with use of a rain check will qualify for the

exemption regardless of when the rain check was issued. Issuance of a rain check during the exemption period will not qualify eligible property for the exemption if the property is actually purchased after the exemption period.

6. Exchanges - The procedure for an exchange in regards to a sales tax holiday is as follows:
   a. If a customer purchases an item of eligible property during the exemption period, but later exchanges the item for a similar eligible item, even if a different size, different color, or other feature, no additional tax is due even if the exchange is made after the exemption period.
   b. If a customer purchases an item of eligible property during the exemption period, but after the exemption period has ended, the customer returns the item and receives credit on the purchase of a different item, the appropriate sales tax is due on the sale of the newly purchased item.
   c. If a customer purchases an item of eligible property before the exemption period, but during the exemption period the customer returns the item and receives credit on the purchase of a different item of eligible property, no sales tax is due on the sale of the new item if the new item is purchased during the exemption period.
7. Delivery charges - Delivery charges, including shipping, handling and service charges, are part of the sales price of eligible property unless a member state defines "sales price" to exclude such charges. For the purpose of determining a sales tax holiday price threshold, if all the property in a shipment qualifies as eligible property and the sales price for each item in the shipment is within the sales tax holiday price threshold, then the seller does not have to allocate the delivery, handling, or service charge to determine if the price threshold is exceeded. The shipment will be considered a sale of eligible products. If the shipment includes eligible property and taxable property (including an eligible item with a sales price in excess of the price threshold), the seller should allocate the delivery charge by using:
   a. a percentage based on the total sales prices of the taxable property compared to the total sales prices of all property in the shipment; or
   b. a percentage based on the total weight of the taxable property compared to the total weight of all property in the shipment.

The seller must tax the percentage of the delivery charge allocated to the taxable property but does not have to tax the percentage allocated to the eligible property.

8. Order date and back orders - For the purpose of a sales tax holiday, except as provided in subsection 9, eligible property qualifies for exemption if:
   a. the item is both delivered to and paid for by the customer during the exemption period; or
   b. the customer orders and pays for the item and the seller accepts the order during the exemption period for immediate shipment, even if delivery is made after the exemption period. The seller accepts an order when the seller has taken action to fill the order for immediate shipment. Actions to fill an order include placement of an "in date" stamp on a mail order or assignment of an "order number" to a telephone order. An order is for immediate shipment when the customer does not request delayed shipment. An order is for immediate shipment notwithstanding that the shipment may be delayed because of a backlog of orders or because stock is currently unavailable to, or on back order by, the seller.
9. Periodic or recurring payments- For the purpose of a sales tax holiday, eligible property qualifies for exemption if the transaction is a lease or rental of tangible personal property subject to periodic payments that:
   a. is not excluded under subsection B of this Section, and
   b. the customer is already in possession of the item, or the item is delivered, or set aside during the exemption period for immediate delivery, and
   c. the billing date falls within the sales tax holiday period, regardless of when payment is made. The billing date shall be the transaction date used to determine if the transaction falls within the exemption period. If a state accelerates the payment of the tax for the lease or rental and the tax billing date falls during a sales tax holiday, the sales tax holiday threshold shall be based on the total accelerated periodic payment amounts.
10. Returns - For a 60-day period immediately after the sales tax holiday exemption period, when a customer returns an item that would qualify for the exemption, no credit for or refund of sales tax shall be given unless the customer provides a receipt or invoice that shows tax was paid, or the seller has sufficient documentation to show that tax was paid

on the specific item. This 60-day period is set solely for the purpose of designating a time period during which the customer must provide documentation that shows that sales tax was paid on returned merchandise. The 60-day period is not intended to change a seller's policy on the time period during which the seller will accept returns.

11. Different time zones - The time zone of the seller's location determines the authorized time period for a sales tax holiday when the purchaser is located in one time zone and a seller is located in another.

E. For purposes of this section, a "temporary exemption" is an exemption that is effective for a continuous period of less than or equal to three calendar months.

*See Compiler's Notes for history.*

**Section 323: CAPS AND THRESHOLDS**

A. Except as provided in D. below, 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, no member state that has local jurisdictions that levy a sales or use tax may place caps or thresholds on the application of local 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. States may only have a threshold on "clothing" as 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 of 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 sales 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 holiday on "clothing."

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.

*See Compiler's Notes for history.*

**Section 324: ROUNDING RULE**

A. After December 31, 2005, each member state shall adopt a rounding algorithm that meets the following criteria:
   1. Tax computation must be carried to the third decimal place, and
   2. The tax must be rounded to a whole cent using a method that rounds up to the next cent whenever the third decimal place is greater than four.

B. Each state shall allow sellers to elect to compute the tax due on a transaction on an item or an invoice basis, and shall allow the rounding rule to be applied to the aggregated state and local taxes. No member state shall require a seller to collect tax based on a bracket system.

**Section 325: CUSTOMER REFUND PROCEDURES**

A. These customer refund procedures are provided to apply when a state allows a purchaser to seek a return of over-collected sales or use taxes from the seller.

B. Nothing in this section shall either require a state to provide, or prevent a state from providing, a procedure by which a purchaser may seek a refund directly from the state arising out of sales or use taxes collected in error by a seller from the purchaser. Nothing in this section shall operate to extend any person's time to seek a refund of sales or use taxes collected or remitted in error.

C. These customer refund procedures provide the first course of remedy available to purchasers seeking a return of over-collected sales or use taxes from the seller. A cause of action against the seller for the over-collected sales or use taxes does not accrue until a purchaser has provided written notice to a seller and the seller has had sixty days to respond. Such notice to the seller must contain the information necessary to determine the validity of the request.

D. In connection with a purchaser's request from a seller of over-collected sales or use taxes, a seller shall be presumed to have a reasonable business practice, if in the collection of such sales or use taxes, the seller: i) uses either a provider or a system, including a proprietary system, that is certified by the state; and ii) has remitted to the state all taxes collected less any deductions, credits, or collection allowances.

**Section 326: DIRECT PAY PERMITS**

Each member state shall provide for a direct pay authority that allows the holder of a direct pay permit to purchase otherwise taxable goods and services without payment of tax to the supplier at the time of purchase. The holder of the direct pay permit will make a determination of the taxability and then report and pay the applicable tax due directly to the tax jurisdiction. Each state can set its own limits and requirements for the direct pay permit. The Governing Board shall advise member states when setting state direct pay limits and requirements, and shall consider use of the Model Direct Payment Permit Regulation as developed by the Task Force on EDI Audit and Legal Issues for Tax Administration.

**Section 327: LIBRARY OF DEFINITIONS**

Each member state shall utilize common definitions as provided in this section. The terms defined are set out in the Library of Definitions, in Appendix C of this Agreement. A member state shall adhere to the following principles:

A. If a term defined in the Library of Definitions appears in a member state's sales and use tax statutes or administrative rules or regulations, the member state shall enact or adopt the Library definition of the term in its statutes or administrative rules or regulations in substantially the same language as the Library definition.

B. A member state shall not use a Library definition in its sales or use tax statutes or administrative rules or regulations that is contrary to the meaning of the Library definition.

C. Except as specifically provided in Sections 316 and 332, the Library of Definitions and the Disclosed Practices 7 in Appendix E for "Not Classified by Streamlined Sales Tax

Governing Board (SSTGB)" products, a member state shall impose a sales or use tax on all products or services included within each Part II or Part III (B) definition or exempt from sales or use tax all products or services within each such definition including all products and services listed in the rules, appendices and interpretive opinions adopted by the Governing Board. Provided, the requirements of this subsection shall only apply to Part III (B) definitions to the extent that such definitions are used in the administration of a sales tax holiday. A member state is not in compliance with the Agreement if the member state excludes any product or service that is included within a product definition or includes a product or service that is excluded from a product definition.

*See Compiler's Notes for history.*

**Section 328: TAXABILITY MATRIX**

A. Taxability Matrix
   1. Library of Definitions (Library): To ensure uniform application of terms defined in the Library adopted by the Governing Board pursuant to Section 327, each member state shall complete, to the best of its ability, the section of the taxability matrix titled "Library of Definitions".
   2. Tax Administration Practices: To inform the general public of its practices regarding certain tax administration practices as selected by the Governing Board pursuant to Section 335, each member state shall complete, to the best of its ability, 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. 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. 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.

*See Compiler's Notes for history.*

**Section 329: EFFECTIVE DATE FOR RATE CHANGES**

Each member state shall provide that the effective date of rate changes for services covering a period starting before and ending after the statutory effective date shall be as follows:

A. For a rate increase, the new rate shall apply to the first billing period starting on or after the effective date.

B. For a rate decrease, the new rate shall apply to bills rendered on or after the effective date.

**Section 330: BUNDLED TRANSACTIONS**

A. A member state shall adopt and utilize to determine tax treatment, the core definition for a "bundled transaction" in Appendix C, Part I of the Library of Definitions in the Agreement.

B. Member states are not restricted in their tax treatment of bundled transactions except as otherwise provided in the Agreement. Member states are not restricted in their ability to treat some bundled transactions differently from other bundled transactions.

C. In the case of a bundled transaction that includes any of the following: telecommunication service, ancillary service, internet access, or audio or video programming service:

1. If the price is attributable to products that are taxable and products that are nontaxable, the portion of the price attributable to the nontaxable products may be subject to tax unless the provider can identify by reasonable and verifiable standards such portion from its books and records that are kept in the regular course of business for other purposes, including, but not limited to, non-tax purposes.
2. If the price is attributable to products that are subject to tax at different tax rates, the total price may be treated as attributable to the products subject to tax at the highest tax rate unless the provider can identify by reasonable and verifiable standards the portion of the price attributable to the products subject to tax at the lower rate from its books and records that are kept in the regular course of business for other purposes, including, but not limited to, non-tax purposes.
3. The provisions of this section shall apply unless otherwise provided by federal law.

D. In the case of a transaction that includes an "optional computer software maintenance contract" for prewritten computer software and the state otherwise has not specifically imposed tax on the retail sale of computer software maintenance contracts, the following provisions apply:

1. If an optional computer software maintenance contract only obligates the vendor to provide upgrades and updates, it will be characterized as a sale of prewritten computer software.
2. If an optional computer software maintenance contract only obligates the vendor to provide support services, it will be characterized as a sale of services and a state may use any of the methods provided under subsection (D)(3) to determine the taxable and nontaxable or exempt portions.
3. If an optional computer software maintenance contract is a bundled transaction in which both taxable and nontaxable or exempt products that are not separately itemized on the invoice or similar billing document, then states shall elect one of the following tax treatments:
    a. The contract shall be characterized as all taxable;

b. The contract shall be characterized as all taxable unless the seller can demonstrate, using a reasonable method as of the time of sale, the portion of the contract that is for nontaxable or exempt products;

c. The contract shall be characterized as all nontaxable or exempt; or

d. The contract shall be characterized as twenty, thirty, forty or fifty percent taxable or eighty, seventy, sixty and fifty percent nontaxable or exempt respectively, as selected by each member state.

4. With respect to states that elect the method described in subparagraph 3(b):

a. Such states may prescribe the use of such reasonable methods as it deems appropriate, and

b. The method selected by the seller shall be binding on the purchaser.

*See Compiler's Notes for history.*

**Section 331: RELIEF FROM CERTAIN LIABILITY FOR PURCHASERS**

A. A member state shall relieve a purchaser from liability for penalty to that member state and its local jurisdictions for having failed to pay the correct amount of sales or use tax in the following circumstances:

1. A purchaser's seller or CSP relied on erroneous data provided by that member state on tax rates, boundaries, taxing jurisdiction assignments, or in the taxability matrix completed by that member state pursuant to Section 328; or

2. A purchaser holding a direct pay permit relied on erroneous data provided by that member state on tax rates, boundaries, taxing jurisdiction assignments, or in the taxability matrix completed by that member state pursuant to Section 328.

3. A purchaser relied on erroneous data provided by that member state in the taxability matrix completed by that member state pursuant to Section 328.

4. A purchaser using databases pursuant to subsections (F), (G) and (H) of Section 305 relied on erroneous data provided by that member state on tax rates, boundaries, or taxing jurisdiction assignments. After providing adequate notice as determined by the Governing Board, a member state that provides an address-based database for assigning taxing jurisdictions pursuant to Section 305, subsection (G) or (H) may cease providing liability relief for errors resulting from the reliance on the database provided by the member state under the provisions of Section 305, subsection (F).

B. Except where prohibited by a member state's constitution, a member state shall also relieve a purchaser from liability for tax and interest to that member state and its local jurisdictions for having failed to pay the correct amount of sales or use tax in the circumstances described in Section 331 A, provided that, with respect to reliance on the taxability matrix completed by that member state pursuant to Section 328, such relief is limited to the state's erroneous classification in the taxability matrix of terms included in the Library of Definitions as "taxable" or "exempt," "included in sales price" or "excluded from sales price" or "included in the definition" or "excluded from the definition".

C. For purposes of this section, the term "penalty" means an amount imposed for noncompliance that is not fraudulent, willful, or intentional which is in addition to the correct amount of sales or use tax and interest.

D. A member state may allow relief on terms and conditions more favorable to a purchaser than the terms required by this section.

E. The provisions of this section are effective on and after January 1, 2009, however, to the extent any relief under this section does not require a legislative change in a member state, such relief must be granted effective immediately.

*See Compiler's Notes for History.*

**Section 332: SPECIFIED DIGITAL PRODUCTS**

A. A member state shall not include "specified digital products", "digital audio-visual works", "digital audio works" or "digital books" within its definition of "ancillary services", "computer software", "telecommunication services" or "tangible personal property." This restriction shall apply regardless of whether the "specified digital product" is sold to a purchaser who is an end user or with less than the right of permanent use granted by the seller or use which is conditioned upon continued payment from the purchaser. Until January 1, 2010, the exclusion of "specified digital products" from the definition of "tangible personal property" shall have no implication on the classification of products "transferred electronically" which are not included within the definition of "specified digital products" as being included in, or excluded from, the definition of "tangible personal property."

B. For purpose of Section 327(C) and the taxability matrix, "Digital Audio-Visual Works", "Digital Audio Works", and "Digital Books" are separate definitions.

C. If a state imposes a sales or use tax on products "transferred electronically" separately from its imposition of tax on "tangible personal property", that state will not be required to use the terms "specified digital products", "digital audio visual works", "digital audio works", or "digital books", or enact an additional or separate sales or use tax levy on any "specified digital product."

D.

1. A statute imposing a tax on "specified digital products," "digital audio-visual works," "digital audio works" or "digital books" and, after January 1, 2010, on any other product "transferred electronically" shall be construed as only imposing the tax on a sale to a purchaser who is an end user unless the statute specifically imposes and separately enumerates the tax on a sale to a purchaser who is not an end user. For purposes of this paragraph, an "end user" includes any person other than a person who receives by contract a product "transferred electronically" for further commercial broadcast, rebroadcast, transmission, retransmission, licensing, relicensing, distribution, redistribution or exhibition of the product, in whole or in part, to another person or persons.

   A person that purchases products "transferred electronically" or the code for "specified digital products" for the purpose of giving away such products or code shall not be considered to have engaged in the distribution or redistribution of such products or code and shall be treated as an end user.

2. A statute imposing a tax on "specified digital products," "digital audio-visual works," "digital audio works" or "digital books" and, after January 1, 2010, on any other product "transferred electronically" shall be construed as only imposing tax on a sale with the right of permanent use granted by the seller unless the statute specifically imposes and separately enumerates the tax on a sale with the right of less than permanent use granted by the seller. For purposes of this paragraph "permanent" means perpetual or for an indefinite or unspecified length of time. A right of permanent use shall be presumed to have been granted unless the agreement between the seller and the purchaser specifies or the circumstances surrounding the transaction suggest or indicate that the right to use terminates on the occurrence of a condition subsequent.

3. A statute imposing a tax on "specified digital products," "digital audio-visual works," "digital audio works" or "digital books" and, after January 1, 2010, on any other product "transferred electronically" shall be construed as only imposing tax on a sale which is not conditioned upon continued payment from the purchaser unless the statute specifically imposes and separately enumerates the tax on a sale which is conditioned upon continued payment from the purchaser.
4. A member state which imposes a sales or use tax on the sale of a product "transferred electronically" to a person other than end user or on a sale with the right of less than permanent use granted by the seller or which is conditioned upon continued payment from the purchaser shall so indicate in its taxability matrix in a format approved by the Governing Board.

E. Nothing in this section or the definition of "specified digital products" shall limit a state's right to impose a sales or use tax or exempt from sales or use tax any products or services that are outside the definition of "specified digital products."

F. A state may treat a subscription to products "transferred electronically" differently than a non-subscription purchase of such product. For purposes of this section, "subscription" means an agreement with a seller that grants a consumer the right to obtain products transferred electronically from within one or more product categories having the same tax treatment, in a fixed quantity or for a fixed period of time, or both.

G. The tax treatment of a "digital code" shall be the same as the tax treatment of the "specified digital product" or product "transferred electronically" to which the "digital code" relates. The retail sale of the "digital code" shall be considered the transaction for purposes of the Agreement. For purposes of this section, "digital code" means a code, which provides a purchaser with a right to obtain one or more such products having the same tax treatment. A "digital code" may be obtained by any means, including email or by tangible means regardless of its designation as "song code", "video code", or "book code."

H. Notwithstanding the provisions of Section 316 of this Agreement, a member state may provide a product based exemption or not impose tax on sales of specific items within the definition of "specified digital products", provided sales of such items which are not "transferred electronically" are not subject to tax by the member state.

I. For purposes of this section, the term "transferred electronically" means obtained by the purchaser by means other than tangible storage media.

*See Compiler's Notes for History.*

**Section 333: USE OF SPECIFIED DIGITAL PRODUCTS (Effective January 1, 2010)**

A member state shall not include any product transferred electronically in its definition of "tangible personal property." "Ancillary services", "computer software", and "telecommunication services" shall be excluded from the term "products transferred electronically." For purposes of this section, the term "transferred electronically" means obtained by the purchaser by means other than tangible storage media.

*See Compiler's Notes for History.*

**Section 334: PROHIBITED REPLACEMENT TAXES**

No state may have a prohibited replacement tax on any product defined in Part II or Part III(B) of the Library of Definitions which has the effect of avoiding the intent of this Agreement.

*See Compiler's Notes for History.*

**Section 335: TAX ADMINISTRATION PRACTICES**

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.
   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 Governing Board States qualified to vote is required to approve a motion to select a tax practice for disclosure.

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 Governing Board States qualified to vote is required to approve a motion to select a best practice.

D. Tax administration practices 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.

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.

G. Using the procedure for updating the taxability matrix, the Executive Director 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.

*See Compiler's Notes for History.*

**Section 336: TAX TREATMENT OF REDEMPTION CODES**

A. The tax treatment of a "redemption code" shall be the same as the tax treatment of the product or service to which the "redemption code" relates.

B. A "redemption code" means a code, which provides a purchaser with a right to obtain one or more products or services having the same tax treatment.

C. A "redemption code" may be obtained by any means including transferred electronically such as email or text or by tangible medium.

D. A "redemption code" does not include:

1. gift certificates or gift cards that represent a monetary value,
2. vouchers and discount coupons issued, marketed, or distributed by a third party for less than face value of the voucher or coupon,
3. a code that provides a purchaser with a right to obtain products or services having different tax treatments,
4. transfers where the provider of the product or service bills or charges the holder of the redemption code at the time the product or service is provided or delivered to the holder of the redemption code,
5. a code that represents the sale of a prepaid wireless calling service, as defined in Section 315, or
6. a "digital code" as defined in Section 332.G. of the Agreement.

E. A member state shall consider the retail sale of the "redemption code" as the retail sale of the products or services.

F. These provisions do not affect the obligation of a purchaser or lessee to remit tax on the use of the product or service to the taxing jurisdictions of that use.

G. Sellers shall apply the tax treatment for "redemption codes" to all products and services.

H. Sections 332 and 333 do not apply to sales of redemption codes.

## ARTICLE IV
## SELLER REGISTRATION

### Section 401: SELLER PARTICIPATION

A. The member states shall provide an online registration system that will allow sellers to register in all the member states and other states electing to utilize the registration system.

B. By registering, the seller agrees to collect and remit sales and use taxes for all taxable sales into the states in which the seller elected to register. Withdrawal or revocation of a state shall

not relieve a seller of its responsibility to remit taxes previously or subsequently collected on behalf of the state.

C. In states where the seller has a requirement to register prior to registering under the Agreement, the seller may be required to provide additional information to complete the registration process or the seller may choose to register directly with those states.

D. A member state or a state that has withdrawn or been expelled shall not use registration with the central registration system and the collection of sales and use taxes in the member states as the sole factor in determining whether the seller has nexus with that state for any tax at any time.

*See Compiler's Notes for History.*

**Section 402: AMNESTY FOR REGISTRATION**

A. Subject to the limitations in this section:

1. A member state shall provide amnesty for uncollected or unpaid sales or use tax to a seller who registers through the Streamlined central registration system for the state in which the amnesty is sought if the seller pays or collects and remits the applicable sales or use tax in accordance with the terms of the Agreement on sales made to purchasers in all the full member states in which the seller makes sales.

   Sellers that are only making wholesale sales in a state which does not require wholesalers to register and sellers who only make sales through a marketplace facilitator in a state which does not require those sellers to register, would not be required to register in those states to qualify for the amnesty. The amnesty does not apply if the seller was registered in that state in the twelve-month period preceding the effective date of the state's participation in the Agreement.

2. The amnesty will preclude assessment for uncollected or unpaid sales or use tax together with penalty or interest for sales made during the period the seller was not registered in the state, provided registration occurs within twelve months of the effective date of the state's participation in the Agreement.

3. Amnesty similarly shall be provided by any additional state that joins the Agreement after the seller has registered.

B. The amnesty is not available to a seller with respect to any matter or matters for which the seller received notice of the commencement of an audit and which audit is not yet finally resolved including any related administrative and judicial processes.

C. The amnesty is not available for sales or use taxes already paid or remitted to the state or to taxes collected by the seller.

D. The amnesty is fully effective, absent the seller's fraud or intentional misrepresentation of a material fact, as long as the seller continues registration and continues payment or collection and remittance of applicable sales or use taxes for a period of at least thirty-six months. Each member state shall toll its statute of limitations applicable to asserting a tax liability during this thirty-six month period.

E. The amnesty is applicable only to sales or use taxes due from a seller in its capacity as a seller and not to sales or use taxes due from a seller in its capacity as a buyer.

F. A member state may allow amnesty on terms and conditions more favorable to a seller than the terms required by this section.

G.

1. The amnesty program provided in Sections 402.A. through F. above, ends on the date when the Streamlined Sales Tax Voluntary Disclosure Program for Qualified Remote Sellers provided in Section 402.1 begins.

2. The provisions of the amnesty program provided in Sections 402.A. through F. do not change for any sellers that participated in and qualified for the amnesty program prior to the date the Streamlined Sales Tax Voluntary Disclosure Program for Qualified Remote Sellers provided in Section 402.1 begins.

*See Compiler's Notes for History.*

*Interpretations issued: (a) The Governing Board issued interpretations 2006-01 related to whether amnesty is available if tax was collected but not remitted and 2006-02 related to when a Model 1 or Model 2 seller is considered registered under the Agreement on April 18, 2006.*

*(b) The Governing Board issued interpretation 2006-06 relating to whether amnesty applies if a seller deregisters to collect tax in any member state within 36 months of its registration.*

*(c) The Governing Board issued interpretation 2006-08 related to whether amnesty applies if a seller deregisters in a new state prior to being registered in that state for 36 months on December 14, 2006.*

*(d) The Governing Board issued interpretation 2006-09 on December 14, 2006 relating to whether predecessor companies not registered through the Agreement qualify for amnesty if the successor company registers under the Agreement.*

**Section 402.1: STREAMLINED SALES TAX VOLUNTARY DISCLOSURE PROGRAM FOR REMOTE SELLERS**

A. Streamlined Sales Tax Voluntary Disclosure Program (SSTVD) Period

1. The initial SSTVD begins January 1, 2027, and sunsets on December 31, 2027, unless the Streamlined Sales Tax Governing Board (Governing Board) votes to extend the program beyond December 31, 2027.
2. The sunset or extension of the SSTVD is provided in subsection I of this section.

B. State participation in the SSTVD

1. Each state joining the Governing Board on or after January 1, 2027, and all contingent member and associate member states must participate in the SSTVD for "qualified remote sellers."
   a) All states that join the Governing Board as a full member state on or after January 1, 2027, must offer the SSTVD for qualified remote sellers for a minimum of 12 consecutive months. The required 12-month period a state must offer the SSTVD includes the time the state offered the SSTVD while it was a contingent member or an associate member state.
   b) If the SSTVD is sunset for full member states, all contingent member and associate member states must continue to offer the SSTVD for qualified remote sellers, as outlined in this section.
   c) If the SSTVD is sunset, any state that becomes a full member state on or after January 1, 2027, must still offer the SSTVD for qualified remote sellers until the state has offered the SSTVD for a minimum of 12 consecutive months as provided in subparagraph (a) of paragraph 1 of subsection (B) of this section.
2. A state that is a full member state of the Governing Board as of January 1, 2027, must notify the Executive Director in writing no later than 30 days prior to the effective date of the SSTVD indicating their intention to participate or not participate in the SSTVD for qualified remote sellers.

a) Any state that previously elected not to participate in the initial SSTVD may choose to participate after the initial SSTVD effective date. The state's SSTVD start date must be the first day of a calendar month that is at least 30 days after the state notifies the Executive Director in writing that the state will participate in the SSTVD.

b) Any full member state participating in the initial SSTVD must offer the SSTVD through December 31, 2027.

3. The SSTVD applies to the taxes that are identified on the state's petition for membership in the Governing Board. SSTVD participating states may allow other taxes or fees to be included in their state's SSTVD but must provide a list of all the taxes or fees to be included in the SSTVD to the Governing Board staff and this list will be published on the SST website.

4. Status as a "qualified remote seller" is considered on a state-by-state basis by the states participating in this SSTVD. Meeting or not meeting the requirements to be a "qualified remote seller" in one or more of the SSTVD participating states does not qualify or disqualify a seller from "qualified remote seller" status in other SSTVD participating states.

C. "Qualified Remote Seller"

1. A "qualified remote seller" is a seller who:

a) Certifies to the Governing Board and applicable SSTVD participating state that it would not be required to register to collect and remit sales or use tax in the state if it did not meet or exceed the state's economic nexus threshold(s). A seller will not be disqualified if it has inventory held in a third party's warehouse which the seller does not control and the third party is responsible for collecting and remitting the applicable taxes on sales of that inventory.

b) Agrees to submit the registration through the Streamlined Sales Tax Registration System (SSTRS) for each SSTVD participating state in which it meets or exceeds the state's economic nexus threshold and begin collecting and remitting the appropriate sales and use taxes in all of these states no later than the first day of a calendar month that is no more than 60 days after submitting the SSTVD contracts. Sellers are not required to register in a state to qualify for the SSTVD if the state does not require the seller to register because the seller is only making:

1. wholesale sales;
2. sales through a marketplace facilitator or other third party who is responsible for collecting and remitting the applicable taxes on those sales; or
3. non-taxable sales.

c) Agrees to provide additional information required by the state following the provisions in Section 401.C. of the Streamlined Sales and Use Tax Agreement.

d) Signs and submits a SSTVD contract for each SSTVD participating state that the seller has indicated it is required to register with as a qualified remote seller within 30 calendar days of receiving the contract from the Governing Board.

e) After a state accepts and enters into the SSTVD contract with the qualified remote seller:
   1. Agrees to prepare and file the returns or comparable spreadsheets and report information for the lookback period, as required by each state, within 12 months of receiving the signed contract back from the state; and
   2. Agrees to pay the balance due for the lookback period within 30 calendar days of the state providing the balance due, or as otherwise required by each state;

f) Agrees to remain registered and to collect and remit the taxes due on sales into that state for the greater of:
   1. twenty-four months from the date of registration, or
   2. until the qualified remote seller's activities in the SSTVD participating state no longer meet or exceed the state's economic nexus threshold(s) and the qualified remote seller inactivates their registration following the state's guidelines for inactivating registrations.

g) Agrees to follow the procedures contained in the Governing Board's rules and procedures related to the SSTVD, including completing any and all forms required to be completed by the Governing Board or the SSTVD participating state(s).

h) Affirms they:
   1. Have not participated in this SSTVD previously, or
   2. Previously participated in this SSTVD and subsequently requests to participate in the SSTVD again, but only with those states that were not part of the SSTVD when the seller previously participated.

2. A “qualified remote seller” meeting all the requirements of this section and who registers through the SSTRS on or after the date the Governing Board approves the initial SSTVD program but prior to the effective date of the initial SSTVD program is eligible to participate in the SSTVD. A remote seller that registers through the SSTRS during this period must submit their SSTVD application no later than 10 business days after the later of the effective date of the initial SSTVD program or the date the state begins participating in the initial SSTVD, to be considered a “qualified remote seller” eligible to participate in the SSTVD.
3. A “qualified remote seller” for a SSTVD participating state does not include a seller who, for sales tax purposes:
   a) Is registered prior to initiating participation in the SSTVD with that state, except as provided in paragraph 2. of subsection C. of this section;
   b) Received notice of audit, is under audit, or was audited, on or after June 21, 2018;
   c) Is under criminal investigation;
   d) Was registered, on or after June 21, 2018, with the state or contacted by the state about registering to collect and remit sales or use tax, except as provided in paragraph 2. of subsection C. of this section;
   e) Has collected and failed to remit sales tax for that state: or
   f) Filed a return that includes a sales or use tax, regardless of whether any tax was reported or when the return was filed if the state statutes only allow non-filers to participate in that state's voluntary disclosure program.
4. A seller loses their "qualified remote seller" status in any state in which they fail to complete the requirements of Subsection C.
   a) SSTVD participating states are not precluded from pursuing collection actions with qualified remote sellers who do not complete the SSTVD requirements as outlined in this section and the corresponding rules.

D. SSTVD Application Deadlines

1. During the initial SSTVD, the last day a qualified remote seller can apply is December 31, 2027. This application deadline is applicable for all states participating in the initial SSTVD.
2. After the initial SSTVD sunsets or is extended or restarted, SSTVD applications in:

a) Participating states that were full members as of January 1, 2027, must be submitted within thirty-six months after the seller meets the participating state's economic nexus threshold, provided the SSTVD has been extended or restarted.

b) Participating states that became full members on or after January 1, 2027, must be submitted within seventy-two months after the remote seller meets the state's economic nexus until the state has met the requirement to offer the SSTVD for a continuous 12-month period.

c) Contingent member or associate member states must be submitted within seventy-two months after the remote seller meets the state's economic nexus threshold.

E. Under the SSTVD, each SSTVD participating state shall, absent any fraud or intentional misrepresentation on the part of the "qualified remote seller":

1. Limit the lookback period for each "qualified remote seller" who submits a completed SSTVD application to the Governing Board and enters into the SSTVD contract with the participating state, to no more than the prior twenty-four months, unless a SSTVD participating state is specifically required under its laws to have a longer lookback period. The limited lookback period begins on the day immediately before the qualified remote seller's registration date in the SSTRS. The limited lookback period does not include any periods prior to when the qualified remote seller met or exceeded the SSTVD participating state's economic nexus threshold.

2. Eliminate all penalties and late filing fees during the lookback period to the extent allowed by the SSTVD participating state's laws.

3. Within 30 calendar days of receiving a contract signed by the qualified remote seller:

a) Sign and send a copy of the SSTVD contract back to the seller and copy the Governing Board staff; or

b) Notify the seller and Governing Board staff that the seller does not qualify for the SSTVD program, including the reason(s) the seller does not qualify.

4. Allow a qualified remote seller 12 months to complete the SSTVD contract requirements. The 12-month period begins with the month the qualified remote seller signs the SSTVD contract with the SSTVD participating state(s).

F. A SSTVD participating state may allow terms and conditions more favorable to a seller than the terms required by this section.

G. A qualified remote seller will not be disqualified from participating in the SSTVD due to contact by a participating state from the time when the SSTVD application is received by the Governing Board through when the state sends the signed contract back to the seller.

H. The Governing Board shall promulgate rules that govern the process a "qualified remote seller" and "SSTVD participating states" must follow to participate in the SSTVD and any required forms.

I. SSTVD Sunset or Extension

1. The SSTVD sunsets on December 31, 2027, unless the Governing Board votes to extend the program beyond this sunset date. The provisions contained in Section 402 of the Agreement related to the amnesty shall remain repealed.
2. Any state that becomes a full member state on or after January 1, 2027, must offer the SSTVD for qualified remote sellers until the state has offered the SSTVD for a minimum of 12 consecutive months and all contingent member and associate member states must continue to offer the SSTVD for qualified remote sellers, as outlined in paragraph 1 of subsection B. of this section.
3. If the Governing Board votes to extend the SSTVD, all full member states, regardless of any current or prior SSTVD participation, must notify the Executive Director in writing no later than 30 days prior to the first day of the extension period indicating their intention to participate in, continue their participation in, or end their participation in the extended SSTVD. If the state fails to respond, the presumption is that the state will not participate or continue their participation in the extended SSTVD.
4. Any state that did not elect to participate in the extended SSTVD may choose to participate in the extended SSTVD after the extended SSTVD effective date. The state's SSTVD start date must be the first day of a calendar month, that is at least 30 days after the state notifies the Executive Director in writing that the state will participate in the extended SSTVD.
5. If the Governing Board extends the SSTVD and if a state chooses to participate after the initial SSTVD 12-month period, participating states can only end their participation on the last day of a calendar month that is at least 30 days after notifying the Executive Director in writing of ending their participation.

6. No state that elects to participate in an extended SSTVD can end its participation without offering the program for a minimum of 12 consecutive months. The minimum 12 consecutive months includes the time the state offered the SSTVD during the immediately prior SSTVD.

*See Compiler's Notes for History.*

**Section 403: METHOD OF REMITTANCE**

The seller may use one of the following methods of remittances or other method allowed by state law to remit the taxes collected:

A. MODEL 1, wherein a seller contracts with a CSP as an agent to perform the seller's sales or use tax functions, outlined in the contract between the Streamlined Sales Tax Governing Board and the Certified Service Provider.

B. MODEL 2, wherein a seller contracts to use a CAS which calculates the amount of tax due on a transaction.

C. MODEL 3, wherein a seller utilizes its own proprietary automated sales tax system that has been certified as a CAS.

*See Compiler's Notes for History.*

**Section 404: REGISTRATION BY AN AGENT**

A seller may be registered by an agent. Such appointment shall be in writing and submitted to a state if requested by that state.

*See Compiler's Notes for History.*

## ARTICLE V
## PROVIDER AND SYSTEM CERTIFICATION

### Section 501: CERTIFICATION OF SERVICE PROVIDERS AND AUTOMATED SYSTEMS

A. The Governing Board shall certify automated systems and service providers to aid in the administration of sales and use tax collections.

B. The Governing Board may certify a person as a CSP if the person meets all of the following requirements:
   1. The person uses a CAS;
   2. The person integrates its CAS with the system of a seller for whom the person collects tax so that the tax due on a sale is determined at the time of the sale;
   3. The person agrees to remit the taxes it collects at the time and in the manner specified by the member states;
   4. The person agrees to file returns on behalf of the sellers for whom it collects tax;
   5. The person agrees to protect the privacy of tax information it obtains in accordance with Section 321 of the Agreement; and
   6. The person enters into a contract with the member states and agrees to comply with the terms of the contract.

C. The Governing Board may certify a software program as a CAS if the Governing Board determines that the program meets all of the following requirements:
   1. It determines the applicable state and local sales and use tax rate for a transaction, in accordance with Sections 309 to 315, inclusive;
   2. It determines whether or not an item is exempt from tax;
   3. It determines the amount of tax to be remitted for each taxpayer for a reporting period;
   4. It can generate reports and returns as required by the Governing Board; and
   5. It can meet any other requirement set by the Governing Board.

D. The Governing Board may establish one or more sales tax performance standards for Model 3 sellers that meet the eligibility criteria set by the Governing Board and that developed a proprietary system to determine the amount of sales and use tax due on transactions.

**Section 502: STATE REVIEW AND APPROVAL OF CERTIFIED AUTOMATED SYSTEM SOFTWARE AND CERTAIN LIABILITY RELIEF**

A. Each member state shall review software submitted to the Governing Board for certification as a CAS under Section 501. Such review shall include a review to determine that the program accurately reflects the taxability of the product categories included in the program. Upon approval by the state, the state shall certify to the Governing Board its acceptance of the determination of the taxability of the product categories included in the program.

B. Each member state shall relieve CSPs and model 2 sellers from liability to the member state and local jurisdictions for not collecting sales or use taxes resulting from the CSP or model 2 seller relying on the certification provided by the member state.

C. Each member state shall provide relief from liability to CSPs for not collecting sales and use taxes in the same manner as provided to sellers under the provisions of section 317.

D. The Governing Board and the member states shall not be responsible for classification of an item or transaction within the product categories certified. The relief from liability provided in this section shall not be available for a CSP or model 2 seller that has incorrectly classified an item or transaction into a product category certified by a member state. This paragraph shall not apply to the individual listing of items or transactions within a product definition approved by the Governing Board or the member states.

E. If a member state determines that an item or transaction is incorrectly classified as to its taxability, it shall notify the CSP or model 2 seller of the incorrect classification. The CSP or model 2 seller shall have ten (10) days to revise the classification after receipt of notice from the member state of the determination. Upon expiration of the ten (10) days, CSP or model 2 seller shall be liable for the failure to collect the correct amount of sales or use taxes due and owing to the member state.

F. For purposes of this section:

1. "Product Category" means:

    a. Terms specifically defined in Appendix C, Parts II and III of the Agreement (e.g., clothing, durable medical equipment, food, drugs, soft drinks, disaster preparedness supplies);

    b. Subcategories of terms specifically defined in (a) that may be taxed differently than the product category as a whole. This may vary on a state-by-state basis (e.g., oxygen

delivery equipment, kidney dialysis equipment, prewritten computer software delivered electronically, prepared food that requires additional cooking by the consumer);

c. Terms representing groups of like products that do not fall within (a) and (b) (e.g., other digital products, building materials, furniture, motor vehicles); and

d. Subcategories of (c) that are taxed differently than the product category as a whole. This may vary on a state-by-state basis (e.g., printed materials, newspapers, catalogs).

2. "Product category" does not include:

   a. Any individual product(s) that properly falls within any product category in a state (e.g., shirts, reusable thermometers, ultrasound machine, bread, tables, chairs, automobile, motorcycle) unless the individual product is taxed differently than any other products within that product category; or

   b. "Tangible personal property."

3. "Certify a product category" means the state reviews the product category and determines that the taxability of a product properly included in that product category is consistent with their state's laws. The state certifies the taxability is based only on (1) the product-based exemptions or impositions provided by state law; (2) the specific description provided by the seller or certified service provider; and (3) not requiring either the purchaser or seller to produce documentation to claim the exemption.

*See Compiler's Notes for History.*

## ARTICLE VI
## MONETARY ALLOWANCES FOR NEW TECHNOLOGICAL MODELS FOR SALES TAX COLLECTION

### Section 601: MONETARY ALLOWANCE UNDER MODEL 1

A. Each member state shall provide a monetary allowance to a CSP in Model 1 in accordance with the terms of the contract between the Governing Board and the CSP. The details of the monetary allowance will be provided through the contract process. The Governing Board shall require that such allowance be funded entirely from money collected in Model 1.

B. The contract between the Governing Board and a CSP may base the monetary allowance to a CSP on one or more of the following:

   1. A base rate that applies to taxable transactions processed by the CSP.
   2. For a period not to exceed twenty-four months following a CSP-compensated seller's registration through the Agreement's central registration process, a percentage of tax revenue generated for a member state by the CSP-compensated seller for each member state for which the seller does not have a requirement to register to collect the tax.

*See Compiler's Note for History.*

### Section 602: MONETARY ALLOWANCE FOR MODEL 2 SELLERS

The member states initially anticipate that they will provide a monetary allowance to sellers under Model 2 based on the following:

A. All sellers shall receive a base rate for a period not to exceed twenty-four months following the commencement of participation by a seller. The base rate will be set after the base rate has been established for Model 1. This allowance will be in addition to any discount afforded by each member state at the time.

B. The member states anticipate a monetary allowance to a Model 2 Seller based on the following:

   1. For a period not to exceed twenty-four months following a voluntary seller's registration through the Agreement's central registration process, a percentage of tax revenue generated for a member state by the voluntary seller for each member state for which the seller does not have a requirement to register to collect the tax.

2. Following the conclusion of the twenty-four month period, a seller will only be entitled to a vendor discount afforded under each member state's law at the time the base rate expires.

*See Compiler's Note for History.*

**Section 603: MONETARY ALLOWANCE FOR MODEL 3 SELLERS AND ALL OTHER SELLERS THAT ARE NOT UNDER MODELS 1 OR 2 (REPEALED)**

*See Compiler's Note for History*

**Section 604: ADDITIONAL MONETARY ALLOWANCE REQUIRED FOR MEMBERS MAKING CERTAIN ELECTION (REPEALED)**

*See Compiler's Notes for History.*

**Section 605: VENDOR COMPENSATION DEFINITIONS (REPEALED)**

*See Compiler's Notes for History.*

**Section 606: COMPENSATION REQUIREMENT (REPEALED)**

*See Compiler's Notes for History.*

**Section 607: PETITION FOR COLLECTION AUTHORITY AND COMPENSATION COMPLIANCE DETERMINIATIONS (REPEALED)**

*See Compiler's Notes for History.*

**Section 608: STANDARDS FOR COMPENSATION (REPEALED)**

*See Compiler's Notes for History.*

**Section 609: OBLIGATION TO PAY (REPEALED)**

*See Compiler's Notes for History.*

**Section 610: SMALL SELLER EXCEPTION (REPEALED)**

*See Compiler's Notes for History.*

**Section 611: REPEAL (REPEALED)**

*See Compiler's Notes for History.*

**Section 612: VOLUNTARY COMPENSATION FOR REMOTE SELLERS (REPEALED)**

*See Compiler's Notes for History.*

**Section 613: OPTIONAL COMPENSATION FOR REMOTE SELLERS (REPEALED)**

*See Compiler's Notes for History.*

## ARTICLE VII
## AGREEMENT ORGANIZATION

**Section 701: EFFECTIVE DATE**

The Agreement shall become binding and take effect when at least ten states comprising at least twenty percent of the total population, as determined by the 2000 Federal census, of all states imposing a state sales tax as of October 1, 2005 have petitioned for membership and have either been found to be in compliance with the requirements of the Agreement pursuant to Section 805 or have been found to be an associate member pursuant to Section 704. The Agreement shall take effect on the first day of a calendar quarter at least sixty days after the tenth state is found in compliance or is found to be an associate member.

*See Compiler's Notes for History.*

**Section 702: APPROVAL OF INITIAL STATES (Repealed on December 17, 2009)**

*See Compiler's Notes for History.*

**Section 703: STREAMLINED SALES TAX IMPLEMENTING STATES (Repealed on December 17, 2009)**

*See Compiler's Notes for History.*

**Section 704: CONSIDERATION OF PETITIONS (Repealed on December 17, 2009)**

*See Compiler's Notes for History.*

**Section 705: ASSOCIATE MEMBERSHIP (Repealed on December 17, 2009)**

*See Compiler's Notes for History.*

## ARTICLE VIII
## STATE ENTRY AND WITHDRAWAL

### Section 801: ENTRY INTO AGREEMENT

A. A state may apply to become a full member, a contingent member, or an associate member of the Governing Board by submitting a petition for membership and certificate of compliance to the Governing Board. The president shall provide the public with an opportunity to comment prior to any vote on a state's petition for membership.

B. The Governing Board shall provide a copy of petitioning state's petition for membership and certificate of compliance to all member states when the petitioning state submits its petition for membership to the Governing Board. A petitioning state shall post a copy of its petition for membership and certificate of compliance on that state's web site. The Governing Board shall post a copy of the state's petition for membership and certificate of compliance on the Governing Board's web site.

*See Compiler's Notes for history.*

### Section 801.1: FULL MEMBERSHIP

A full member is a state that has been found in compliance pursuant to Sections 804 and 805 and the changes to their statutes, rules, regulations or other authorities necessary to bring them into compliance are in effect. The petition for full membership shall include such state's proposed date of entry. The petitioning state's proposed date of entry shall be on the first day of a calendar quarter. The proposed date of entry shall be a date on which all provisions necessary for the state to be in compliance with the Agreement are in place and effective.

*See Compiler's Notes for history.*

### Section 801.2: CONTINGENT MEMBERSHIP

A. A contingent member is a state that is found to be in compliance pursuant to Sections 804 and 805 of the Agreement except that the changes to their statutes, rules, regulations or other authorities necessary to bring them into compliance are not yet in effect. Such state shall be admitted as a contingent member if their statutes, rules, regulations or other authorities necessary to bring them into compliance are scheduled to become effective no later than the first day of a calendar quarter that is not more than twelve months subsequent to its proposed

date of entry as a contingent member state. The petition for contingent membership shall include such state's proposed dates of entry as a contingent member and a full member. Its proposed date of entry as a contingent member shall be on the first day of a calendar quarter that is no more than twelve months prior to the date on which all provisions necessary for the state to be in compliance with the Agreement are in place and effective. Provided the statutes, rules, regulations or other authorities remain in effect and the statutes, rules, regulations or other authorities with delayed effective dates go into effect, the state shall automatically become a full member state on the state's proposed date of entry as a full member. A state which is admitted as a contingent member shall become an associate member on such proposed date of entry if the state's statutes, rules, regulations or other authorities are not in compliance at that time.

B. A contingent member shall have all the rights and privileges of a full member state, except as provided in this subsection. A contingent member shall be responsible for the payment of the petition fee and the annual cost allocation as determined by the Governing Board. Notwithstanding any provision of this Agreement to the contrary, a seller may, but is not required to collect sales or use tax on sales into a contingent member state unless the seller is otherwise required to collect such taxes under applicable law. Notwithstanding the provisions of Section 401 (B), a seller that volunteers to collect tax in a contingent member state is not required to collect tax in any other contingent member state. A contingent member shall be responsible for payment of costs as provided in Article VI for those qualifying sellers that collect the tax in a contingent member state. Neither the Governing Board nor a member state may share or grant access to a contingent member state any seller information from the seller's registration pursuant to Section 401. Neither the Governing Board nor a member state may share or grant access to a contingent member state any seller information from an audit conducted by the Governing Board or a member state on behalf of the Governing Board unless the contingent member state is a party to the audit.

C. A contingent member state shall provide amnesty pursuant to the provisions of Section 402, provided, the amnesty shall be in effect from the date the contingent member status is attained until 12 months after the contingent member state becomes a full member state.

D. Contingent member states shall be subject to the annual recertification requirement set forth in Section 803 of this Agreement for all issues other than the delayed effective date issues identified at the time the state becomes a contingent member.

*See Compiler's Notes for history.*

**Section 801.3: ASSOCIATE MEMBERSHIP**

An associate state is a state that has achieved substantial compliance with the terms of the Agreement taken as a whole, but not necessarily each provision as required by Section 805, measured qualitatively. The petition for associate membership shall include such state's proposed date of entry. The petitioning state's proposed date of entry shall be on the first day of a calendar quarter. An associate member state shall become a full member when such state has been found in compliance pursuant to Sections 804 and 805 and the changes to their statutes, rules, regulations or other authorities necessary to bring them into compliance are in effect.

A. An associate member shall have all the rights and privileges of a member state except that:
   1. No associate member is qualified to vote on amendments to or interpretations of the Agreement;
   2. No associate member State is qualified to vote on whether any state is in compliance with the Agreement; and
   3. No representative of an associate member state is eligible to serve on the compliance review and interpretations committee.

B. Notwithstanding any other provision of this section or any lapse occurring after July 1, 2009, a state that was an associate member on January 1, 2007, shall be an associate state until or unless the Governing Board finds or has found such state to be in compliance pursuant to Section 805 or finds such state to no longer be eligible for associate member status.

C. Notwithstanding any provision of this Agreement to the contrary, a seller may, but is not required to collect sales or use tax on sales into an associate member state unless the seller is otherwise required to collect such taxes under applicable law. Notwithstanding the provisions of Section 401 (B), a seller that volunteers to collect tax in an associate member state is not required to collect tax in any other associate member state. An associate member shall be responsible for payment of costs as provided in Article VI for those qualifying sellers that collect the tax in an associate member state.

D. Neither the Governing Board nor a member state may share or grant access to an associate member state any seller information from the seller's registration pursuant to Section 401. Neither the Governing Board nor a member state may share or grant access to an associate member state any seller information from an audit conducted by the Governing Board or a member state on behalf of the Governing Board unless the associate member state is a party to the audit.

E. An associate member shall be responsible for the payment of the petition fee and the annual cost allocation as determined by the Governing Board.

F. An associate member state shall provide amnesty pursuant to the provisions of Section 402, provided, the amnesty shall be in effect from the date the associate member status is attained until 12 months after the associate member state becomes a full member state.

G. An associate member state shall be subject to an annual recertification requirement set forth by the compliance review and interpretations committee.

*See Compiler's Notes for history.*

**Section 801.4: ADVISOR MEMBERSHIP**

Any state that held Implementing State status before October 1, 2005 and has not become a full, contingent or associate state member shall become an advisor state to the Governing Board.

1. Advisor states shall serve in an *ex officio* capacity on the Governing Board, with non-voting status, but may speak to any matter presented to the Governing Board for consideration.
2. Each state's delegation to the former Streamlined Sales Tax Implementing States may serve as the state's delegation to the Governing Board as established herein or the state may appoint a new delegation, of up to four representatives, who shall be members of state or local government.
3. Representatives of advisor states may serve on standing committees of the Governing Board except they may not serve as officers or directors on the executive committee or as members on the finance committee or the compliance review and interpretations committee.
4. A state that was not previously an implementing state may become an advisor state by:
   a. Enacting legislation authorizing the state's participation in interstate discussions to develop a simplified sales and use tax system; or

b. Executing a memorandum of understanding or similar written document by the governor and legislative leaders expressing the intent of the state to participate in interstate discussions to develop a simplified sales and use tax system.

Any question over whether or not a state qualifies as an advisor state shall be resolved by a majority vote of the Governing Board States Qualified to vote.

Neither the Governing Board nor a member state may share or grant any advisor state access to any seller information from the seller's registration pursuant to Section 401. Neither the Governing Board nor a member state may share or grant any advisor state access to any seller information from an audit conducted by the Governing Board or a member state on behalf of the Governing Board.

An advisor state may not participate in a closed session of the Governing Board or a Governing Board committee.

*Compiler's note: On December 17, 2009 this section was adopted. This section became effective upon its adoption.*

**Section 801.5: VOTING RIGHTS OF GOVERNING BOARD STATES**

A. Unless otherwise prohibited from voting, a Governing Board State is qualified to vote if it is a full member state, a contingent member state, or an associate member state. For purposes of determining whether the required threshold for the motion to pass is met, only Governing Board States "qualified to vote" are included in the numerator and denominator.

B. A Governing Board State which has been sanctioned and whose sanction(s) imposed by the Governing Board include prohibiting such State from voting on specific items, is not "qualified to vote" on those items.

*Compiler's note: On May 23, 2023 this section was adopted as part of AM23002. This section became effective upon its adoption.*

**Section 802: CERTIFICATE OF COMPLIANCE**

The certificate of compliance shall be signed by the chief executive of the state's tax agency, or his or her designee. The certificate of compliance shall document compliance with the provisions of the Agreement and cite applicable statutes, rules, regulations, or other authorities evidencing such compliance.

**Section 803: ANNUAL RE-CERTIFICATION OF MEMBER STATES**

Each member state shall annually re-certify that such state is in compliance with the Agreement. Each member state shall make a re-certification to the Governing Board on or before August 1 of each year after the year of the state's entry based on the state's laws as of July 1. In its annual re-certification, the state shall include any changes in its statutes, rules, regulations, or other authorities that could affect its compliance with the terms of the Agreement. The re-certification shall be signed by the chief executive of the state's tax agency, or his or her designee.

A member state that cannot re-certify its compliance with the Agreement based on the state's laws as of July 1 of the current year shall submit a statement of non-compliance to the Governing Board. The statement of non-compliance shall include any action or decision that takes such state out of compliance with the Agreement and the steps it will take to return to compliance. The Governing Board shall promulgate rules and procedures to respond to statements of noncompliance in accordance with Section 805.1.

Each member state shall post its annual re-certification or statement of non-compliance on that state's web site.

**Section 804: REQUIREMENTS FOR MEMBERSHIP APPROVAL**

The Governing Board shall determine if a petitioning state is in compliance with the Agreement. A three-fourths vote of the Governing Board States qualified to vote is required to approve a state's petition for membership. The Governing Board shall provide public notice and opportunity for comment prior to voting on a state's petition for membership. A state's membership is effective on the proposed date of entry in its petition for membership or the first day of the calendar quarter after its petition is approved by the Governing Board, whichever is later, and is at least sixty days after its petition is approved.

**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, even though the state uses different words than those contained in the Agreement. These requirements shall include the rules, interpretive opinions, and appendices adopted by the Governing Board.

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.

*See Compiler's Notes for history.*

**Section 805.1: FINDING A MEMBER STATE OUT OF COMPLIANCE WITH THE AGREEMENT**

A. A motion to find that 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 Governing Board States qualified to vote, 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 Article X of the Agreement, 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.

*See Compiler's Notes for history.*

**Section 806: AGREEMENT ADMINISTRATION**

Authority to administer the Agreement shall rest with the Governing Board comprised of representatives of each member state. Each member state may appoint up to four representatives to the Governing Board. The representatives shall be members of the executive or legislative branches of the state or of a local government of that state. Each member state shall be entitled to one vote on the Governing Board. Except as otherwise provided in the Agreement, all actions taken by the Governing Board shall require an affirmative vote of a majority of the Governing Board States qualified to vote that are present and voting. The Governing Board shall determine its meeting schedule, but shall meet at least once annually. The Governing Board shall provide a public comment period at each meeting to provide members of the public an opportunity to address the board on matters relevant to the administration or operation of the Agreement. The Governing Board shall provide public notice of its meetings at least thirty days in advance of such meetings. The Governing Board shall promulgate rules establishing the public notice requirements for holding emergency meetings on less than thirty days' notice. The Governing Board may meet electronically.

The Governing Board is responsible for the administration and operation of the Agreement, including the appointment of all manner of committees. The Governing Board may employ

staff, advisors, consultants or agents. The Governing Board may issue interpretive opinions and promulgate such rules it deems necessary to carry out its responsibilities. Rules may take one of two forms: procedural rules, which shall require an affirmative vote of a majority of the Governing Board States qualified to vote and that are present and voting to adopt; and interpretative rules which shall require an affirmative vote of three-fourths of the Governing Board States qualified to vote to adopt. The Governing Board may enter into contracts with others. The Governing Board may take any action that is necessary and proper to fulfill the purposes of the Agreement. The Governing Board may allocate the cost of administration of the Agreement among the member states and others contracting with the Governing Board.

The Governing Board may assign committees certain duties, including, but not limited to:

A. Responding to questions regarding the administration of the Agreement;
B. Preparing certification requirements and coordinating the certification process for CSPs;
C. Coordinating joint audits;
D. Issuing requests for proposals;
E. Coordinating contracts with member states and providers; and
F. Maintaining records for the Governing Board.
G. Entering into contracts with others for purposes including, but not limited to:
    1. Use of the central registration system;
    2. Coordinating negotiation of the CSP contracts; and
    3. Certifying the CSPs.

*See Compiler's Notes for history.*

**Section 807: OPEN MEETINGS**

Each meeting of the Governing Board and the minutes thereof shall be open to the public except as provided herein. Meetings of the Governing Board may be closed only for one or more of the following:

A. Personnel issues.
B. Information required by the laws of any member state to be protected from public disclosure. In the meeting, the Governing Board shall excuse any attendee to whom confidential taxpayer information cannot be disclosed under the law of any member state.
C. Proprietary information requested by any business to be protected from disclosure.

D. The consideration of issues incident to competitive bidding, requests for information, or certification, the disclosure of which would defeat the public interest in a fair and competitive process.

E. The consideration of pending litigation in a member state the discussion of which in a public session would, in the judgment of the member state engaged in the litigation, adversely affect its interests. In the meeting, the Governing Board shall excuse any attendee to whom confidential taxpayer information cannot be disclosed under the law of any member state.

F. The consideration of pending litigation in which the Governing Board is a party the discussion of which in a public session would, in the judgment of the Governing Board, adversely affect its interests. In the meeting, the Governing Board shall excuse any attendee to whom confidential taxpayer information cannot be disclosed under the law of any member state.

G. Discussion of information technology systems, reporting, or related issues when public disclosure could pose a security risk to the organization or is otherwise confidential.

A closed session of the Governing Board may be convened by the chair or by a majority vote of the Governing Board States qualified to vote. When a closed session is convened, the reason for the closed session shall be noted in a public session. Any actions taken in the closed session shall be reported immediately upon the reconvening of a public session.

*See Compiler's Notes for history.*

**Section 808: WITHDRAWAL OF MEMBERSHIP OR EXPULSION OF A MEMBER**

With respect to each member state, the Agreement shall continue in full force and effect until a member state withdraws its membership or is expelled. A member state's withdrawal or expulsion cannot be effective until the first day of a calendar quarter after a minimum of sixty days' notice. A member state shall submit notice of its intent to withdraw from the Agreement to the Governing Board and the chief executive of each member state's tax agency. The member state shall provide public notice of its intent to withdraw and post its notice of intent to withdraw on its web site. The withdrawal by or expulsion of a state does not affect the validity of the Agreement among other member states. A state that withdraws or is expelled from the Agreement remains liable for its share of any financial or contractual obligations that were incurred by the Governing Board prior to the effective date of that state's withdrawal or expulsion. The appropriate share of any financial or contractual obligation shall be determined

by the state and the Governing Board in good faith based on the relative benefits received and burdens incurred by the parties.

**Section 809: SANCTION OF MEMBER STATES**

A. If a member state is found to be out of compliance with the Agreement, the Executive Committee shall consider sanctions against the member state following the procedures set forth in Rule 809.

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.

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 Governing Board States qualified to vote, excluding the state that is the subject of the resolution. The member state that is the subject of the resolution is not qualified to vote on such resolution.

*See Compiler's Notes for history.*

**Section 810: STATE AND LOCAL ADVISORY COUNCIL**

The Governing Board shall create a State and Local Government Advisory Council to advise the Governing Board on matters pertaining to the administration of the Agreement. The membership shall include at least one representative from each state that is a participating member of the Streamlined Sales Tax Project pursuant to the Operating Rules of the Project as designated by that state. In addition, the Governing Board shall appoint local government officials to the State and Local Government Advisory Council. The Governing Board may appoint other state officials as it deems appropriate. Matters pertaining to the administration of the Agreement shall include, but not be limited to, admission of states into membership, noncompliance, and interpretations, revisions or additions to the Agreement. The State and Local Government Advisory Council shall advise and assist the Business Advisory Council in the functions noted in Section 811.

*See Compiler's Notes for history.*

**Section 811: BUSINESS ADVISORY COUNCIL**

The Governing Board shall recognize a Business Advisory Council from the private sector to advise the Governing Board on matters pertaining to the administration of the Agreement. These matters shall include, but not be limited to, admission of states into membership, noncompliance, and interpretations, revisions or additions to the Agreement. The Business Advisory Council shall advise and assist the State and Local Government Advisory Council in the functions noted in Section 810.

*See Compiler's Notes for history.*

**Section 812: LOCAL ADVISORY COUNCIL**

The Governing Board shall create a Local Government Advisory Council to advise the Governing Board on matters related to the administration of the agreement, if the issue specifically relates to local governments. These matters shall include, but are not limited to, interpretations, revisions or additions to the Agreement.

*See Compiler's Notes for history.*

## ARTICLE IX
## AMENDMENTS AND INTERPRETATIONS

### Section 901: AMENDMENTS TO AGREEMENT

Amendments to the Agreement may be brought before the Governing Board by any member state. The Agreement may be amended by a three-fourths vote of the Governing Board States qualified to vote. The Governing Board shall give the Governor and presiding officer of each house of each member state notice of proposed amendments to the Agreement at least thirty days prior to consideration. The Governing Board shall give public notice of proposed amendments to the Agreement at least thirty days prior to consideration. The Governing Board shall provide an opportunity for public comment prior to action on an amendment to the Agreement.
*See Compiler's Notes for history.*

### Section 902: INTERPRETATIONS OF AGREEMENT

Matters involving interpretation of the Agreement, including all definitions in the Library of Definitions, may be brought before the Governing Board by any member state or by any other person. Interpretations may take the form of interpretive opinions, or interpretive rules. An interpretive opinion is issued when the requester submits specific facts and asks how certain provisions in the Agreement would apply to those facts, similar to a private letter ruling. An interpretive rule is issued to clarify language in the Agreement and applies more generally, similar to rules and regulations issued to clarify statutory language. Both forms of interpretations shall require a three-fourths vote of the Governing Board States qualified to vote. The Governing Board shall publish all interpretations issued under this section. Interpretations shall be considered part of the Agreement and shall have the same effect as the Agreement. The Governing Board shall act on requests for interpretation of the Agreement within a reasonable period of time and under guidelines and procedures as set forth in the Governing Board's rules. The Governing Board may determine that it will not issue an interpretation. The Governing Board shall provide an opportunity for public comment prior to issuing an interpretation of the Agreement. The Governing Board shall give notice of a proposed interpretive rule to the member states and the public as provided in Section 901 of the Agreement, except that notice must be given at least thirty days prior to consideration.

*See Compiler's Notes for history.*

**Section 903: DEFINITION REQUESTS**

In addition to the requests for interpretations authorized under Section 902 of this Agreement, any member state or any other person may make requests for additional definitions or for interpretations on how an individual product or service fits within a Part II or Part III(B) definition. Requests shall be submitted in writing as determined by the Governing Board. Such requests shall be referred to the Advisory Council created in Section 810 or other group under guidelines and procedures as set forth in the Governing Board's rules. The entity to which the request was referred shall post notice of the request and provide for input from the public and the member states as directed by the Governing Board. Within one hundred eighty days after receiving the request, they shall report to the Governing Board one of the following recommendations:

A. That no action be taken on the request;

B. That a proposed amendment to the Library be submitted;

C. That an interpretation request be submitted; or

D. That additional time is needed to review the request.

If either an amendment or an interpretation is recommended, the entity to which the request was referred shall provide the appropriate language as required by the Governing Board. The Governing Board shall take action on the recommendation of the entity to which the request was referred at the next meeting of the Governing Board pursuant to the notice requirements of Section 806. Action by the Governing Board to approve a recommendation for no action shall be considered the final disposition of the request. Nothing in this paragraph shall prohibit a state from directly submitting a proposed amendment or an interpretation request to the Governing Board pursuant to Section 901 or Section 902.

*See Compiler's Notes for history.*

# ARTICLE X
# ISSUE RESOLUTION PROCESS

## Section 1001: RULES AND PROCEDURES FOR ISSUE RESOLUTION

The Governing Board shall promulgate rules creating an issue resolution process. The rules shall govern the conduct of the process, including the participation by any petitioner, affected state, and other interested party, the disposition of a petition to invoke the process, the allocation of costs for participating in the process, the possible involvement of a neutral third party or non-binding arbitration, and such further details as the Governing Board determines necessary and appropriate.

## Section 1002: PETITIONS FOR RECONSIDERATION AND RESOLUTION

A. Any member state or person, including the Business Advisory Council, dissatisfied with a decision of the Governing Board may file a petition for reconsideration. A "decision of the Governing Board" is any formal action by the Governing Board (e.g., a vote) on any issue.

B. Any member state or person, including the Business Advisory Council, may petition the Streamlined Sales Tax Governing Board to invoke the issue resolution process by filing a petition for resolution to resolve matters of:
   1. Membership of a state under Article VIII;
   2. Compliance under Sections 805 and 805.1;
   3. Possibilities of sanctions of a member state under Section 809;
   4. Amendments to the Agreement under Section 901;
   5. Interpretation issues, including differing interpretations among the member states, under Section 902; or
   6. Other matters at the discretion of the Governing Board.

## Section 1003: FINAL DECISION OF GOVERNING BOARD

A. The Governing Board shall consider any recommendations resulting from the issue resolution process before making its final decision.

B. If the action by the Governing Board involves reconsideration of a prior decision by the Governing Board, the Governing Board's vote shall be subject to the same voting requirements as the original decision. Any motion to find a member state out of compliance with the Agreement must meet the voting requirement provided in Section 805.1.B.

C. The decision of the Governing Board on the recommendation shall be final and not subject to further reconsideration under the Agreement.

**Section 1004: LIMITED SCOPE OF THIS ARTICLE**

Nothing in this Article shall be construed to substitute for, stay or extend, limit, expand, or otherwise affect, in any manner, any right or duty that any person or governmental body has under the laws of any member state or local government body. This Article is specifically subject to the terms of Article XI and shall not be construed as taking precedence over Article XI.

## ARTICLE XI

## RELATIONSHIP OF AGREEMENT TO MEMBER STATES AND PERSONS

### Section 1101: COOPERATING SOVEREIGNS

This Agreement is among individual cooperating sovereigns in furtherance of their governmental functions. The Agreement provides a mechanism among the member states to establish and maintain a cooperative, simplified system for the application and administration of sales and use taxes under the duly adopted law of each member state.

### Section 1102: RELATIONSHIP TO STATE LAW

No provision of the Agreement in whole or part invalidates or amends any provision of the law of a member state. Adoption of the Agreement by a member state does not amend or modify any law of the state. Implementation of any condition of the Agreement in a member state, whether adopted before, at, or after membership of a state, must be by the action of the member state. All member states remain subject to Article VIII.

### Section 1103: LIMITED BINDING AND BENEFICIAL EFFECT

A. This Agreement binds and inures only to the benefit of the member states and others with whom the Governing Board contracts. No person, other than a member state and others with whom the Governing Board contracts, is an intended beneficiary of this Agreement. Any benefit to a person other than a state is established by the laws of the member states and not by the terms of this Agreement.

B. Consistent with subsection (A), no person shall have any cause of action or defense under the Agreement or by virtue of a member state's approval of the Agreement. No person may challenge, in any action brought under any provision of law, any action or inaction by any department, agency, or other instrumentality of any member state, or any political subdivision of a member state on the ground that the action or inaction is inconsistent with the Agreement.

C. No law of a member state, or the application thereof, may be declared invalid as to any person or circumstance on the ground that the provision or application is inconsistent with the Agreement.

**Section 1104: FINAL DETERMINATIONS**

Except as provided in Article X related to the Issue Resolution Process, the determinations pertaining to the Agreement that are made by the member states are final when rendered and are not subject to any protest, appeal, review, petition or further reconsideration.

# ARTICLE XII

# REVIEW OF COSTS AND BENEFITS ASSOCIATED WITH THE AGREEMENT

## Section 1201: REVIEW OF COSTS AND BENEFITS

The Governing Board will review costs and benefits of administration and collection of sales and use taxes incurred by states and sellers under the existing sales and use tax laws at the time of adoption of the Agreement and the proposed Streamlined Sales Tax Agreement.

## APPENDIX A

## STREAMLINED SALES AND USE TAX AGREEMENT

## PETITION FOR MEMBERSHIP

**WHEREAS**, it is in the interest of the private sector and of state and local governments to simplify and modernize sales and use tax administration;

**WHEREAS**, such simplification and modernization will result in a substantial reduction in the costs and complexity for sellers of personal property and services in conducting their commercial enterprises;

**WHEREAS**, such simplification and modernization will also result in additional voluntary compliance with the sales and use tax laws;

**WHEREAS**, such simplification and modernization of sales and use tax administration is best conducted in cooperation and coordination with other states; and

**WHEREAS,** the State of _____ levies a sales tax and levies a use tax. "Sales tax" means the tax levied under (CITE SPECIFIC STATUTE) and "use tax" means the tax levied under (CITE SPECIFIC STATUTE).

**NOW**, the undersigned representative hereby petitions the Governing Board of the Streamlined Sales and Use Tax Agreement for membership into the Agreement.

_____

NAME

_____

TITLE

STATE OF _____

## Appendix B

## INDEX OF DEFINITIONS

| Term | Placement in Agreement |
|---|---|
| Alcoholic beverages | Appendix C, Part II, within food and food products category |
| Agent | Article II, Section 201 |
| Air-to-ground radiotelephone service | Article III, Section 315 |
| Ancillary services | Appendix C, Part II, within telecommunications category |
| Bottled water | Appendix C, Part II, within food and food products category |
| Breast Pump | Appendix C, Part II- |
| Breast pump collection and storage supplies | Appendix C, Part II- |
| Breast pump kit | Appendix C, Part II- |
| Bundled transaction | Appendix C, Part I |
| Call-by-call basis | Article III, Section 315 |
| Candy | Appendix C, Part II, within food and food products category |
| Certified automated system | Article II, Section 202 |
| Certified service provider | Article II, Section 203 |
| Clothing | Appendix C, Part II, within clothing category |
| Clothing accessories or equipment | Appendix C, Part II, within clothing category |
| Computer | Appendix C, Part II, within computer related category |
| Computer software | Appendix C, Part II, within computer related category |
| Communications channel | Article III, Section 315 |

| Term | Placement in Agreement |
|---|---|
| Coin-operated telephone service | Appendix C, Part II, within telecommunications category |
| Conference bridging service | Appendix C, Part II, within telecommunications category |
| Confidential taxpayer information | Article III, Section 321 |
| Customer | Article III, Section 315 |
| Customer channel termination point | Article III, Section 315 |
| Delivered electronically | Appendix C, Part II, within computer related category |
| Delivery charges | Appendix C, Part I |
| Detailed telecommunications billing service | Appendix C, Part II, within telecommunications category |
| Dietary supplement | Appendix C, Part II, within food and food products category |
| Digital Books | Appendix C, Part II, within digital products category |
| Digital Audio-Visual Works | Appendix C, Part II, within digital products category |
| Digital Audio Works | Appendix C, Part II, within digital products category |
| Direct mail | Appendix C, Part I |
| Directory assistance | Appendix C, Part II, within telecommunications category |
| Disaster Preparedness Supply | Appendix C, Part III, for sales tax holidays |
| Disaster Preparedness General Supply | Appendix C, Part III, for sales tax holidays |
| Disaster Preparedness Safety Supply | Appendix C, Part III, for sales tax holidays |
| Disaster Preparedness Food-Related Supply | Appendix C, Part III, for sales tax holidays |
| Disaster Preparedness Fastening Supply | Appendix C, Part III, for sales tax holidays |
| Drug | Appendix C, Part II, within health care category |
| Durable medical equipment | Appendix C, Part II, within health care category |

| Term | Placement in Agreement |
|---|---|
| 800 service | Appendix C, Part II, within telecommunications category |
| Electronic | Appendix C, Library, within computer related category |
| Eligible property | Appendix C, Part III, for sales tax holidays |
| Energy Star Qualified Product | Appendix C, Part III, for sales tax holidays |
| Entity-based exemption | Article II, Section 204 |
| Essential Clothing | Appendix C, Part II, within clothing category |
| Feminine Hygiene Products (See Menstrual Discharge Collection Device) | Appendix C, Part II, within health care category |
| Firearm Safety Device | **Appendix C, Part II, within miscellaneous definitions category** |
| Firearm Storage Device | **Appendix C, Part II within miscellaneous definitions category** |
| Fixed wireless service | **Appendix C, Part** II, within telecommunications category |
| Food and food ingredients | Appendix C, Part II, within food and food products category |
| Food sold through vending machines | Appendix C, Part II, within food and food products category |
| Food sold through vending machines | Appendix C, Part II, within food and food products category |
| Fur clothing | Appendix C, Part II, within clothing category |
| Grooming and hygiene products | Appendix C, Part II, within health care category |
| Home service provider | Article III, Section 315 |
| International | Appendix C, Part II, within telecommunications category |
| Interstate | Appendix C, Part II, within telecommunications category |
| Intrastate | Appendix C, Part II, within telecommunications category |
| Layaway sale | Appendix C, Part III, for sales tax holidays |

| Term | Placement in Agreement |
|---|---|
| Lease | Appendix C, Part I |
| Load and leave | Appendix C, Part II, within computer related category |
| Menstrual Discharge Collection Device | Appendix C, Part II, within health care category |
| Mobile telecommunications service | Article III, Section 315 |
| Mobile wireless service | Appendix C, Part II, within telecommunications category |
| Mobility enhancing equipment | Appendix C, Part II, within health care category |
| Model 1 Seller | Article II, Section 205 |
| Model 2 Seller | Article II, Section 206 |
| Model 3 Seller | Article II, Section 207 |
| 900 service | Appendix C, Part II, within telecommunications category |
| Over-the-counter drug | Appendix C, Part II, within health care category |
| Paging service | Appendix C, Part II, within telecommunications category |
| Pay telephone service | Appendix C, Part II, within telecommunications category |
| Person | Article II, Section 208 |
| Place of primary use | Article III, Section 315 |
| Post-paid calling service | Article III, Section 315 |
| Prepaid calling service | Article III, Section 315 and Appendix C, Part II, within telecommunications category |
| Prepaid wireless calling service | **Article III, Section 315** and **Appendix C, Part II**, within telecommunications category |
| Prepared food | Appendix C, Part II, within food and food products category |
| Prescription | Appendix C, Part II, within health care category |
| Prewritten computer software | Appendix C, Part II, within computer related category |

| Term | Placement in Agreement |
|---|---|
| Private communication service | Article III, Section 315 |
| Product-based exemption | Article II, Section 209 |
| Prosthetic device | Appendix C, Part II, within health care category |
| Protective equipment | Appendix C, Part II, within clothing category |
| Purchase price | Appendix C, Part I |
| Purchaser | Article II, Section 210 |
| Rain check | Appendix C, Part III, for sales tax holidays |
| Receive and receipt | Article III, Section 311 |
| Registered under this agreement | Article II, Section 211 |
| Rental | Appendix C, Part I |
| Residential telecommunications service | Appendix C, Part II, within telecommunications category |
| Retail sale | Appendix C, Part I |
| Sale at retail | Appendix C, Part I |
| Sales price | Appendix C, Part I |
| School art supply | Appendix C, Part III, for sales tax holidays |
| School computer supply | Appendix C, Part III, for sales tax holidays |
| School instruction material | Appendix C, Part III, for sales tax holidays |
| School supply | Appendix C, Part III, for sales tax holidays |
| Seller | Article II, Section 212 |
| Service address | Article III, Section 315 |
| Soft drinks | Appendix C, Part II, within food and food products category |

| Term | Placement in Agreement |
|---|---|
| Software maintenance contracts | Appendix C, Part II, within computer related category |
| Specified digital products | Appendix C, Part II, within digital products category |
| Sport or recreational equipment | Appendix C, Part II, within clothing category |
| State | Article II, Section 213 |
| Tangible personal property | Appendix C, Part I |
| Telecommunications nonrecurring charges | Appendix C, Part I, within "sales price" definition |
| Telecommunications service | Appendix C, Part II, within telecommunications category |
| Tobacco | Appendix C, Part II, within food and food products category |
| Transportation equipment | Article III, Section 310 |
| Use-based exemption | Article II, Section 214 |
| Value-added non-voice data service | Appendix C, Part II, within telecommunications category |
| Vapor Product | Appendix C, Part III, for sales tax holidays |
| Vertical service | Appendix C, Part II, within telecommunications category |
| Voice mail service | Appendix C, Part II, within telecommunications category |
| Water Sense Products | Appendix C, Part III, for sales tax holidays |

# Appendix C
# LIBRARY OF DEFINITIONS

**Part I** Administrative definitions including tangible personal property. Terms included in this Part are core terms that apply in imposing and administering sales and use taxes.

**Part II** Product definitions. Terms included in this Part are used to impose sales and use taxes, exempt items from sales and use taxes or to impose tax on items by narrowing an exemption that otherwise includes these items.
*See Compiler's Notes for history.*

**Part III** Sales tax holiday definitions. Terms included in this Part are core terms that apply in imposing and administering sales and use taxes during sales tax holidays.

## PART I

## Administrative Definitions

A **"bundled transaction"** is the retail sale of two or more products, except real property and services to real property, where (1) the products are otherwise distinct and identifiable, and (2) the products are sold for one non-itemized price. A "bundled transaction" does not include the sale of any products in which the "sales price" varies, or is negotiable, based on the selection by the purchaser of the products included in the transaction.

A. "Distinct and identifiable products" does not include:

1. Packaging – such as containers, boxes, sacks, bags, and bottles – or other materials – such as wrapping, labels, tags, and instruction guides – that accompany the "retail sale" of the products and are incidental or immaterial to the "retail sale" thereof. Examples of packaging that are incidental or immaterial include grocery sacks, shoeboxes, dry cleaning garment bags and express delivery envelopes and boxes.

2. A product provided free of charge with the required purchase of another product. A product is "provided free of charge" if the "sales price" of the product purchased does not vary depending on the inclusion of the product "provided free of charge."
3. Items included in the member state's definition of "sales price," pursuant to Appendix C of the Agreement.

B. The term "one non-itemized price" does not include a price that is separately identified by product on binding sales or other supporting sales-related documentation made available to the customer in paper or electronic form including, but not limited to an invoice, bill of sale, receipt, contract, service agreement, lease agreement, periodic notice of rates and services, rate card, or price list.

C. A transaction that otherwise meets the definition of a "bundled transaction" as defined above, is not a "bundled transaction" if it is:

1. The "retail sale" of tangible personal property and a service where the tangible personal property is essential to the use of the service, and is provided exclusively in connection with the service, and the true object of the transaction is the service; or
2. The "retail sale" of services where one service is provided that is essential to the use or receipt of a second service and the first service is provided exclusively in connection with the second service and the true object of the transaction is the second service; or
3. A transaction that includes taxable products and nontaxable products and the "purchase price" or "sales price" of the taxable products is de minimis.
   a. De minimis means the seller's "purchase price" or "sales price" of the taxable products is ten percent (10%) or less of the total "purchase price" or "sales price" of the bundled products.
   b. Sellers shall use either the "purchase price" or the "sales price" of the products to determine if the taxable products are de minimis. Sellers may not use a combination of the "purchase price" and "sales price" of the products to determine if the taxable products are de minimis.
   c. Sellers shall use the full term of a service contract to determine if the taxable products are de minimis; or
4. The "retail sale" of exempt tangible personal property and taxable tangible personal property where:

a. the transaction includes “food and food ingredients”, “drugs”, “durable medical equipment”, “mobility enhancing equipment”, “over-the-counter drugs”, “prosthetic devices” (all as defined in Appendix C) or medical supplies; and

b. where the seller's “purchase price” or “sales price” of the taxable tangible personal property is fifty percent (50%) or less of the total “purchase price” or “sales price” of the bundled tangible personal property. Sellers may not use a combination of the “purchase price” and “sales price” of the tangible personal property when making the fifty percent (50%) determination for a transaction.

*See Compiler’s Notes for history.*

**“Delivery charges”** means 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 (i) exclude all delivery charges from the sales price of all personal property and services; (ii) exclude all delivery charges from the sales price of all personal property and services except for delivery charges involving or related to the sale of electricity, natural gas, or artificial gas by a utility, as “utility” is defined by the state or (iii) 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.

B. In addition, a member state may treat “delivery charges” for “direct mail” differently than it treats “delivery charges” for other personal property or services. A member state may exclude all “delivery charges” from the “sales price” for “direct mail” or choose to exclude from the “sales price” of “direct mail” one or more of the following components, an may amend the definition of “delivery charges” accordingly:
   1. Handling, crating, packing, preparation for mailing or delivery, and similar charges;
   2. Transportation, shipping, and similar charges; or
   3. Postage.

C. Unless a seller separately states the “delivery charges” or components of “delivery charges” on the invoice or similar billing document given to the purchaser, those non-separately stated

charges will not qualify for the exclusion from "sales price." No member state may require a seller to separately state any "delivery charge" or component thereof.

D. The exclusion of "delivery charges" for "direct mail" shall apply to any sale involving the delivery or mailing of: "direct mail;" printed material that would otherwise be "direct mail" that results from a transaction that a state considers the sale of a service; or printed material delivered or mailed to a mass audience when the costs of the printed materials are not billed directly to the recipients and is the result of a transaction that includes the development of billing information or the provision of data processing services.

E. If a shipment includes exempt property and taxable property, the seller should allocate the delivery charge by using:

   1. A percentage based on the total sales prices of the taxable property compared to the total sales prices of all property in the shipment; or
   2. A percentage based on the total weight of the taxable property compared to the total weight of all property in the shipment.

The seller must tax the percentage of the delivery charge allocated to the taxable property but does not have to tax the percentage allocated to the exempt property.

*See Compiler's Notes for history.*

*Interpretations issued: On September 16, 2015, the Governing Board adopted interpretive opinion 2015-2 related to transportation and delivery of ready-mix concrete.*

"**Direct mail**" means printed material delivered or distributed by United States mail or other delivery service to a mass audience or to addressees on a mailing list provided by the purchaser or at the direction of the purchaser when the cost of the items are not billed directly to the recipients. "Direct mail" includes tangible personal property supplied directly or indirectly by the purchaser to the direct mail seller for inclusion in the package containing the printed material. "Direct mail" does not include multiple items of printed material delivered to a single address.

*Interpretations issued: The Governing Board issued interpretations 2006-12 related to whether the definition of "direct mail" included billing invoices, return envelopes and additional marketing materials included on December 14, 2006 and 2008-2 related to whether the printing and mailing of billing statements is "direct mail" on September 5, 2008.*

**"Lease or rental"** means any transfer of possession or control of tangible personal property for a fixed or indeterminate term for consideration. A lease or rental may include future options to purchase or extend.

A. Lease or rental does not include:
   1. A transfer of possession or control of property under a security agreement or deferred payment plan that requires the transfer of title upon completion of the required payments;
   2. A transfer or possession or control of property under an agreement that requires the transfer of title upon completion of required payments and payment of an option price does not exceed the greater of one hundred dollars or one percent of the total required payments; or
   3. Providing tangible personal property along with an operator for a fixed or indeterminate period of time. A condition of this exclusion is that the operator is necessary for the equipment to perform as designed. For the purpose of this subsection, an operator must do more than maintain, inspect, or set-up the tangible personal property.

B. Lease or rental does include agreements covering motor vehicles and trailers where the amount of consideration may be increased or decreased by reference to the amount realized upon sale or disposition of the property as defined in 26 USC 7701(h)(1).

C. This definition shall be used for sales and use tax purposes regardless if a transaction is characterized as a lease or rental under generally accepted accounting principles, the Internal Revenue Code, the [state commercial code], or other provisions of federal, state or local law.

D. This definition will be applied only prospectively from the date of adoption and will have no retroactive impact on existing leases or rentals. This definition shall neither impact any existing sale-leaseback exemption or exclusions that a state may have, nor preclude a state from adopting a sale-leaseback exemption or exclusion after the effective date of the Agreement.

**"Purchase price"** applies to the measure subject to use tax and has the same meaning as sales price.

"**Retail sale or Sale at retail**" means any sale, lease, or rental for any purpose other than for resale, sublease, or subrent.

"**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:

i. The seller's cost of the property sold;
ii. 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;
iii. Charges by the seller for any services necessary to complete the sale, other than delivery and installation charges;
iv. Delivery charges;
v. Installation charges; and
vi. Credit for any trade-in, as determined by state law.

A. Notwithstanding (ii) 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.

   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.

B. 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.

1.

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

b. For charges included in paragraphs (iv) and (v) above, a state may include in the "sales price" either or all of the following charges even if the state otherwise excludes such charges from the "sales price" if separately stated on the invoice, billing statement, or similar document given to the purchaser:

i. delivery charges involving or relating to the sale of electricity, natural gas, or artificial gas by a utility, as "utility" is defined by the state.

ii. installation charges involving or relating to the sale of electricity, natural gas, or artificial gas by a utility, as "utility" is defined by the state.

2.

a. A state may exclude from (iii) 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:

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

C. "Sales price" shall not include:

1. 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;

2. 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
3. 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.

D. "Sales price" shall include consideration received by the seller from third parties if:
1. 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;
2. The seller has an obligation to pass the price reduction or discount through to the purchaser;
3. The amount of the consideration attributable to the sale is fixed and determinable by the seller at the time of the sale of the item to the purchaser; and
4. One of the following criteria is met:
   a. 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;
   b. 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
   c. 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.

E. Notwithstanding D. above, States may exclude from "sales price" any or all of the following:
1. Employee discounts that are reimbursed by a third party on sales of motor vehicles,
2. Manufacturer rebates on motor vehicles, or
3. All coupons issued by a manufacturer, supplier or distributor of a product(s) that entitle the purchaser to a reduction in sales price and allowed by the seller who is reimbursed by the manufacturer, supplier or distributor. When the seller accepts such coupons, only the amount paid by the purchaser is included in the sales price.

F. The "sales price" of a cash transaction does not change due to any rounding of the "total transaction amount" to the nearest amount divisible by 5 (five) cents. The "total transaction amount" for purposes of this subsection is the total amount due from the customer which includes all applicable taxes and fees.

**"Tangible personal property"** means personal property that can be seen, weighed, measured, felt, or touched, or that is in any other manner perceptible to the senses. "Tangible personal property" includes electricity, water, gas, steam, and prewritten computer software.
*Interpretation Issued: The Governing Board issued Interpretation Opinion 2009-1 relating to whether a software license upgrade is within the definition of "tangible personal property" on May 12, 2009.*

## PART II

## Product Definitions

### CLOTHING

**"Clothing"** means all human wearing apparel suitable for general use. The following list contains examples and is not intended to be an all-inclusive list.

A. "Clothing" shall include:

1. Aprons, household and shop;
2. Athletic supporters;
3. Baby receiving blankets;
4. Bathing suits and caps;
5. Beach capes and coats;
6. Belts and suspenders;
7. Boots;
8. Coats and jackets;
9. Costumes;
10. Diapers, children and adult, including disposable diapers;
11. Ear muffs;
12. Footlets;
13. Formal wear;
14. Garters and garter belts;
15. Girdles;
16. Gloves and mittens for general use;
17. Hats and caps;
18. Hosiery;
19. Insoles for shoes;
20. Lab coats;
21. Neckties;
22. Overshoes;
23. Pantyhose;
24. Rainwear;

25. Rubber pants;
26. Sandals;
27. Scarves;
28. Shoes and shoe laces;
29. Slippers;
30. Sneakers;
31. Socks and stockings;
32. Steel toed shoes;
33. Underwear;
34. Uniforms, athletic and non-athletic; and
35. Wedding apparel.

B. "Clothing" shall not include:
   1. Belt buckles sold separately;
   2. Costume masks sold separately;
   3. Patches and emblems sold separately;
   4. Sewing equipment and supplies including, but not limited to, knitting needles, patterns, pins, scissors, sewing machines, sewing needles, tape measures, and thimbles; and
   5. Sewing materials that become part of "clothing" including, but not limited to, buttons, fabric, lace, thread, yarn, and zippers.

C. A member state may exclude items under subsection A.10, "Diapers, children and adult, including disposable diapers," from the definition of "clothing." A state may limit the exclusion to children's diapers or adult diapers. "Diaper" means an absorbent garment worn by humans who are incapable of, or have difficulty, controlling their bladder or bowel movements. "Children's diapers" means diapers marketed to be worn by children. "Adult diapers" means diapers other than children's diapers.

*See Compiler's Notes for history.*

*Interpretation issued: The Governing Board issued Interpretation 2006-05 relating to whether apparel made from "fur" is included in the definition of clothing on August 29, 2006.*

**"Clothing accessories or equipment"** means incidental items worn on the person or in conjunction with "clothing." "Clothing accessories or equipment" are mutually exclusive of and may be taxed differently than apparel within the definition of "clothing," "sport or recreational

equipment," and "protective equipment." The following list contains examples and is not intended to be an all-inclusive list. "Clothing accessories or equipment" shall include:

1. Briefcases;
2. Cosmetics;
3. Hair notions, including, but not limited to, barrettes, hair bows, and hair nets;
4. Handbags;
5. Handkerchiefs;
6. Jewelry;
7. Sun glasses, non-prescription;
8. Umbrellas;
9. Wallets;
10. Watches; and
11. Wigs and hair pieces.

"**Essential clothing**" means any article of "clothing" with a sales price below a dollar threshold set by a member state if that state chooses to tax "essential clothing" differently from "clothing." A state electing to tax "essential clothing" differently from "clothing" may not exempt the portion of the price of any individual item of clothing below its dollar threshold and shall administer the "essential clothing" threshold consistent with the provisions of Section 322, subsections (B), (C)(3), (C)(4) and (C)(7).
*See Compiler's Notes for history.*

"**Fur clothing**" means "clothing" that is required to be labeled as a fur product under the Federal Fur Products Labeling Act (15 U.S.C. §69), and the value of the fur components in the product is more than three times the value of the next most valuable tangible component. "Fur clothing" is human wearing apparel suitable for general use but may be taxed differently from "clothing." For the purposes of the definition of "fur clothing" the term "fur" means any animal skin or part thereof with hair, fleece, or fur fibers attached thereto, either in its raw or processed state, but shall not include such skins that have been converted into leather or suede, or which in processing, the hair, fleece, or fur fiber has been completely removed.
*See Compiler's Notes for history.*

**"Protective equipment"** means items for human wear and designed as protection of the wearer against injury or disease or as protections against damage or injury of other persons or property but not suitable for general use. "Protective equipment" are mutually exclusive of and may be taxed differently than apparel within the definition of "clothing," "clothing accessories or equipment," and "sport or recreational equipment." The following list contains examples and is not intended to be an all-inclusive list. "Protective equipment" shall include:

1. Breathing masks;
2. Clean room apparel and equipment;
3. Ear and hearing protectors;
4. Face shields;
5. Hard hats;
6. Helmets;
7. Paint or dust respirators;
8. Protective gloves;
9. Safety glasses and goggles;
10. Safety belts;
11. Tool belts; and
12. Welder's gloves and masks.

**"Sport or recreational equipment"** means items designed for human use and worn in conjunction with an athletic or recreational activity that are not suitable for general use. "Sport or recreational equipment" are mutually exclusive of and may be taxed differently than apparel within the definition of "clothing," "clothing accessories or equipment," and "protective equipment." The following list contains examples and is not intended to be an all-inclusive list. "Sport or recreational equipment" shall include:

1. Ballet and tap shoes;
2. Cleated or spiked athletic shoes;
3. Gloves, including, but not limited to, baseball, bowling, boxing, hockey, and golf;
4. Goggles;
5. Hand and elbow guards;
6. Life preservers and vests;
7. Mouth guards;

8. Roller and ice skates;
9. Shin guards;
10. Shoulder pads;
11. Ski boots;
12. Waders; and
13. Wetsuits and fins.

## COMPUTER RELATED

"**Computer**" means an electronic device that accepts information in digital or similar form and manipulates it for a result based on a sequence of instructions.

**"Computer software"** means a set of coded instructions designed to cause a "computer" or automatic data processing equipment to perform a task.
*See Compiler's Notes for history.*

**"Delivered electronically"** means delivered to the purchaser by means other than tangible storage media.

"**Electronic**" means relating to technology having electrical, digital, magnetic, wireless, optical, electromagnetic, or similar capabilities.

**"Load and leave"** means delivery to the purchaser by use of a tangible storage media where the tangible storage media is not physically transferred to the purchaser.

**"Prewritten computer software"** means "computer software," including prewritten upgrades, which is not designed and developed by the author or other creator to the specifications of a specific purchaser. The combining of two or more "prewritten computer software" programs or prewritten portions thereof does not cause the combination to be other than "prewritten computer software." "Prewritten computer software" includes software designed and developed by the author or other creator to the specifications of a specific purchaser when it is sold to a person other than the specific purchaser. Where a person modifies or enhances "computer software" of which the person is not the author or creator, the person shall be deemed to be the author or creator only of such person's modifications or enhancements. "Prewritten computer software" or

a prewritten portion thereof that is modified or enhanced to any degree, where such modification or enhancement is designed and developed to the specifications of a specific purchaser, remains "prewritten computer software;" provided, however, that where there is a reasonable, separately stated charge or an invoice or other statement of the price given to the purchaser for such modification or enhancement, such modification or enhancement shall not constitute "prewritten computer software."

A member state may exempt "prewritten computer software" "delivered electronically" or by "load and leave."

*Interpretation issued: On May 12, 2009 the Governing Board issued Interpretative Opinion 2009-1 relating to the definition of "prewritten computer software."*

**Software Maintenance Contract Definitions:**

A "**computer software maintenance contract**" is a contract that obligates a vendor of computer software to provide a customer with future updates or upgrades to computer software, support services with respect to computer software or both.

A "**mandatory computer software maintenance contract**" is a computer software maintenance contract that the customer is obligated by contract to purchase as a condition to the retail sale of computer software.

An "**optional computer maintenance contract**" is a computer software maintenance contract that a customer is not obligated to purchase as a condition to the retail sale of computer software.

A member state may limit the definition of "computer maintenance contract" to one or more of the following:

1. Computer software maintenance contracts with respect to prewritten computer software;
2. Optional computer software maintenance contracts;
3. Mandatory computer software maintenance contracts;
4. Optional computer software maintenance contracts that do not include upgrades and updates delivered electronically, by load and leave, or both;
5. Computer software maintenance contracts that only obligate a vendor of computer software to provide a customer with future updates or upgrades to computer software;

6. Computer software maintenance contracts that only obligate a vendor of computer software to provide a customer with support services with respect to computer software.

A member state may include within its definition of "computer software maintenance contracts" contracts sold by a person other than the vendor of the computer software to which the contract relates.

*See Compiler's Notes for history.*

## DIGITAL PRODUCTS DEFINITIONS

"**Specified digital products**" means electronically transferred:

"**Digital Audio-Visual Works**" which means a series of related images which, when shown in succession, impart an impression of motion, together with accompanying sounds, if any,

"**Digital Audio Works**" which means works that result from the fixation of a series of musical, spoken, or other sounds, including ringtones, and

"**Digital Books**" which means works that are generally recognized in the ordinary and usual sense as "books".

For purposes of the definition of "digital audio works", "ringtones" means digitized sound files that are downloaded onto a device and that may be used to alert the customer with respect to a communication.

For purposes of the definitions of "specified digital products", "transferred electronically" means obtained by the purchaser by means other than tangible storage media.

*See Compiler's Notes for history.*

## FOOD AND FOOD PRODUCTS

"**Alcoholic Beverages**" means beverages that are suitable for human consumption and contain one-half of one percent or more of alcohol by volume.

**"Bottled water"** means water that is placed in a safety sealed container or package for human consumption. Bottled water is calorie free and does not contain sweeteners or other additives except that it may contain: (i) antimicrobial agents; (ii) fluoride; (iii) carbonation; (iv) vitamins, minerals, and electrolytes; (v) oxygen; (vi) preservatives; and (vii) only those flavors, extracts, or

essences derived from a spice or fruit. "Bottled water" includes water that is delivered to the buyer in a reusable container that is not sold with the water.
*See Compiler's Notes for history.*

**"Candy"** means a preparation of sugar, honey, or other natural or artificial sweeteners in combination with chocolate, fruits, nuts or other ingredients or flavorings in the form of bars, drops, or pieces. "Candy" shall not include any preparation containing flour and shall require no refrigeration.
A member state may exclude from its definition of "candy" a preparation that has as its predominant ingredient dried or partially dried fruit along with one or more sweeteners, and which may also contain other additives including but not limited to oils, natural flavorings, fiber, or preservatives. This exclusion does not apply to a preparation that includes chocolate, nuts, yogurt, or a preparation that has a confectionary coating or glazing on the dried or partially dried fruit. Dried or partially dried fruit does not include fruit that has been ground, crushed, grated, flaked, pureed, or jellied.
*See Compiler's Notes for history.*
*Interpretations issued: (a) On September 20, 2007 the Governing Board issued Interpretation 2007-03 relating to what constitutes "flour" for purposes of the definition of "candy."*
*(b)On September 30, 2009 the Governing Board issued Interpretation 2009-4 related to whether certain baking ingredients are "candy."*
*(c) On December 17, 2009 the Governing Board issue Interpretation 2009-5 relating to whether certain cereal and breakfast bars are "candy."*
*On October 30, 2013 the Governing Board issued Interpretation 2013-02 explain that to the definition of "candy."*

**"Dietary supplement"** means any product, other than "tobacco," intended to supplement the diet that:

A. Contains one or more of the following dietary ingredients:
    1. A vitamin;
    2. A mineral;
    3. An herb or other botanical;
    4. An amino acid;

5. A dietary substance for use by humans to supplement the diet by increasing the total dietary intake; or
6. A concentrate, metabolite, constituent, extract, or combination of any ingredient described in above; and

B. Is intended for ingestion in tablet, capsule, powder, softgel, gelcap, or liquid form, or if not intended for ingestion in such a form, is not represented as conventional food and is not represented for use as a sole item of a meal or of the diet; and

C. Is required to be labeled as a dietary supplement, identifiable by the "Supplemental Facts" box found on the label and as required pursuant to 21 C.F.R § 101.36.

"**Food and food ingredients**" means substances, whether in liquid, concentrated, solid, frozen, dried, or dehydrated form, that are sold for ingestion or chewing by humans and are consumed for their taste or nutritional value. "Food and food ingredients" does not include "alcoholic beverages" or "tobacco." A member state may exclude "bottled water," "candy," "dietary supplements" and "soft drinks" from this definition, which items are mutually exclusive of each other.

Notwithstanding the foregoing requirements of this definition or any other provision of the Agreement, a member state may maintain its tax treatment of food in a manner that differs from the definitions provided herein, provided its taxation or exemption of food is based on a prohibition or requirement of that state's Constitution that exists on the effective date of the Agreement.

*See Compiler's Notes for history.*

*Interpretations Issued: (a) On October 7, 2010 the Governing Board issued Interpretative Opinion 2010-03 relating to whether carbon dioxide used to make seltzer qualifies as a "food and food ingredients."* .

*(b) On December 19, 2011 the Governing Board issued Interpretative Opinion 2011-01 relating to whether wood chunks used for flavoring in cooking are "food and food ingredients."*

*(c) On October 30, 2013 the Governing Board issued Interpretation 2013-02 relating to whether chocolate wafers used to for fondue parties are within the definition of "candy" and "food and food ingredients."*

"**Food sold through vending machines**" means food dispensed from a machine or other mechanical device that accepts payment.

**"Prepared food" means:**

i. Food sold in a heated state or heated by the seller;

ii. Two or more food ingredients mixed or combined by the seller for sale as a single item; or

iii. Food sold with eating utensils provided by the seller, including plates, knives, forks, spoons, glasses, cups, napkins, or straws. A plate does not include a container or packaging used to transport the food.

A.

1. Substances within "food and food ingredients" may be taxed differently than "prepared food."
2. For purposes of C.1., a state may exclude from "prepared food," "bottled water," "candy," "dietary supplements," "soft drinks" and items identified in subsection F. that would otherwise be exempt from tax in the state, but which would be considered "prepared food" if utensils are made available to the customer at the seller's location. "Food and food ingredients" for which plates, bowls, glasses, cups or bowls are necessary for the purchaser to receive the food remain "prepared food." If a state does not specifically adopt an exclusion under this subsection, these items are "prepared food."

B. "Two or more food ingredients mixed or combined by the seller for sale as a single item" under (ii) does not include food that is only cut, repackaged, or pasteurized by the seller, and eggs, fish, meat, poultry, and foods containing these raw animal foods requiring cooking by the consumer as recommended by the Food and Drug Administration in chapter 3, part 401.11 of its Food Code so as to prevent food borne illnesses.

C. "Food sold with eating utensils provided by the seller" in (iii) means:

1. For a seller with a "prepared food sales percentage" of greater than 75% calculated per D. below,
   a. The seller makes eating utensils available to purchasers or
   b. A food item has four or more servings packaged as one food item sold for a single price and the seller physically gives or hands the eating utensils to purchasers. It is not prepared food if utensils are only made available, and the food is otherwise not

considered prepared food. Serving sizes shall be determined based on a label on an item sold. If no label is available a seller must reasonably determine the number of servings in an item.

2. For a seller with a "prepared food sales percentage" of 75% or less calculated per D. below, food is sold with eating utensils provided by the seller if the seller's business practice is to physically give or hand eating utensils to purchasers, except that plates, bowls, glasses and cups, necessary for the purchaser to receive the food need only be made available to purchasers.
3. Food is not sold with eating utensils provided by the seller if the food items have a utensil placed in a package with the food items by a person other than the seller, and that other person's NAICS classification code is that of a manufacturer, sector 311. For any packager with any other NAICS classification code, the seller is considered to have provided the eating utensil.

D. "Prepared food sales percentage" means a percentage determined by dividing the following described numerator by the following described denominator:

1. The numerator shall consist of the seller's annual sales of prepared food described in (i) and (ii) and food sold when plates, bowls, glasses, or cups are necessary to receive the food. The numerator shall not include alcoholic beverages or food a member state has excluded from prepared food as permitted under the Agreement.
2. The denominator shall consist of the seller's total annual sales of all food and food ingredients and prepared food, excluding alcoholic beverages.

E.

1. A seller must calculate the prepared food sales percentage for each tax year or business fiscal year based on the seller's data from the prior tax year or business fiscal year, as soon as possible after accounting records are available, but not later than 90 days after the beginning of the seller's tax year or business fiscal year.
2. A single prepared food sales percentage shall be determined annually for all the seller's establishments in this state.
3. A new seller shall make a good faith estimate of its prepared food sales percentage for its first year in business. The new seller must adjust its good faith estimate prospectively

after the first 3 months of its business operation if actual prepared food sales percentages materially affect the 75% threshold described in D. 1 and 2.

F. The following items may be taxed differently than "prepared food" and each other, if sold without eating utensils provided by the seller, but may not be taxed differently than the same item when classified under "food and food ingredients."

1. Food sold by a seller whose proper primary NAICS classification is manufacturing in sector 311, except subsector 3118 (bakeries).
2. a. Food sold in an unheated state by weight or volume as a single item; or
   b. Only meat or seafood sold in an unheated state by weight or volume as a single item.
3. Bakery items, including bread, rolls, buns, biscuits, bagels, croissants, pastries, donuts, danish, cakes, tortes, pies, tarts, muffins, bars, cookies, tortillas.
4. Food sold that ordinarily requires additional cooking (as opposed to just reheating) by the consumer prior to consumption.

*See Compiler's Notes for history.*

*Interpretations issued: (a) On April 18, 2006 the Governing Board issued Interpretation 2006-04 relating to "food sold with utensils" and the definition of "prepared food."*

*(b) On December 14, 2006, the Governing Board issued Interpretation 2006-11 relating to "bulk servings" and "prepared food."*

*(c) On May 14, 2014, the Governing Board approved Interpretation 2013-3 relating to take-n-bake pizzas and the definition of prepared food.*

*(d) On May 23, 2023, the Governing Board approved Interpretive Opinion 2023-1 relating to "food sold with utensils" and the definition of "prepared food."*

**"Soft drinks"** means non-alcoholic beverages that contain natural or artificial sweeteners. "Soft drinks" do not include beverages that contain milk or milk products, soy, rice or similar milk substitutes, or greater than fifty percent of vegetable or fruit juice by volume.

*Interpretation issued: (a) On September 30, 2009, the Governing Board issued Interpretation 2009-2 related to fruit flavored cocktail mixes and Interpretation 2009-3 related to iced tea and whether they are "soft drinks."*

*(b) On October 30, 2013 the Governing Board issued Interpretation 2013-1 related to whether beverages that contain "natural flavor, "essence," or "spice" but no sweeteners are "soft drinks."*

**"Tobacco"** means cigarettes, cigars, chewing or pipe tobacco, or any other item that contains tobacco.

## HEALTH-CARE

**"Breast pump"** means an electrically or manually controlled pump device designed or marketed to be used to express milk from a human breast during lactation. "Breast pump" includes the electrically or manually controlled pump device and any battery, AC adapter, or other power supply unit packaged and sold with the pump device at the time of sale to power the pump device.

**"Breast pump collection and storage supplies"** means items of tangible personal property designed or marketed to be used in conjunction with a breast pump to collect milk expressed from a human breast and to store collected milk until it is ready for consumption. "Breast pump collection and storage supplies" includes, but is not limited to: breast shields and breast shield connectors; breast pump tubes and tubing adapters; breast pump valves and membranes; backflow protectors and backflow protector adaptors; bottles and bottle caps specific to the operation of the breast pump; breast milk storage bags; and other items that may be useful to initiate, support, or sustain breast-feeding using a breast pump during lactation, that may be sold separately, but are generally sold as part of a breast pump kit.
"Breast pump collection and storage supplies" does not include: (i) bottles and bottle caps not specific to the operation of the breast pump, (ii) breast pump travel bags and other similar carrying accessories, including ice packs, labels and other similar products, (iii) breast pump cleaning supplies, (iv) nursing bras, bra pads, breast shells and other similar products and (v) creams, ointments, and other similar products that relieve breastfeeding-related symptoms or conditions of the breasts or nipples; unless sold as part of a breast pump kit pre-packaged by the breast pump manufacturer or distributor.

**"Breast pump kit"** means a kit that contains a breast pump and one or more of the following items: breast pump collection and storage supplies; and other taxable items of tangible personal property that may be useful to initiate, support, or sustain breast-feeding using a breast pump during lactation, so long as the other taxable items of tangible personal property sold with the breast pump kit at the time of sale are less than 50% of the total sales price of the breast pump kit

if the state treats the breast pumps as durable medical equipment. If a state does not treat the breast pump as durable medical equipment, the other taxable items of tangible personal property sold with the breast pump kit at the time of the sale must be less than 10% of the total sales price of the breast pump kit.

A member state may limit its exemption to "breast pumps," "breast pump kits" and/or "breast pump collection and storage supplies" and may further limit the exemption:

A. By requiring a prescription;
B. Based on Medicare or Medicaid payments or reimbursement;
C. For home use; and/or
D. Approved by the Food and Drug Administration.

A member state may choose to include "breast pumps" and/or "breast pump kits" in its definition of "durable medical equipment" and treat these items in the same manner it treats other durable medical equipment.

A member state may limit the exemption using any combination of the above but in no case shall an exemption certificate be required.

A member state may choose to include or exclude repair and replacement parts for "breast pumps" and/or "breast pump kits" in its definition. Repair and replacement parts includes all components or attachments used in conjunction with the "breast pump" and/or "breast pump kit" and a member state may exclude from repair and replacement parts items which are for single patient use only.

**"Drug"** means a compound, substance or preparation, and any component of a compound, substance or preparation, other than "food and food ingredients," "dietary supplements" or "alcoholic beverages:"

A. Recognized in the official United State Pharmacopoeia, official Homeopathic Pharmacopoeia of the United States, or official National Formulary, and supplement to any of them; or
B. Intended for use in the diagnosis, cure, mitigation, treatment, or prevention of disease; or
C. Intended to affect the structure or any function of the body.

A member state may independently:

A. Limit the definition of "drug" to human use (as opposed to both human and animal use) in the administration of its exemption;

B. Draft its exemption for "drug" to specifically add insulin and/or medical oxygen so that no prescription is required, even if a state requires a prescription under its exemption for drugs;
C. Determine the taxability of the sales of drugs and prescription drugs to hospitals and other medical facilities;
D. Determine the taxability of free samples of drugs; and
E. Determine the taxability of bundling taxable and nontaxable drug, if uniform treatment of bundled transactions is not otherwise defined in the Agreement.

*Interpretation issued: On June 23, 2007 the Governing Board issued Interpretation 2007-01 relating to infectious disease testing kits and the definition of "drug."*

**"Durable medical equipment"** means 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 member state may limit its exemption to "durable medical equipment:"

A. By requiring a prescription;
B. Based on Medicare or Medicaid payments or reimbursement; or
C. For home use.

A member state may limit the exemption using any combination of the above but in no case shall an exemption certificate be required.

Repair and replacement parts as used in this definition include all components or attachments used in conjunction with the "durable medical equipment." A member state may exclude from repair and replacement parts items which are for single patient use only.

A member state may exclude from the product definition of "durable medical equipment" any of the following for purposes enacting a product-based exemption:

1. Oxygen delivery equipment not worn in or on the body, including repair and replacement parts;
2. Kidney dialysis equipment not worn in or on the body, including repair and replacement parts; or

3. Enteral feeding systems not worn in or on the body, including repair and replacement parts.

A member state choosing to enact a product-based exemption for oxygen delivery equipment, kidney dialysis equipment, or enteral feeding systems, if those items are not worn in or on the body, must also enact a product-based exemption for oxygen delivery equipment, kidney dialysis equipment, or enteral feeding systems, if those are worn in or on the body.

A member state may limit the product-based exemption for oxygen delivery equipment, kidney dialysis equipment, or enteral feeding systems using any combination of the following:

a. By requiring a prescription;
b. Based on Medicare or Medicaid payments or reimbursement; or
c. For home use.

*See Compiler's Notes for history.*

*Interpretations issued: On May 12, 2015, the Governing Board issued Interpretive Opinion 2015-1 relating to continuous glucose monitoring systems.*

**"Menstrual Discharge Collection Devices**" (also known as feminine hygiene products) means tampons, panty liners, menstrual cups, pads, and other similar tangible personal property designed for use in connection with the human menstrual cycle, but does not include "grooming and hygiene products" as defined in this Agreement.

A state may choose to include or exclude from the definition of menstrual discharge collection devices,

a. Period underwear; and/or,
b. All other items that meet the definition of "clothing" but are marketed specifically for use as menstrual discharge collection devices for the human menstrual cycle, such as period swimwear, period running shorts and period sleep shorts.

Note: States that have already adopted the "feminine hygiene products" definition are not required to amend the definition or to adopt the new term "menstrual discharge collection devices."

**"Grooming and hygiene products"** are soaps and cleaning solutions, shampoo, toothpaste, mouthwash, antiperspirants, and sun tan lotions and screens, regardless of whether the items meet the definition of "over-the-counter-drugs."

A state may exclude "oral healthcare products for human use" from the definition of "grooming and hygiene products."

"**Oral healthcare products for human use**" means

1. powered and manual toothbrushes;
2. toothpaste;
3. mouthwash;
4. dental floss;
5. dental floss picks;
6. dental picks, not including multipurpose toothpicks;
7. interdental brushes;
8. tooth powders; and
9. oral irrigators

designed to maintain oral health, regardless of whether the items meet the definition of "over-the-counter drugs." "Oral healthcare products for human use" does not include "food and food ingredients," "dietary supplements," or "durable medical equipment."

A member state may limit its exemption for "oral healthcare products for human use" to:

a. those sold only to individuals for personal use; or
b. by requiring a prescription.

A member state may limit the exemption using any combination of the above but in no case shall an exemption certificate be required.

*See Compiler's Notes for history.*

**"Mobility enhancing equipment"** means equipment including repair and replacement parts to same, but does not include "durable medical equipment," which:

A. Is primarily and customarily used to provide or increase the ability to move from one place to another and which is appropriate for use either in a home or a motor vehicle; and
B. Is not generally used by persons with normal mobility; and
C. Does not include any motor vehicle or equipment on a motor vehicle normally provided by a motor vehicle manufacturer.

A member state may limit the application of this definition by requiring a "prescription," or limit an exemption based on Medicare or Medicaid payments or reimbursements.

**"Over-the-counter-drug"** means a drug that contains a label that identifies the product as a drug as required by 21 C.F.R. § 201.66. A member state may exclude "grooming and hygiene products" from this definition. The "over-the-counter-drug" label includes:

A. A "Drug Facts" panel; or
B. A statement of the "active ingredient(s)" with a list of those ingredients contained in the compound, substance or preparation.

**"Prescription"** means an order, formula or recipe issued in any form of oral, written, electronic, or other means of transmission by a duly licensed practitioner authorized by the laws of the member state.

**"Prosthetic device"** means 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.

A member state may exclude any or all of the following from the definition of "prosthetic device:"

A. Corrective eyeglasses;
B. Contact lenses;
C. Hearing aids; and
D. Dental prosthesis.

A member state may limit the application of this definition by requiring a "prescription," or limit an exemption based on Medicare or Medicaid payments or reimbursements.

*Interpretations issued: (a) On May 12, 2015, the Governing Board issued Interpretive Opinion 2015-1 relating to continuous glucose monitoring systems.*

*(b) On October 5, 2021 the Governing Board issue Interpretive Opinion 2021-2 relating to whether implanted ECG monitors are "prosthetic devices."*

## TELECOMMUNICATIONS

**Tax Base/Exemption Terms**:

"**Ancillary services**" means services that are associated with or incidental to the provision of "telecommunications services", including but not limited to "detailed telecommunications billing", "directory assistance", "vertical service", and "voice mail services".

"**Conference bridging service**" means an "ancillary service" that links two or more participants of an audio or video conference call and may include the provision of a telephone number. "Conference bridging service" does not include the "telecommunications services" used to reach the conference bridge.

"**Detailed telecommunications billing service**" means an "ancillary service" of separately stating information pertaining to individual calls on a customer's billing statement.

"**Directory assistance**" means an "ancillary service" of providing telephone number information, and/or address information.

"**Vertical service**" means an "ancillary service" that is offered in connection with one or more "telecommunications services", which offers advanced calling features that allow customers to identify callers and to manage multiple calls and call connections, including "conference bridging services".

"**Voice mail service**" means an "ancillary service" that enables the customer to store, send or receive recorded messages. "Voice mail service" does not include any "vertical services" that the customer may be required to have in order to utilize the "voice mail service".

**"Telecommunications service"** means the electronic transmission, conveyance, or routing of voice, data, audio, video, or any other information or signals to a point, or between or among points. The term "telecommunications service" includes such transmission, conveyance, or routing in which computer processing applications are used to act on the form, code or protocol of the content for purposes of transmission, conveyance or routing without regard to whether such service is referred to as voice over Internet protocol services or is classified by the Federal Communications Commission as enhanced or value added. "Telecommunications service" does not include:

A. Data processing and information services that allow data to be generated, acquired, stored, processed, or retrieved and delivered by an electronic transmission to a purchaser

where such purchaser's primary purpose for the underlying transaction is the processed data or information;

B. Installation or maintenance of wiring or equipment on a customer's premises;
C. Tangible personal property;
D. Advertising, including but not limited to directory advertising.
E. Billing and collection services provided to third parties;
F. Internet access service;
G. Radio and television audio and video programming services, regardless of the medium, including the furnishing of transmission, conveyance and routing of such services by the programming service provider. Radio and television audio and video programming services shall include but not be limited to cable service as defined in 47 USC 522(6) and audio and video programming services delivered by commercial mobile radio service providers, as defined in 47 CFR 20.3;
H. "Ancillary services"; or
I. Digital products "delivered electronically", including but not limited to software, music, video, reading materials or ring tones.

*Interpretation issued: On October 5, 2021, the Governing Board issued Interpretation 2021-1 relating to whether providing and hosting a certain online banking platform is a "telecommunication service."*

**"800 service" means a "telecommunications service" that allows a caller to dial a toll-free** number without incurring a charge for the call. The service is typically marketed under the name "800", "855", "866", "877", and "888" toll-free calling, and any subsequent numbers designated by the Federal Communications Commission.

**"900 service"** means an inbound toll "telecommunications service" purchased by a subscriber that allows the subscriber's customers to call in to the subscriber's prerecorded announcement or live service. "900 service" does not include the charge for: collection services provided by the seller of the "telecommunications services" to the subscriber, or service or product sold by the subscriber to the subscriber's customer. The service is typically marketed under the name "900" service, and any subsequent numbers designated by the Federal Communications Commission.

**"Fixed wireless service"** means a "telecommunications service" that provides radio communication between fixed points.

**"Mobile wireless service"** means a "telecommunications service" that is transmitted, conveyed or routed regardless of the technology used, whereby the origination and/or termination points of the transmission, conveyance or routing are not fixed, including, by way of example only, "telecommunications services" that are provided by a commercial mobile radio service provider.

**"Paging service"** means a "telecommunications service" that provides transmission of coded radio signals for the purpose of activating specific pagers; such transmissions may include messages and/or sounds.
*Interpretation issued: On August 17, 2010 the Governing Board issued Interpretative Opinion 2010-02 relating to one-way paging and the definition of "paging service."*

**"Prepaid calling service"** means the right to access exclusively "telecommunications services", which must be paid for in advance and which enables the origination of calls using an access number or authorization code, whether manually or electronically dialed, and that is sold in predetermined units or dollars of which the number declines with use in a known amount.

**"Prepaid wireless calling service"** means a "telecommunications service" that provides the right to utilize "mobile wireless service" as well as other non-telecommunications services including the download of digital products "delivered electronically", content and "ancillary services", which must be paid for in advance that is sold in predetermined units or dollars of which the number declines with use in a known amount.
*See Compiler's Notes for history.*
*Interpretations issued: On September 16, 2015, the Governing Board issued Interpretive Opinion 2015-3 related to whether "rollover minutes" are included in "prepaid wireless calling services."*

**"Private communications service"** means a "telecommunications service" that entitles the customer to exclusive or priority use of a communications channel or group of channels between or among termination points, regardless of the manner in which such channel or channels are

connected, and includes switching capacity, extension lines, stations, and any other associated services that are provided in connection with the use of such channel or channels.

**"Value-added non-voice data service"** means a service that otherwise meets the definition of "telecommunications services" in which computer processing applications are used to act on the form, content, code, or protocol of the information or data primarily for a purpose other than transmission, conveyance or routing.

**Modifiers of Sales Tax Base/Exemption Terms:**

The following terms can be used to further delineate the type of "telecommunications service" to be taxed or exempted. The terms would be used with the broader terms and subcategories delineated above.

**"Coin-operated telephone service"** means a "telecommunications service" paid for by inserting money into a telephone accepting direct deposits of money to operate.

**"International"** means a "telecommunications service" that originates or terminates in the United States and terminates or originates outside the United States, respectively. United States includes the District of Columbia or a U.S. territory or possession.

**"Interstate"** means a "telecommunications service" that originates in one United States state, or a United States territory or possession, and terminates in a different United States state or a United States territory or possession.

**"Intrastate"** means a "telecommunications service" that originates in one United States state or a United States territory or possession, and terminates in the same United States state or a United States territory or possession.

**"Pay telephone service"** means a "telecommunications service" provided through any pay telephone.

**"Residential telecommunications service"** means a "telecommunications service" or "ancillary services" provided to an individual for personal use at a residential address, including an individual dwelling unit such as an apartment. In the case of institutions where individuals reside, such as schools or nursing homes, "telecommunications service" is considered residential if it is provided to and paid for by an individual resident rather than the institution.

The terms "ancillary services" and "telecommunications service" are defined as a broad range of services. The terms "ancillary services" and "telecommunications service" are broader than the sum of the subcategories. Definitions of subcategories of "ancillary services" and "telecommunications service" can be used by a member state alone or in combination with other subcategories to define a narrower tax base than the definitions of "ancillary services" and "telecommunications service" would imply. The subcategories can also be used by a member state to provide exemptions for certain subcategories of the more broadly defined terms. A member state that specifically imposes tax on, or exempts from tax, local telephone or local telecommunications service may define "local service" in any manner in accordance with Section 327 of the Agreement, except as limited by other sections of this Agreement.
*See Compiler's Notes for history.*

## MISCELLANEOUS DEFINITIONS

"**Firearm safety device**" means a device to be equipped or installed on a firearm designed to prevent unauthorized access to the firearm or to prevent it from being operated without first deactivating the device.
A firearm sold with a "firearm safety device" already installed on it is treated as the sale of a "firearm" and not the sale of a "firearm safety device."

"**Firearm storage device**" means a container or enclosure designed for the principal purpose of safely storing a firearm and secured by a combination lock, key lock, or lock based on biometric information which, once locked is incapable of being opened without the combination, key or biometric information, respectively.
A state may include or exclude from the definition of firearm storage device any or all of the following :

1. glass-faced cabinets designed to display the firearm;
2. containers or other forms of storage designed to display the firearm; or
3. any other enclosure marketed to store a firearm.

## PART III

## Sales Tax Holiday Definitions

The definitions in this Part are only applicable for the purpose of administration of a sales tax holiday, as defined in Section 322 (A).

*See Compiler's Notes for history.*

**A. Administrative Definitions:**

"**Eligible property**" means an item of a type, such as clothing, that qualifies for a sales tax holiday exemption in a member state.

"**Layaway sale**" means a transaction in which property is set aside for future delivery to a customer who makes a deposit, agrees to pay the balance of the purchase price over a period of time, and, at the end of the payment period, receives the property. An order is accepted for layaway by the seller, when the seller removes the property from normal inventory or clearly identifies the property as sold to the purchaser.

"**Rain check**" means the seller allows a customer to purchase an item at a certain price at a later time because the particular item was out of stock.

**B. Product Definitions:**

"**Disaster Preparedness Supply**" means an item purchased in preparation or response to a disaster, including any fire, flood, storm, tidal wave, earthquake, or similar public calamity, whether mane-made, resulting from war, or resulting from natural causes. "Disaster Preparedness Supply" shall include the following categories of items: 1) general disaster preparedness supplies; 2) disaster preparedness safety supplies; 3) disaster preparedness food-related supplies; and 4) disaster preparedness fastening supplies.

A member state that wishes to exempt "disaster preparedness supplies" during a sales tax holiday may:

1. exempt all disaster preparedness qualified supplies; or
2. exempt specified classifications of supplies.

A member state may not exempt specific items within a classification, without exempting the entire classification of supplies.

**"Disaster Preparedness General Supply"** is a general purpose item that may be used in preparation or response to a disaster. The term is mutually exclusive of the terms "disaster preparedness safety supplies," "disaster preparedness food-related supplies," and "disaster preparedness fastening supplies," and may be taxed differently. The following is an all-inclusive list:

1. Batteries (excluding automobile and marine batteries) AAA, AA, C, D, 6 volt or 9 volt;
2. Cellular telephone batteries and chargers;
3. Satellite phones;
4. Self-powered light sources;
5. Portable self-powered radios, two-way radios, weather-band radios and NOAA weather radios;
6. Gas or diesel fuel containers;
7. Non-electric food storage coolers;
8. Portable generators; and
9. Storm shutter devices.

**"Disaster Preparedness Safety Supply,"** is a safety item that may be used in preparation or response to a disaster. The term is mutually exclusive of the terms "disaster preparedness general supplies," "disaster preparedness food-related supplies," and "disaster preparedness fastening supplies," and may be taxed differently. The following is an all-inclusive list:

1. Carbon monoxide detectors;
2. Smoke detectors;
3. Fire extinguishers; and
4. First aid kits.

**"Disaster Preparedness Food-Related Supply"** is a food or food related item that may be used in preparation or response to a disaster. The term is mutually exclusive of the terms "disaster preparedness general supplies," "disaster preparedness safety supplies," and "disaster preparedness fastening supplies," and may be taxed differently. The following is an all-inclusive list:

1. Artificial ice;
2. Water storage container;

3. Manual can opener; and
4. Bottled water.

**"Disaster Preparedness Fastening Supply"** is a fastening item or an item used for securing property or covering property that may be used in preparation or response to a disaster. The term is mutually exclusive of the terms "disaster preparedness general supplies," "disaster preparedness safety supplies," and "disaster preparedness food-related supplies," and may be taxed differently. The following is an all-inclusive list:

1. Bungee cords;
2. Rope;
3. Ratchet straps;
4. Duct tape;
5. Boat anchor;
6. Fender, anchor chain, dock line or similar device;
7. Tarpaulins and other flexible waterproof sheeting; and
8. Ground anchor or tie down kits.

*See Compiler's Notes for history.*

**"Energy Star Qualified Product"** means a product that meets the energy efficient guidelines set by the United States Environmental Protection Agency and the United States Department of Energy that are authorized to carry the Energy Star label. Covered products are those listed at www.energystar.gov or successor address.

A member state that wishes to exempt "Energy Star qualified products" during a sales tax holiday may:

1. exempt all Energy Star Qualified Products, or
2. exempt specified Energy Star Qualified Products, or
3. exempt specified classifications as categorized on the Energy Star product listing

**"School supply"** is an item commonly used by a student in a course of study. The term is mutually exclusive of the terms "school art supply," "school instructional material," and "school computer supply," and may be taxed differently. The following is an all-inclusive list:

1. Binders;

2. Book bags;
3. Calculators;
4. Cellophane tape;
5. Blackboard chalk;
6. Compasses;
7. Composition books;
8. Crayons;
9. Erasers;
10. Folders; expandable, pocket, plastic, and manila;
11. Glue, paste, and paste sticks;
12. Highlighters;
13. Index cards;
14. Index card boxes;
15. Legal pads;
16. Lunch boxes;
17. Markers;
18. Notebooks;
19. Paper; loose leaf ruled notebook paper, copy paper, graph paper, tracing paper, manila paper, colored paper, poster board, and construction paper;
20. Pencil boxes and other school supply boxes;
21. Pencil sharpeners;
22. Pencils;
23. Pens;
24. Protractors;
25. Rulers;
26. Scissors; and
27. Writing tablets.

*Interpretation issued: On December 19, 2011 the Governing Board issued Interpretative Opinion 2011-02 relating to pencil lead refills and the definition of "school supply."*

**"School art supply"** is an item commonly used by a student in a course of study for artwork. The term is mutually exclusive of the terms "school supply," "school instructional material," and "school computer supply," and may be taxed differently. The following is an all-inclusive list:

1. Clay and glazes;
2. Paints; acrylic, tempera, and oil;
3. Paintbrushes for artwork;
4. Sketch and drawing pads; and
5. Watercolors.

**"School instructional material"** is written material commonly used by a student in a course of study as a reference and to learn the subject being taught. The term is mutually exclusive of the terms "school supply," "school art supply," and "school computer supply," and may be taxed differently. The following is an all-inclusive list:

1. Reference books;
2. Reference maps and globes;
3. Textbooks; and
4. Workbooks.

**"School computer supply"** is an item commonly used by a student in a course of study in which a computer is used. The term is mutually exclusive of the terms "school supply," "school art supply," and "school instructional material," and may be taxed differently. The following is an all-inclusive list:

1. Computer storage media; diskettes, compact disks;
2. Handheld electronic schedulers, except devices that are cellular phones;
3. Personal digital assistants, except devices that are cellular phones;
4. Computer printers; and
5. Printer supplies for computers; printer paper, printer ink.

**"Vapor product"** means a liquid or other substance that is intended to be vaporized or aerosolized for inhalation through a vapor product delivery system.

A member state may limit the definition of "vapor product" to products containing one or more of the following:

A. Nicotine;

B. Synthetic nicotine; or

C. Nicotine analogs.

Vapor product does not include any liquid or other substance regulated as a drug authorized for sale by the United States Food and Drug Administration under Subchapter V of 21 USC 9 of the Federal Food, Drug, and Cosmetic Act.

**"Vapor product delivery system"** means a device that simulates smoking or otherwise is designed, marketed, or intended for use with a vapor product to deliver vapor or aerosol to a person inhaling from the device.
Vapor product delivery system does not include any device regulated as a drug, device, or combination product authorized for sale by the United States Food and Drug Administration under Subchapter V of 21 USC 9 of the Federal Food, Drug, and Cosmetic Act.

**"Vapor product delivery system component part or accessory"** means an item that is designed or marketed to be used with a vapor product delivery system, and includes a battery that is sold with other component parts of a vapor product delivery system such as a switch, voltage regulator, heating element, or connecting fixture.

**"Water Sense Product"** means a product that meets the water efficiency and performance criteria set by the United States Environmental Protection Agency and is authorized to bear the United States Environmental Protection Agency Water Sense label. Covered products are those listed at http://www.epa.gov/WaterSense/products/index.html or successor address. A member state that wishes to exempt "Water Sense Products during a sales tax holiday may:

1. Exempt all Water Sense Products, or
2. Exempt specified Water Sense Products, or
3. Exempt specified classifications as categorized on the Water Sense product listing.

## Appendix D

## LIBRARY OF INTERPRETATIONS

| Interpretation Number | Requestor | Topic | SSUTA Section |
|---|---|---|---|
| Interpretation 2006-01 | RSM McGladrey, Inc. | Amnesty | Section 402- Amnesty |
| Interpretation 2006-02 | Michigan Department of Treasury | Amnesty | Section 402- Amnesty |
| Interpretation 2006-03 | State of Indiana | Initial lease payments | Article III, Section 310- General Sourcing Rules |
| Interpretation 2006-04 | Brinker International | Prepared food | Appendix C, Part II- Prepared food |
| Interpretation 2006-05 | George S. Isaacson | Clothing | Appendix C, Part II- Clothing |
| Interpretation 2006-06 | Ohio Department of Taxation | Amnesty | Section 402- Amnesty |
| Interpretation 2006-07 | SoFTEC | Multiple Points of Use | Section 312, Multiple Points of Use- Repealed |
| Interpretation 2006-08 | South Dakota Department of Revenue | Amnesty | Section 402- Amnesty |
| Interpretation 2006-09 | Ernst & Young, LLP | Amnesty | Section 402- Amnesty |
| Interpretation 2006-11 | Rhode Island Division of Taxation | Bakery products- Bulk serving | Appendix C, Part II-Prepared Food |
| Interpretation 2006-12 | McCarter & English, LLP | Direct Mail | Appendix C- Direct Mail |
| Interpretation 2007-01 | Avalara | Drug | Appendix C, Part II- Drug |
| Interpretation 2007-02 | Lafarge North America | General Sourcing Rules | Section 310-General Sourcing Rules |
| Interpretation 2007-03 | General Nutrition Centers | Candy | Appendix C, Part II- Candy |
| Interpretive Opinion 2008-01 | Society of American Florists | Flowers | Section 212 "Seller" |
| Interpretive Opinion 2008-2 | SoFTEC | Direct Mail | Appendix C- Part I-Direct Mail |

| Interpretation Number | Requestor | Topic | SSUTA Section |
|---|---|---|---|
| Interpretive Opinion 2009-1 | SoFTEC | Prewritten Computer Software | Appendix C, Part I TPP-Prewritten Computer Software |
| Interpretive Opinion 2009-2 | Woodman's Food Markets, Inc | Fruit Flavored Cocktail Mixes | Appendix C, Part II-Soft drinks |
| Interpretive Opinion 2009-3 | Woodman's Food Markets, Inc | Iced Tea | Appendix C, Part II-Soft drinks |
| Interpretive Opinion 2009-4 | Woodman's Food Markets, Inc | Baking Ingredients as Candy | Appendix C, Part II- Candy |
| Interpretive Opinion 2009-5 | James Tilton | Cereal and Breakfast Bars | Appendix C, Part II- Candy |
| Interpretive Opinion 2010-01 | Tim Maloney | TPP Rental (chairs, tables) | Section 310.1(B) |
| Interpretive Opinion 2010-02 | Streamlined Sales Tax Governing Board | One Way Paging | Appendix C, Part II- Paging Service |
| Interpretive Opinion 2010-03 | David A. Fruchtman | Carbon Dioxide for Seltzer | Appendix C, Part II-Soft drinks |
| Interpretive Opinion 2011-01 | Ken Nogueira | Wood for flavoring food | Appendix C, Part II-Food and Food Ingredients |
| Interpretive Opinion 2011-02 | North Carolina | Pencil Lead Refills | Appendix C, Part III- School Supply |
| Interpretive Opinion 2011-03 | Bruce Christensen | Statutory Appeal Period | Section 317(D) |
| Interpretive Opinion 2013-1 | Avalara | Beverage Natural Flavors/Essence | Appendix C, Part II-Soft drinks |
| Interpretive Opinion 2013-2 | Scentsy, Inc | Fondue Chocolate Pouches | Appendix C, Part II- Candy |
| Interpretive Opinion 2013-3 | WI Dept. of Revenue & CLA | Take and Bake Pizza | Appendix C, Part II- Prepared food |
| Interpretive Opinion 2015-1 | Suzanne Beaudeliare | Continuous Glucose Monitoring | Appendix C, DME, Prosthetic Device |

| Interpretation Number | Requestor | Topic | SSUTA Section |
|---|---|---|---|
| Interpretive Opinion 2015-2 | Mr. Gibson | Ready Mix Concrete Delivery | Appendix C, Part I- Delivery Charges |
| Interpretive Opinion 2015-3 | AT&T | Prepaid Wireless Calling Services | Appendix C, Part II-Prepaid Wireless Calling Service |
| Interpretive Opinion 2021-1 | Austin DeMoss | Online Banking Platforms | Appendix C, Part II- Telecommunications Service |
| Interpretive Opinion 2021-2 | Mr. Richard Nielsen | Implanted ECG Monitors | Appendix E- Not Classified by SSTGB |
| Interpretive Opinion 2023-1 | Minnesota DOR | Prepared Food | Appendix C, Part II – Prepared Food |
| Interpretive Opinion 2025-1 | Haemonetics | Vascade Closure Device | Appendix L – Prosthetic Device |
| Interpretive Opinion 2025-2 | Minnesota DOR | VertaCat™ | Appendix C, Mobility Enhancing Equipment |

**Interpretation 2006-01**

**(Adopted April 18, 2006)**

This Interpretation Recommendation is made to the Governing Board by the Compliance Review and Interpretations Committee this 2nd day of February, 2006 in accordance with Article IX, Rule 902 of Rules and Procedures adopted by the Streamlined Sales Tax Governing Board, Inc.
The party requesting the interpretation is RSM McGladrey, Inc. of Cedar Rapids, Iowa. The request was made by letter dated November 23, 2005, and was made pursuant to the provisions for expedited consideration contained in Rule 902 at subsection (H).

**Issue:**

The issue presented is an interpretation of Agreement section 402 pertaining to amnesty. The specific question presented was whether amnesty is available to a seller for tax not collected, if the seller has collected an amount of tax in a state, but failed to remit it. The seller otherwise meets the qualifications prescribed in section 402. The issue was presented with an acknowledgement that tax collected must be remitted with applicable penalties and interest as a precondition to receiving amnesty.

**Public Comment:**

No written public comments were received.

**Recommendation:**

By unanimous consent the Compliance Review and Interpretations Committee submits to the Governing Board a recommendation that a seller who has collected tax in a member state may obtain amnesty for taxes not collected in that state or any member state in accordance with the terms of Agreement section 402. The Committee further recommends that tax collected from purchasers in a member state must be remitted with applicable penalty and interest to that member state as a condition of receiving amnesty. This condition is in addition to those conditions specifically enumerated in section 402 of the Agreement.

**Rationale:**

A plain reading of Agreement section 402 requires a state to provide amnesty for "uncollected or unpaid sales or use tax". A similar plain reading of the disqualifying language contained in subsection 402(C) limits disqualification to "sales or use taxes already paid or remitted to the

state or to taxes collected by the seller." As the seller has not collected the taxes at issue, amnesty is available despite the fact that the seller collected taxes on other sales which will not qualify for amnesty.

**Committee Members:**

Larry Wilkie, Committee Chair; Myles Vosberg, Andy Sabol, Tony Mastin, Dan Noble, Tom Conley representing Joseph VanDevender, and Dale Vettel.

**Interpretation 2006-02**

**(Adopted April 18, 2006)**

This Interpretation Recommendation is made to the Governing Board by the Compliance Review and Interpretations Committee this 2nd day of February 2006 in accordance with Article IX, Rule 902 of the Rules and Procedures adopted by the Streamlined Sales Tax Governing Board, Inc. The party requesting the interpretation is Department of Treasury, State of Michigan, of Lansing Michigan. The request was made by letter dated January 4, 2006, and was made pursuant to the provisions for expedited consideration contained in Rule 902 H.

**Issue:**

The issue presented is an interpretation of Agreement section 402 pertaining to amnesty. The questions presented related to when a seller is considered registered under the Agreement for purposes of eligibility for amnesty when a seller has registered through the central registration system and indicated that it will make use of a model 1 or model 2 seller for those periods when a certified service provider (CSP) or a certified automated system (CAS) have not been deemed available by the Executive Committee of the Governing Board. The specific questions presented are as follows:

1. When will a model 1 or model 2 seller be deemed to have "registered under the Agreement" as provided in Section 211 of the Agreement?
2. When will a model 1 or model 2 seller be required to begin collecting and remitting sales or use taxes to member states as provided in Section 401(B) of the Agreement?
3. When will a model 1 or model 2 seller be denied amnesty because they have received a notice of the commencement of an audit as provided in Section 402(B) of the Agreement?

**Public Comment:**

No written public comments were received.

**Recommendation:**

By unanimous consent the Compliance Review and Interpretations Committee submits to the Governing Board the following recommendations:

1. A model 1 or model 2 seller will be "registered under the Agreement":
   a. on a date that follows the act of making application for registration through the central registration system, and
   b. the date that they begin, or are required to begin, collecting a member state's sales or use tax.
2. A model 1 or model 2 seller will be required to begin collecting and remitting sales or use taxes in a member state on the first day of the calendar month after 60 days notice that adequate CSP or CAS services are available as determined by the Executive Committee of the Governing Board.
3. A model 1 or model 2 seller will be denied amnesty in a member state pursuant to Section 402(B) as having received a notice of audit only if that notice of audit is received on a date that precedes the date the seller made application for registration through the central registration system.

**Rationale:**

The basis for the recommended interpretations is the inability of a model 1 or model 2 seller to collect and remit sales and use taxes until these technology models are deemed to be available for use by the Executive Committee of the Governing Board. A registration through the central registration system should not be considered complete until a model 1 or model 2 seller begins to collect or is required to begin to collect a member states' sales or use tax. These interpretations are consistent with the Position on Amnesty adopted by the Governing Board on November 9, 2005.

**Committee Members:**

Larry Wilkie, Committee Chair, Tom Conley, representing Joe VanDevender, Tony Mastin, Dan Noble, Andy Sabol, Dale Vettel, and Myles Vosberg.

## Interpretation 2006-03

**(Adopted April 18, 2006)**

This Interpretation Recommendation is made to the Governing Board by the Compliance Review and Interpretations Committee this 16th day of February 2006 in accordance with Article IX, Rule 902 of the Rules and Procedures adopted by the Streamlined Sales Tax Governing Board, Inc.

The party requesting the interpretation is the State of Indiana, Tom Conley, Indiana Delegate, State and Local Advisory Council. The request was made by letter dated January 5, 2006, and was made pursuant to the provisions for expedited consideration contained in Rule 902 H.

**Issue:**

The issue presented is an interpretation of Agreement Article III, Section 310, Subsection (C), Clause 1 pertaining to sourcing of initial lease payments made to dealers. The quoted section of the agreement reads as follows:

For a lease or rental that requires recurring periodic payments, each periodic payment is sourced to the primary property location. The primary property location shall be as indicated by an address for the property provided by the lessee that is available to the lessor from its records maintained in the ordinary course of business, when use of this address does not constitute bad faith. This location shall not be altered by intermittent use at different locations.

Indiana is requesting an interpretation on the sourcing of initial payments (down payments, rebates or other potentially taxable receipts) paid to the seller at the time the lease is negotiated between the seller and purchaser. Are these payments considered a recurring periodic payment and sourced in accordance with Section 310(C)?

**Recommendation:**

By unanimous consent the Compliance Review and Interpretations Committee submits to the Governing Board the following recommendation:

Article III, Section 310, Subsection (C), of the Agreement should be interpreted to include payments received at the inception of a lease (down payments, rebates or other potentially taxable receipts) as periodic payments and sourced to the primary property location consistent with the sourcing of the remaining periodic payments.

**Rationale:**

The committee contacted the automobile associations of their various states. The associations reported that their leasing organizations vary in the way that the receipts collected at the inception of the lease are currently sourced. Some source the receipts to the primary property location while others source the receipts to the dealer's location. The committee believed that the intent of the original sourcing rule was to establish a single location for sourcing all payments. The proposed interpretation would be consistent with what we believed to be the intent of the rule. The interpretation would also eliminate the confusion that currently seems to exist related to this issue.

**Committee Members:**

Cathy Wicks representing Larry Wilkie, Tom Conley, representing Joe VanDevender, Tony Mastin, Dan Noble, Andy Sabol, Dale Vettel, Acting Committee Chair, and Myles Vosberg.

**Interpretation 2006-04**

**(Adopted April 18, 2006)**

This Interpretation Recommendation is made to the Governing Board by the Compliance Review and Interpretations Committee this 13th day of April 2006 in accordance with Article IX, Rule 902 of Rules and Procedures adopted by the Streamlined Sales Tax Governing Board, Inc.
The party requesting the interpretation is Brinker International on behalf of the National Association of Convenience Stores, Council on State Taxation, Darden Restaurants, Food Marketing Institute, Indiana Grocery & Convenience Store Association, Marathon Petroleum Company, Marsh Supermarket Pharmacy, Minnesota Grocers Association, Speedway, Starbucks Coffee, Target, Utah Food Industry Association and Yum! Brands, Incorporated. The request was made by letter dated January 9, 2006, and was made pursuant to the provisions for expedited consideration contained in Rule 902 at subsection (H).

**Issue:**

The issue presented is an interpretation of definition of "food sold with eating utensils provided by the seller" found in section C of the prepared food definition found in Appendix C, Part II.

**Public Comment:**

Public comments were received from both industry and state agencies.

**Recommendation:**

The Compliance Review and Interpretations Committee submits to the Governing Board a recommendation that the definition of "food sold with eating utensils" be interpreted as specified in the State and Local Advisory Council paper on "Prepared Food Re-Visited Updated April 13, 2006." This paper was distributed with Diane Hardt's e-mail dated April 13, 2006 with revised documents for the Streamlined Sales Tax Governing Board meeting in Indianapolis, Indiana on April 18, 2006. Committee members have agreed, by a vote of five to one, that they can support the proposal as presented, provided states are given adequate time to promulgate regulations, make legislative changes, or prepare other published guidance as each state determines is necessary to adopt the language proposed.

**Rationale:**

The Compliance Review and Interpretations Committee finds itself in a difficult situation with this request for interpretation and its subsequent determination of support of the proposal. All members recognize the need to come to agreement on how to interpret the subject language. Committee members, as well as other states and business representatives involved in the discussions, have indicated support for the proposal. The Committee commends business members and state members for their diligent efforts in bringing this proposal to the table. Concern was expressed by some Committee members that the language in the proposal goes beyond an interpretation of the existing language in the definition and, in some states, would require legislative changes. Committee member, Tony Mastin, noted that using the Black's Law Dictionary definition of the word "provided" would be an allowable interpretation of the current language. Business representatives expressed concern that using a dictionary definition would not provide the necessary guidance to administer the provision and would result in states adopting different interpretations of the meaning of the phrase.

The Committee is seeking advice from the Governing Board on whether this interpretation goes beyond the scope of an interpretation of the current definition. If so, the Committee asks for advice from the Governing Board on how to proceed. The options discussed, if this is not an interpretation, were either an amendment to the Agreement or a Rule.

**Committee Members:**

Larry Wilkie, Committee Chair; Myles Vosberg, Andy Sabol, Tony Mastin, Dan Noble, Tom Conley representing Joseph VanDevender, and Dale Vettel.

**State and Local Advisory Council**

**Prepared Food Re-Visited**

**(Updated April 13, 2006)**

Streamline approved several interpretations of the food definitions at its meeting on January 6, 2005. The approved interpretations are included in an Issue Paper titled "Food Definition Issues" on the Streamline web site at www.streamlinedsalestax.org. Streamline interpreted "provided by the seller" with respect to utensils as:

A. Utensils need only be made available to purchasers if a seller's sales of prepared food in A and B of the definition (except items 1 through 3 that a state chooses to exclude), soft drinks, and alcohol beverages at an establishment are more than 75% of the seller's total sales at the establishment.
B. For sellers other than in 1, the seller's customary practice is to give the utensil to the purchaser, except that plates, glasses, or cups necessary for the purchaser to receive the food or food ingredients need only be made available.

Also, Streamline addressed utensils provided by persons other than the seller and resold by a seller as follows:

> Although a person other than the seller may have originally placed the utensil in the package, the seller provides it to the purchaser when it transfers the package to the purchaser. Therefore, in the examples provided (caterer sells a boxed lunch with utensils to a concessionaire who sells the boxed lunch; food manufacturer packages ready-to-eat lunch with utensils and sells to a grocer who sells the lunch), utensils are provided by the seller.

The Food Marketing Institute and a number of interested parties submitted a request for interpretation to the Compliance Review and Interpretations Committee (CRIC) on January 6, 2006. CRIC has requested the State and Local Advisory Council (SLAC) of the Streamlined Governing Board to further address the prepared food interpretation issue.

At the SLAC meeting on January 7-8, 2006, a work group discussed concerns about the SSTP approved interpretation and identified solutions. Business representatives reviewed those solutions and recommended minor changes. The proposed interpretation is as follows:

1. We will maintain the 75% test for sellers but modify how the numerator and denominator are calculated so that like businesses (single purpose coffee shop v. coffee shop in a bookstore) are treated the same.
2. The numerator would include sales of (a) prepared food if under A and B of the definition of prepared food; and (b) food where plates, bowls, glasses or cups are necessary to receive the food (e.g., dispensed milk, salad bar). Alcoholic beverages are not included in the numerator.
3. The denominator would include sales of all food and food ingredients, including prepared food, candy, dietary supplements, and soft drinks. Alcoholic beverages are not included in the denominator.
4. For sellers with a sales percentage of 75% or less, utensils are provided by the seller if the seller's practice for the item (as represented by the seller) is to physically give or hand the utensil to the purchaser, except that plates, bowls, glasses, or cups necessary for the purchaser to receive the food (e.g., dispensed milk, salad bar) need only be made available.
5. For sellers with a sales percentage greater than 75%, utensils are provided by the seller if they are made available to purchasers.
6. For sellers with a sales percentage greater than 75% and who sell items that contain four (4) or more servings packaged as one item sold for a single price, an item does not become prepared food due to the seller having utensils available. However, if the seller provides utensils for the item as in 4 above, then the item is considered prepared food. Whenever available, serving sizes will be determined based on a label on an item sold. If no label is available, a seller will reasonably determine the number of servings in an item.
7. When a seller sells food items that have a utensil placed in a package by a person other than the seller, and that person's NAICS classification code is that of manufacturers (sector 311), the seller shall not be considered to have provided the utensil except as provided in 4-6 above. For any other packager with any other NAICS classification code (e.g., sector 722 for caterers), the seller shall be considered to have provided the utensil.
8. The prepared food sales percentage will be calculated by the seller for each tax year or business fiscal year, based on the seller's data from the prior tax year or business fiscal year, as soon as possible after accounting records are available, but not later than 90 days after the beginning of the tax or business fiscal year.

9. A single prepared food sales percentage will be determined annually, for all of the seller's establishments in a state.
10. A new business will make a good faith estimate of their prepared food sales percentage for their first year. A new business should adjust its good faith estimate prospectively after the first three months of operation if actual prepared food sales percentages materially affect the 75% threshold test.

If states concur that the above interpretation of "food sold with eating utensils provided by the seller" requires an amendment to the Agreement or time to implement the interpretation, then a temporary interpretation must be offered now so that sellers of prepared food can determine tax treatments under laws enacted by states that are in compliance with the Streamlined Sales and Use Tax Agreement. The Governing Board states will be surveyed to determine if they can or cannot support the following uniform interpretation. If a Governing Board state cannot support this interpretation, the Governing Board state will be asked to explain its interpretation. The results of the survey will be presented to the Governing Board at its meeting in April.

"Food sold with eating utensils provided by the seller" means the seller's practice for the item is to physically give or hand the utensil to the purchaser.

Note: Black's Law Dictionary defines "*provide*" as to make, procure, or furnish for future use, prepare. To supply; to afford; to contribute.

**Interpretation 2006-05**

**(Adopted August 29, 2006)**

This Interpretation Recommendation is made to the Governing Board by the Compliance Review and Interpretations Committee this 27th day of April, 2006 in accordance with Article IX, Rule 902 of Rules and Procedures adopted by the Streamlined Sales Tax Governing Board, Inc.

The party requesting the interpretation is George S. Isaacson of Brann & Isaacson, of Lewiston Maine. The request was made by letter dated March 31, 2006, and was made pursuant to the provisions for expedited consideration contained in Rule 902 at subsection (H).

**Issue:**

The first issue presented is an interpretation of the definition of "clothing" found in Appendix C, Part II of the Streamlined Sales and Use Tax Agreement. The specific question is: Do articles of human wearing apparel suitable for general use that are made from fur or hide on the pelt (i.e.,

animal skins with hair, fleece or fur fibers attached) constitute "clothing" within the meaning of the Agreement?

The second issue presented is an interpretation of Section 327(C) of the Agreement which requires a member state to impose sales or use tax on all products or services included within each definition or to exempt from sales or use tax all products or services within each definition. The specific question is, if human wearing apparel made from fur and suitable for general use constitutes "clothing" as defined in the SSUTA, must a member state, under Section 327 of the Agreement, treat fur clothing in the same manner as all other clothing?

The third issue presented is whether Minnesota's general exemption from sales and use tax for clothing, and the imposition of a separate gross revenues tax on fur clothing results in Minnesota being in violation of Section 327 (C) of the agreement.

**Public Comment:**

No written public comments were received.

**Recommendation:**

By unanimous consent the Compliance Review and Interpretations Committee submits to the Governing Board the following recommendations regarding the above three issues:

1. Appendix C, Part II of the Streamlined Sales and Use Tax Agreement defines clothing as human wearing apparel suitable for general use. An article made from fur or hide on the pelt that is wearing apparel suitable for general use, is not excluded from the definition of clothing.
2. Clothing made with fur must be treated in the same manner as other clothing. A state can choose to impose the sales tax on all articles of clothing, or it may choose to exempt all articles of clothing. A state cannot choose to apply the sales tax to some articles of clothing and exempt other articles of clothing.
3. The third question concerns whether Minnesota is in violation of Section 327 (C) of the Agreement. The Agreement pertains only to sales and use taxes. Imposition of Minnesota's gross revenue tax on articles of fur clothing does not constitute a violation of Section 327 (C) of the Agreement.

**Rationale:**

1. The committee reviewed the definition of clothing and determined that articles of clothing made from fur or hide on the pelt are not excluded from the definition of clothing. There is no language in the definition or the Agreement that qualifies or restricts the definition of clothing based on the materials that are used to produce the clothing.
2. The committee reviewed Section 327 of the Agreement. Section 327 requires that except as specifically provided in Section 316 and any applicable definition, a member state must either impose its sales and use taxes on all products or services within a definition, or exempt all products or services within a definition.
3. Minnesota exempts all clothing from the sales and use tax. Minnesota does not impose a sales tax on articles of clothing made with fur or hide on the pelt (Minnesota Statutes, Chapter 297A (General Sales and Use Taxes)). Minnesota imposes a separate gross revenues tax on fur clothing (Minnesota Statutes, Chapter 295 (Gross Revenues and Gross Receipts Taxes)). This is not in violation of any provision of the Agreement. It is a separate tax from the sales tax and is imposed on the gross receipts of the furrier for sales in Minnesota. Article I, Section 104 of the agreement provides that the definition of a term is not intended to influence the interpretation or application of that term with respect to other tax types.

**Committee Members:**

Larry Wilkie, Committee Chair, Tony Mastin, Dan Noble, Andy Sabol, Joe VanDevender, Dale Vettel, and Myles Vosberg.

**Interpretation 2006-06**

**(Adopted August 29, 2006)**

This Interpretation Recommendation is made to the Governing Board by the Compliance Review and Interpretations Committee this 22nd day of June, 2006 in accordance with Article IX, Rule 902 of Rules and Procedures adopted by the Streamlined Sales Tax Governing Board, Inc.
The party requesting the interpretation is William Riesenberger of the Ohio Department of Taxation, Sales and Use Tax Division. The request was made by letter dated January 25, 2006. Expedited consideration available under Rule 902, subsection (H) was not requested.

**Issue:**

The issue presented is an interpretation of Agreement section 402 pertaining to amnesty. The question presented was whether a company that has a physical presence in a state continues to be eligible for amnesty in that same state if it deregisters in the other member and associate member states. Amnesty was originally granted under section 402 of the agreement when the company registered to collect tax through the streamlined sales tax central registration system.

**Public Comment:**

No written public comments were received.

**Recommendation:**

By unanimous consent the Compliance Review and Interpretations Committee submits to the Governing Board a recommendation that a seller who has deregistered to collect tax in any member state within thirty-six months of its registration is no longer eligible for amnesty in any member state or associate member state under section 402 of the Agreement including states where the seller has a physical presence.

**Rationale:**

Section 402A(1) of the agreement provides amnesty for uncollected or unpaid sales or use tax to a seller that registers to pay or to collect and remit applicable sales or use tax in accordance with the terms of the agreement. In addition, section 402D states the amnesty is fully effective as long as the seller continues registration and continues payment or collection and remittance of applicable sales or use taxes for a period of at least thirty-six months. A seller that deregisters within thirty-six months of its registration does not meet the requirements of Section 402D and, therefore, forfeits the amnesty provided under the agreement in all member and associate member states including any state where registration is continued. Notice of deregistration is made through the central registration system to all member and associate member states.

**Committee Members:**

Larry Wilkie, Committee Chair; Myles Vosberg, Andy Sabol, Tony Mastin, Dan Noble, Tom Conley representing Joseph VanDevender, and Dale Vettel.

**Interpretation 2006-07**

**(Adopted August 29, 2006)**

This Interpretation Recommendation is made to the Governing Board by the Compliance Review and Interpretations Committee this 24th day of August, 2006 in accordance with Article IX, Rule 902 of the Rules and Procedures adopted by the Streamlined Sales Tax Governing Board, Inc. The party requesting the interpretation is the Software Finance & Tax Executives Council (SoFTEC) represented by Mark Nebergall of 1150 17th Street NW # 601, Washington DC 20036. The request was made on the prescribed form on April 11, 2006 and was made pursuant to the provisions for consideration contained in Rule 902 at subsection (D). SoFTEC provided supplemental information in support of the interpretation and to provide clarification of the scope of the interpretation request.

**Issue:**

SoFTEC raises three issues associated with Section 312A, Multiple Points of Use, effective on and after January 1, 2008, of the Streamlined Sales and Use Tax Agreement (SSUTA). Each of the issues involves the interpretation of the phrase "concurrently available for use in more than one jurisdiction" and its application to three specific fact patterns involving the sale of software and service. We list the fact patterns first and then the issues associated with each fact pattern exactly as presented in the interpretation request.

Fact Pattern (1): Software Company sells software that can be loaded onto Customer's server and can be accessed and used concurrently by Customer's employees located in several states. The only copy of the software received by the Customer is the one loaded onto the Customer's server. No subsequent copies of the software are made and sent to employees in other states.
Fact Pattern (2): Software is loaded onto Software Company's server and Software Company sells access to the software to Customer. Customer's employees gain concurrent access to the software from multiple locations. No copy of the software is ever delivered to the Customer.
Fact Pattern (3): A copy of a computer program is licensed by Software Company to Customer along with the right to make multiple copies of the software which will be delivered to Customer's users/employees in multiple jurisdictions.

Issue (1): "Is software loaded onto a server located in a single state that can be accessed by users in several states "concurrently available for use in more than one jurisdiction" within the meaning of Section 312A of the Agreement?"

Issue (2): "Is delivery of a copy of the computer program to the customer necessary to invoke the "concurrently available for use in more than one jurisdiction" language of Section 312A?"
Issue (3): "Is a license of a copy of a computer program that allows the licensee/customer to make copies of the software that will be used in more than one jurisdiction by the customer "concurrently available for use in more than one jurisdiction" within the meaning of Section 312A?"

**Public Comment:**

Public comment was received from both industry and state agencies.

**Recommendation:**

By unanimous vote the Compliance Review and Interpretations Committee submits to the Governing Board the following interpretation recommendation regarding the above three issues. It is important to note that the committee's recommendation departs from SoFTEC's proposed interpretation as it relates to issues one and three by incorporating clarifications provided by SoFTEC in supplemental memorandums. This interpretation recommendation does not take a position on whether the transactions described in the fact patterns are sales of computer software or whether they are sales of services since this distinction is not important to the question of whether the purchases are considered to be concurrently available for use in multiple jurisdictions.

It is also important to note that regardless of the fact situation, a seller is not relieved of its obligation to collect and remit sales or use tax on otherwise taxable transactions, unless the purchaser delivers to the seller an exemption form claiming direct pay or multiple points of use.

1. The purchase of software loaded onto a server located in a single state that will be available for access by employees in multiple jurisdictions is concurrently available for use in more than one jurisdiction within the meaning of Section 312A of the Agreement if the purchaser knows at the time of its purchase that the software will be concurrently available for use in multiple jurisdictions.
2. Delivery of a copy of a computer program is not necessary to invoke the "concurrently available for use in more than one jurisdiction" language of Section 312A.
3. The purchase of a license of a copy of a computer program that allows the licensee/customer to make copies of the software that will be used in more than one jurisdiction by the

customer is concurrently available for use in more than one jurisdiction within the meaning of Section 312A of the Agreement if the purchaser knows at the time of its purchase that the software will be concurrently available for use in multiple jurisdictions.

**Rationale:**

1. The critical component of Section 312A is the direction provided to both the seller and purchaser. The term "concurrently available for use" has clear meaning: "concurrently" (occurring at the same time); "available for use" (that can be used). Applying the clear meaning of the term "concurrently available for use" to the specific fact pattern described, the purchased item is considered to be concurrently available for use in multiple jurisdictions within the meaning of Section 312A.
2. The delivery of a copy of a computer program is not specifically enumerated in Section 312A as a trigger for invoking the "concurrently available for use" language.
3. See item 1. The same rationale applies here.

**Committee members:**

Larry Wilkie, Committee Chair, Dale Vettel, Vice Chair, Tony Mastin, Dan Noble, Andy Sabol, Joe VanDevender, and Myles Vosberg.

*Compiler's note: On December 14, 2006 Section 312 was repealed.*

**Interpretation 2006-08**

**(Adopted December 14, 2006)**

This Interpretation Recommendation is made to the Governing Board by the Compliance Review and Interpretations Committee this 17th day of August, 2006 in accordance with Article IX, Rule 902 of the Rules and Procedures adopted by the Streamlined Sales Tax Governing Board, Inc. The party requesting the interpretation is Jane Page of the South Dakota Department of Revenue. The request was made on the prescribed form on June 7, 2006 and was made pursuant to the provisions for consideration contained in Rule 902 at subsection (D).

**Issue:**

The issue presented is an interpretation of Agreement section 402 pertaining to amnesty. The question presented was whether a registrant must remain registered with each state for a period of thirty-six months from the date that the state becomes a member.

The situation described involved a seller that registers through the streamlined sales tax central registration system with all member states on October 1, 2005. A new state becomes a member October 1, 2008. The seller cancels registration with all states effective December 1, 2008. The seller in the situation described above was registered for a total of thirty-eight months, but only two months in the new state. Does the seller retain amnesty with the new member state?

**Public Comment:**

No written public comments were received.

**Recommendation:**

The Compliance Review and Interpretations Committee submits to the Governing Board a recommendation that a seller who deregisters to collect tax in a member state within thirty-six months of that state becoming a member is no longer eligible for amnesty in that new member state under Section 402 of the agreement. However, the seller retains amnesty with all member states in which they were registered for at least thirty-six months, provided they meet all of the other requirements of Section 402 of the agreement.

**Rationale:**

Section 402A(1) of the agreement provides amnesty for uncollected or unpaid sales or use tax to a seller that registered to pay or to collect and remit applicable sales or use tax in accordance with the terms of the agreement. In addition, Section 402D states that the amnesty is fully effective as long as the seller continues registration and continues payment or collection and remittance of applicable sales or use taxes for a period of at least thirty-six months. Each member state shall toll its statute of limitations applicable to asserting a tax liability during this thirty-six month period.

A seller that deregisters within thirty-six months of the date that a state becomes a member does not meet the requirements of section 402D and, therefore, forfeits the amnesty provided under the agreement for that member state. Assuming that all other requirements of Section 402 are met, the seller retains amnesty in the initial member states since they met the thirty-six month registration requirement in those states.

**Committee members:**

Larry Wilkie, Committee Chair, Dale Vettel, Vice Chair, Tony Mastin, Dan Noble, Andy Sabol, Joe VanDevender, and Myles Vosberg.

**Interpretation 2006-09**

**(Adopted December 14, 2006)**

This Interpretation Recommendation is made to the Governing Board by the Compliance Review and Interpretations Committee this 14th day of September, 2006 in accordance with Article IX, Rule 902 of Rules and Procedures adopted by the Streamlined Sales Tax Governing Board, Inc. The party requesting the interpretation is Suzanne Beaudelaire of Ernst & Young, LLP. The request was made on the prescribed form dated August 16, 2006, and was made pursuant to the provisions for expedited consideration contained in Rule 902 at subsection (H).

**Issue:**

The issue presented is an interpretation of Agreement section 402 pertaining to amnesty. The question presented was whether companies (predecessor companies) would be eligible for amnesty under Agreement section 402 if another company (successor company) acquired the assets and liabilities of the predecessor companies and then registered to collect sales/use tax through the SST central registration system. According to facts presented in the request, the predecessor companies no longer exist, but would qualify for amnesty under Agreement section 402 if they still existed and they registered through the central registration system.

**Public Comment:**

No written public comments were received. Ms. Beaudelaire's discussion and response to the committee's questions during the September 14, 2006 meeting were the only oral comments presented to the committee. Other issues regarding liability for sales/use tax related to predecessor companies were raised during the discussion, but the following recommendation is limited to the specific question addressed in Ms. Beaudelaire's request.

**Recommendation:**

By unanimous consent the Compliance Review and Interpretations Committee submits to the Governing Board a recommendation that predecessor companies that do not register through the central registration system are not eligible for amnesty under Agreement section 402.

**Rationale:**

Section 402A(1) of the agreement provides amnesty for uncollected or unpaid sales or use tax to a seller that registers to pay or to collect and remit applicable sales or use tax in accordance with the terms of the agreement. The agreement language is clear that amnesty is not available to companies that do not register under the agreement.

**Committee Members:**

Larry Wilkie, Committee Chair; Myles Vosberg, Andy Sabol, Tony Mastin, Dan Noble, Tom Conley representing Joseph VanDevender, and Dale Vettel.

**Interpretation 2006-10**

**(Withdrawn December 14, 2006)**

**Interpretation 2006-11**

**(Adopted December 14, 2006)**

This Interpretation Recommendation is made to the Governing Board by the Compliance Review and Interpretations Committee this 26th day of October 2006 in accordance with Article IX, Rule 902 of the Rules and Procedures adopted by the Streamlined Sales Tax Governing Board, Inc. The party requesting the interpretation is Mr. John Nugent of the Rhode Island Division of Taxation. The request was made on the prescribed form dated October 6, 2006, and was made pursuant to the provisions for expedited consideration contained in Rule 902 H.

**Issue:**

The issue presented is an interpretation of Interpretation 2006-04 adopted on April 18, 2006 by the Governing Board defining the term "food sold with eating utensils provided by the seller" for purposes of the prepared food definition in the Agreement. The specific issue involves the following language which is referred to as a "bulk serving" in the remainder of this document:

"For sellers with a sales percentage greater than 75% and who sell items that contain four (4) or more servings packaged as one item sold for a single price, an item does not become prepared food due to the seller having utensils available."

The questions presented was whether the packaging by a seller of four or more bakery products individually selected by a purchaser and sold for a single price meets the definition of "bulk serving" as defined above.

**Public Comment:**

Written public comments were received and are incorporated herein.

**Recommendation:**

By unanimous consent the Compliance Review and Interpretations Committee submits to the Governing Board the recommendation that packaging by a seller of four or more bakery products individually selected by the purchaser and sold for a single price constitutes a bulk serving.

**Rationale:**

Section VI of Interpretation 2006-04 provides, in part, the following:
"For sellers with a sales percentage greater than 75% and who sell items that contain four (4) or more servings packaged as one item sold for a single price, an item does not become prepared food due to the seller having utensils available…"

The "bulk servings" of Interpretation 2006-04 does not provide by whom the item must be packaged, or that the item must be pre-packaged. Thus, for bakery products, all that is required is that the item ultimately sold to the purchaser be a package of bakery products consisting of four or more servings sold for a single price. The fact that the servings are individually selected by the purchaser and packaged by the seller or the purchaser does not affect the transaction. The item does not constitute prepared food even when sold by a seller whose sales percentage is greater than 75% and who makes eating utensils available.

The Committee wishes to note that if the seller charges for each individual serving in the package, the sale would not be of "one item sold for a single price." It should be noted that the same provision in Section VI of Interpretation 2006-04, which we are referring to as "bulk serving," does treat "bulk servings" as prepared food when the seller's practice for the item (as represented by the seller) is to physically hand the utensil to the purchaser, except that plates, bowls, glasses, or cups necessary for the purchaser to receive food need only be made available.

**Committee Members:**

Larry Wilkie, Committee Chair, Tom Conley, representing Joe VanDevender, Tony Mastin, Dan Noble, Andy Sabol, Dale Vettel, and Myles Vosberg.

**Interpretation 2006-12**

**(Adopted December 14, 2006)**

This Interpretation Recommendation is made to the Governing Board by the Compliance Review and Interpretations Committee this 26th day of October, 2006 in accordance with Article IX, Rule 902 of the Rules and Procedures adopted by the Streamlined Sales Tax Governing Board, Inc. The party requesting the interpretation is McCarter & English, LLP. The request was made on the prescribed form on October 6, 2006 and was made pursuant to the provisions for consideration contained in Rule 902, subsection (H).

**Issue:**

The issue presented is an interpretation of the definition of "direct mail" found in Appendix C, Part I of the Agreement. The specific question is whether billing invoices, return envelopes and any additional marketing materials are included in the definition of "direct mail." The definition in question reads as follows:

"Direct mail" means printed material delivered or distributed by United States mail or other delivery service to a mass audience or to addresses on a mailing list provided by the purchaser or at the direction of the purchaser when the cost of the items are not billed directly to the recipients. "Direct Mail" includes tangible personal property supplied directly or indirectly by the purchaser to the direct mail seller for inclusion in the package containing the printed material. "Direct mail" does not include multiple items of printed material delivered to a single address.

The Interpretation Request provided the following background facts. A company in the business of printing and mailing billing statements for clients in a wide variety of industries receives customer data electronically and prints statements, letters, invoices and additional pages on preprinted paper or forms to meet the client's specifications. The printed material is sorted, folded and inserted into envelopes, bundled based on zip codes and given to the United States Postal Service for delivery. The mailed packet typically also will include a return envelope, coupons and other marketing materials.

**Public Comment:**

Written public comments were received from a state agency.

**Recommendation:**

By majority vote, the Compliance Review and Interpretations Committee submits to the Governing Board a recommendation that billing invoices, return envelopes and any additional marketing materials included with the mailing are included in the definition of direct mail provided the sale meets the criteria set out in the definition of direct mail. Joseph VanDevender, Indiana Department of Revenue, abstained from the vote on this recommendation due to a potential conflict of interest.

The criteria requires that the sale is of printed material delivered or distributed to a mass audience or to addresses on a mailing list provided by the purchaser or at the direction of the purchaser when the cost of the items are not billed directly to the recipients.

It is important to note that this definition applies only for the purposes of determining proper sourcing, and for determining whether delivery charges are included in the taxable sales price of the direct mail.

**Rationale:**

A plain reading of the definition of direct mail supports the recommendation that billing invoices, return envelopes and additional marketing materials included with the printed material meets the definition of direct mail. However, the discussion surrounding this interpretation request indicates that there is a misunderstanding about the intended use of the definition of "direct mail."

The definition is placed in the Administrative Definitions section of the Agreement purposely, because it is not intended to be a product definition. The definition was created only to define the term as used in the Direct Mail Sourcing provisions found in Section 313, and for the exclusion from "delivery charges" allowed for charges for delivery of "direct mail."

States may tax or exempt any service or sale of printed material included in the definition of "direct mail" in any way they choose. For example, a state may impose sales and use tax on charges to print billing invoices, and exempt charges to print advertising material, both of which

are included in the definition of direct mail. However, if the sale is taxable and includes mailing or delivering the printed material to a mass audience or to addresses on a mailing list as stated in the definition, it must be sourced under the provisions of Section 313, and the exclusion for delivery charges allowed applies if a member state has adopted that exclusion.

**Committee members:**

Larry Wilkie, Committee Chair, Dale Vettel, Vice Chair, Tony Mastin, Dan Noble, Andy Sabol, Joe VanDevender, and Myles Vosberg.

**Interpretation 2007-01**

**(Adopted June 23, 2007)**

This Interpretative Opinion Recommendation is made to the Governing Board by the Compliance Review and Interpretations Committee on March 29, 2007, in accordance with Article IX, Rule 902 of the Rules and Procedures adopted by the Streamlined Sales Tax Governing Board, Inc.

The party requesting the interpretation is Mr. Phil Schlesinger of Avalara. The request was made on the prescribed form on February 12, 2007, and was made pursuant to the provisions for consideration contained in Rule 902, subsection (H).

**Issue:**

The issue presented is an interpretation of the definition of "drug" in Appendix C, Part II of the Agreement. The specific question is whether the word "drug" is limited to an item or liquid that is consumed internally by the person or used externally on a person, or does it possibly extend beyond this in the context of item B of the definition to include medical supplies such as "Infectious Disease Testing Kits" that are intended to be used in the diagnosis of a disease.

**Public Comment:**

No written public comments were received.

**Recommendation:**

The Compliance Review and Interpretations Committee submits to the Governing Board a recommendation that infectious disease testing kits do not meet the definition of "drug." However, reagents, which are a component of the infectious disease test kits, do meet the

definition of "drug." The infectious disease test kits are made up of two or more distinct and identifiable products and are sold for one non-itemized price, which may or may not be a bundled transaction, depending on the tax laws in the state to which the sale is sourced. Since this will vary from state to state, the Committee recommends that each state make a determination of whether the sale of infectious disease test kits are taxable transactions according to the laws of their state.

**Rationale:**

The definition of "drug" found in Appendix C, Part II, of the Agreement does not require the item to be internally consumed or externally applied to the patient in order for the definition to apply. However, in order to qualify as a drug it must meet at least one of the provisions provided in A, B, or C of the definition, and it must also meet the basic definition in the first paragraph: "Drug" means a compound, substance or preparation, and any component of a compound, substance or preparation, other than "food and food ingredients," "dietary supplements" or "alcoholic beverages."

To take the position that an item qualifies as a drug merely because the item is intended to be used in the diagnosis, cure, mitigation, treatment, or prevention of disease, as described in B of the definition, would expand the definition of drug to include much of what is defined as durable medical equipment. For example, dialysis equipment is used in the treatment of disease, but is not a drug, because it is not a "compound, substance or preparation."

The infectious disease test kits in question contain a chemical (reagents) and other items such as slides, plastic trays and droppers. The chemicals are also sold separately from the kits. Committee members agree that the chemicals meet the definition of "drug," but the other items in the kit do not. Since the infectious disease test kits contain two or more distinct and identifiable products and are sold for one non-itemized price, the sale of the test kits may be a bundled transaction. Business representatives pointed out that the test kits in question are just one of many different test kits sold by various manufacturers for use by medical professionals. Each type of kit sold will contain different items with different costs for the components, so the results may differ for each type of kit. To make a determination about a specific test kit, one must know the contents of the kit and the seller's purchase price or sales price of each item

included in the kit. Whether sales and use tax applies to the sale of a bundled transaction, or to the sale of a transaction that meets the de minimis test, is based on the laws in the state to which the sale is sourced.

**Committee members:**

Larry Wilkie, Committee Chair, Dale Vettel, Vice Chair, Tony Mastin, Andy Sabol, Joe VanDevender, Myles Vosberg and Delegate John Doyle

**Interpretation 2007-02**

**(Adopted September 20, 2007)**

This Interpretation Recommendation is made to the Governing Board by the Compliance Review and Interpretations Committee this 7th day of June, 2007 in accordance with Article IX, Rule 902 of Rules and Procedures adopted by the Streamlined Sales Tax Governing Board, Inc. The party requesting the interpretation is Lafarge North America. The request was made by letter dated May 14, 2007, and was made pursuant to the provisions for expedited consideration contained in Rule 902 at subsection (H).

**Issue:**

The issue presented is an interpretation of Agreement section 310 (General Sourcing Rules). The specific question presented was whether the seller's location is considered the destination when the terms of the sale are FOB (Free on Board) Plant (origin) regardless of whether the customer picks up the product in their own or vehicle or sends a third party to pick up the product.

**Recommendation:**

By unanimous consent the Compliance Review and Interpretations Committee submits to the Governing Board a recommendation that a sale is not considered "received" by the purchaser and therefore not sourced to the seller's location when a third party shipping company picks up the product on behalf of the purchaser.

**Rationale:**

A plain reading of Agreement section 310(A) states that the retail sale of a product shall be sourced to the business location when the product is received by the purchaser at the business location. Section 311 of the Agreement states that the term "receive" as used in Section 310(A) does not "include possession by a shipping company on behalf of the purchaser." The terms of the sale as FOB (origin) are irrelevant in determining sourcing under the Agreement. Since the source of the sale in the proposed fact scenario is not determined under subsection (A)(1) of Section 310, the seller must follow the subsequent paragraphs of subsection (A) to determine the source of the sale.

**Committee Members:**

Myles Vosberg, Andy Sabol, Tony Mastin, Joseph VanDevender, and Dale Vettel.

**Interpretation 2007-03**

**(Adopted September 20, 2007)**

This Interpretation Recommendation is made to the Governing Board by the Compliance Review and Interpretations Committee this 21st day of June, 2007 in accordance with Article IX, Rule 902 of Rules and Procedures adopted by the Streamlined Sales Tax Governing Board, Inc.
The party requesting the interpretation is Patrick Williams of General Nutrition Centers, Inc.
The request was submitted to the Executive Director on March 20, 2007. Expedited consideration available under Rule 902, subsection (H) was not requested

**Issue:**

The issue presented is an interpretation of the definition of candy. The question presented was whether flour includes flour substitutes and if the presence of a flour substitute within a food product would prevent that food product from meeting the definition of candy.

**Public Comment:**

No written public comments were received.

**Recommendation:**

By unanimous consent the Compliance Review and Interpretations Committee submits to the Governing Board a recommendation that the same labeling standards used by the food industry

be used to determine what constitutes flour for the purpose of defining candy. A product does not contain flour unless the product label specifically lists "flour" as an ingredient.

**Rationale:**

The definition of candy found in Appendix C, Part II of the Streamlined Sales and Use Tax Agreement states candy shall not include any preparation containing flour, but does not define what constitutes flour. It is reasonable to accept the food industry's labeling standards and not consider any ingredient to be flour unless it is listed as such on the product label.

**Committee Members:**

Larry Wilkie, Committee Chair; John Doyle, Tony Mastin, Andy Sabol, Joseph VanDevender, Dale Vettel, and Myles Vosberg.

## Interpretive Opinion 2008-01
## (Adopted April 2, 2008)

This Interpretive Opinion recommendation is made to the Governing Board by the Compliance Review and Interpretations Committee this 13th day of March, 2008 in accordance with Article IX, Rule 902 of the Rules and Procedures adopted by the Streamlined Sales Tax Governing Board, Inc.

The party requesting the interpretation is Mr. Drew Gruenburg, Senior Vice President of the Society of American Florists of Alexandria, Virginia. The request was made on January 30, 2008.

**Issue:**

Significant numbers of floral orders are placed through arrangements whereby a florist in one location ("Accepting Florist") takes an order from a customer to deliver floral orders (flowers, floral arrangements, potted plants, floral containers or any other article common to the floral business) to a third party recipient in another location. The Accepting Florist transmits a floral order to another florist ("Delivering Florist") for delivery to the third party recipient. The question presented asks who is the seller for sales and use tax purposes, the Accepting Florist or the Delivering Florist.

**Public Comment:**

Additional written comments were received from Mr. Paul Goodman representing the Society of American Florists.

**Recommendation:**

By unanimous consent of the participating members, the Compliance Review and Interpretations Committee submits to the Governing Board a recommendation that the seller in the scenario described is the Accepting Florist.

**Rationale:**

The Governing Board took action at its inaugural meeting on October 1, 2005 related to a similar request for interpretation from the floral industry. That action was recorded in the minutes of the meeting as: "A motion for an interpretation of who is the seller for floral orders through floral delivery networks was moved by South Dakota, seconded by Oklahoma and passed." No other formal record of this action has been located. Action on this interpretation recommendation will create a record through the same process by which subsequent interpretations have been handled. Agreement Section 212 defines the term "seller" as "a person making sales, leases, or rentals of personal property or services." This definition was established for application within the Agreement, therefore the provisions of the Agreement applicable to the Library of Definitions, including Section 327, do not apply.

Agreement Section 309.B.4 provides that the general sourcing provisions of Section 310 do not apply to sales or use taxes levied on florist sales until December 31, 2009. Issues of sourcing are separate and distinct, and are not addressed in this interpretation recommendation in any way.

**Participating Committee Members:**

John Doyle, Committee Chair, Larry Wilkie, Myles Vosberg, Tony Mastin, Joseph VanDevender, and Dale Vettel

**Interpretive Opinion 2008-2**

**(Adopted September 5, 2008)**

This Interpretive Opinion recommendation is made to the Governing Board by the Compliance Review and Interpretations Committee this day of June 5, 2008 in accordance with Article IX,

Rule 902 of the Rules and Procedures adopted by the Streamlined Sales Tax Governing Board, Inc.

The party requesting the interpretation is Software Finance & Tax Executives Council (SoFTEC) represented by Mark Nebergall. The request was made on April 7, 2008.

**Issue:**

SoFTEC raises an issue associated with the direct mail definition in Appendix C of the Agreement. The fact pattern presented involves a company in the data processing business. The company electronically receives accounts receivable information from its customers, processes the information on its computers to develop billing information, and creates billing statements. The company prints and mails the billing statements along with return envelopes to the individual account holders. The issue presented is whether this activity constitutes "direct mail" as the term is defined by the Agreement in those states that treat this activity as a data processing or billing service.

**Public Comment:**

No state or public written comments were received.

**Recommendation:**

By a vote of five to two, the Compliance Review and Interpretations Committee submits to the Governing Board a recommendation that the transactions outlined in the issue section above are not direct mail.

**Rationale:**

The Agreement defines "direct mail" as "printed material delivered or distributed by United States mail or other delivery service to a mass audience or to addresses on a mailing list provided by the purchaser or at the direction of the purchaser when the cost of the items are not billed directly to the recipients." Although printed material is distributed in the fact pattern, the development of the billing information is the majority of the work performed. Many states take the position that this transaction is a sale of a service and not of tangible personal property. It is necessary to look at the transaction and how it is characterized. In those states that treat the transaction as a sale of a service, it would not be a sale of direct mail as printed material is not what is being sold.

**Participating Committee Members:**

This interpretation was supported by Larry Wilkie, Andy Sabol, Tony Mastin, Joe Vandevender and John Doyle. This interpretation was not supported by Myles Vosberg and Dale Vettel.

**Interpretive Opinion 2009-1**

**(Adopted May 12, 2009)**

This Interpretive Opinion recommendation is made to the Governing Board by the Compliance Review and Interpretations Committee this day of January 15, 2009 in accordance with Article IX, Rule 902 of the Rules and Procedures adopted by the Streamlined Sales Tax Governing Board, Inc.

The party requesting the interpretation is Software Finance & Tax Executives Council (SoFTEC) represented by Mark Nebergall. The request was made on January 11, 2008.

**Issue:**

SoFTEC raises an issue associated with the purchase of additional software licenses. The fact pattern presented involves a purchaser acquiring prewritten computer software under a license that limits its ability to use the software in one of three ways: (1) the license only permits the purchaser to make a set number of copies, (2) the license only permits a set number of users to use the software concurrently, or (3) the license only permits the purchaser to load the software onto a computer with a specified computing power. If the purchaser wants to make additional copies of the software, allow additional users to use the software concurrently, or to migrate the software to more powerful computer, it must upgrade the license and pay an additional license fee. Once the fee is paid, the seller provides the purchaser by telephone with an alphanumeric code which, when entered into the computer, permits the making of additional copies of the software, permits additional concurrent users, or causes the software to function on the more powerful machine. The seller delivers no additional software to the purchaser. The issue presented is whether a software license upgrade (as opposed to an upgrade of the software itself) constitute "tangible personal property" or "computer software" where the only thing delivered to the purchaser is an alphanumeric code.

**Public Comment:**

No state or public written comments were received.

**Recommendation:**

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

**Rationale:**

The Agreement defines "tangible personal property" as" personal property that can be seen, weighed, measured, felt, or touched, or that is in any other manner perceptible to the senses" and "includes electricity, water, gas, steam, and prewritten computer software." Although no physical software or other tangible personal property is distributed in the fact pattern, the additional license to use the software is the essence of the transaction, not the alphanumeric code. The alphanumeric code merely facilitates the additional use of the software. The additional license to use the software should be treated the same as the original purchase of the software license.

**Participating Committee Members:**

Larry Wilkie, Myles Vosberg, Andy Sabol, Tony Mastin, Joe VanDevender.

**Interpretive Opinion 2009-2**

**(Adopted September 30, 2009)**

This Interpretive Opinion recommendation is made to the Governing Board by the Compliance Review and Interpretations Committee this day of July 2, 2009 in accordance with Article IX, Rule 902 of the Rules and Procedures adopted by the Streamlined Sales Tax Governing Board, Inc.

The party requesting the interpretation is Woodman's Food Markets, Inc. represented by Steve Kaukl. The request was made on April 10, 2009.

**Issue:**

Woodman's Food Markets, Inc. raises a question associated with the definition of soft drinks. The State of Illinois currently considers fruit flavored cocktail mixes to be soft drinks because they can be directly consumed as a non-alcoholic fruit flavored ready to drink beverage. Fruit flavored cocktail mixes contain no alcohol. The example given was Jose Cuervo Margarita Mix, which contains no fruit juice and no alcohol. The intended use for the product is to combine it

with liquor to produce an alcoholic cocktail. The issue presented is whether fruit flavored cocktail mixes are soft drinks under the Agreement definitions. The requester proposes that an interpretation be made that fruit flavored cocktail drinks are not soft drinks.

**Public Comment:**

No state or public written comments were received.

**Recommendation:**

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

**Rationale:**

The Agreement defines "soft drinks" to mean non-alcoholic beverages that contain natural or artificial sweeteners. The definition provides that "soft drinks" do not include beverages that include greater than fifty percent of vegetable or fruit juice by volume. The definitions in the Agreement are meant to be objective tests to determine the classification of an item and the intent of the user is not relevant. Fruit flavored cocktail mixes meet the definition of "soft drink" and should be classified as such.

**Participating Committee Members:**

Larry Wilkie, Myles Vosberg, Tony Mastin, Tom Atchley, Rep. Deb Peters.

**Interpretive Opinion 2009-3**

**(Adopted September 30, 2009)**

This Interpretive Opinion recommendation is made to the Governing Board by the Compliance Review and Interpretations Committee this day of July 2, 2009 in accordance with Article IX, Rule 902 of the Rules and Procedures adopted by the Streamlined Sales Tax Governing Board, Inc.

The party requesting the interpretation is Woodman's Food Markets, Inc. represented by Steve Kaukl. The request was made on April 10, 2009.

**Issue:**

Woodman's Food Markets, Inc. raises an issue associated with the definition of soft drinks. Ready to drink ice tea can come in an unsweetened and unflavored state. The example given was Lipton PureLeaf Iced Tea. The issue presented is whether unsweetened and unflavored ready to drink iced tea would be considered soft drinks under the Agreement definitions. The requester proposes that an interpretation be made that unsweetened and unflavored ready to drink iced tea are not soft drinks.

**Public Comment:**

No state or public written comments were received.

**Recommendation:**

By a unanimous vote, the Compliance Review and Interpretations Committee submits to the Governing Board a recommendation that the interpretation proposed by the requester be accepted.

**Rationale:**

The Agreement defines "soft drinks" to mean non-alcoholic beverages that contain natural or artificial sweeteners. Unsweetened, unflavored ready to drink iced tea does not meet the definition as it contains no sweeteners and falls under the food definition.

**Participating Committee Members:**

Larry Wilkie, Myles Vosberg, Tony Mastin, Tom Atchley, Rep. Deb Peters.

**Interpretive Opinion 2009-4**

**(Adopted September 30, 2009)**

This Interpretive Opinion recommendation is made to the Governing Board by the Compliance Review and Interpretations Committee this day of July 2, 2009 in accordance with Article IX, Rule 902 of the Rules and Procedures adopted by the Streamlined Sales Tax Governing Board, Inc.

The party requesting the interpretation is Woodman's Food Markets, Inc. represented by Steve Kaukl. The request was made on April 10, 2009.

**Issue:**

Woodman's Food Markets, Inc. raises an issue with regard to the definition of candy. Certain baking ingredients have the characteristics of candy but are not intended to be consumed as candy. The example given was M&M's Baking Bits which are intended to be used as an ingredient in the making of cookies and other baked desserts. The issue presented is whether baking ingredients such as M&M's Baking Bits meet the definition of candy under the Agreement definitions. The requester proposes that an interpretation be made that such baking ingredients are not candy.

**Public Comment:**

No state or public written comments were received.

**Recommendation:**

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

**Rationale:**

The Agreement defines "candy" to mean a preparation of sugar, honey, or other natural or artificial sweeteners in combination with chocolate, fruits, nuts or other ingredients or flavorings in the form of bars, drops, or pieces. The definitions in the Agreement are meant to be objective tests to determine the classification of an item and the intent of the user is not relevant. Baking ingredients such as M&M's Baking Bits meet the definition of candy and should be classified as such.

**Participating Committee Members:**

Larry Wilkie, Myles Vosberg, Tony Mastin, Tom Atchley, Rep. Deb Peters.

**Interpretive Opinion 2009-5**

**(Adopted December 17, 2009)**

This Interpretive Opinion recommendation is made to the Governing Board by the Compliance Review and Interpretations Committee this day of November 12, 2009 in accordance with Article IX, Rule 902 of the Rules and Procedures adopted by the Streamlined Sales Tax Governing Board, Inc.

The party requesting the interpretation is James Tilton. The request was made on August 18, 2009.

**Issue:**

Mr. Tilton raises an issue with regard to the definition of candy. Cereal and breakfast bars contain sugar and some contain flour. The example given was Honey Smacks, Rice Krispie Treats, Coco Krispies, Golden Crisp, Special K, Fruity Pebbles, Carmel Corn Rice Cakes, Kelloggs Raisin Bran, Wheaties, and Cheerios which all contain sugar but no flour. The issue presented is whether cereals like these meet the definition of candy under the Agreement definitions. The requester proposes that an interpretation be made that such cereals are candy.

**Public Comment:**

The Compliance Review and Interpretations Committee (CRIC) asked the State and Local Advisory Council (SLAC) to conduct research and to make a recommendation. There were state and public comments received by SLAC which resulted in a paper that was submitted to CRIC on November 12, 2009.

**Recommendation:**

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

**Rationale:**

The Agreement defines "candy" to mean a preparation of sugar, honey, or other natural or artificial sweeteners in combination with chocolate, fruits, nuts or other ingredients or flavorings in the form of bars, drops, or pieces. The definitions in the Agreement are meant to be objective tests to determine the classification of an item and the intent of the user is not relevant.

1. Breakfast cereals are not candy because they are not sold in the form of bars, drops or pieces.
2. Natural or artificially sweetened breakfast bars, Carmel Corn Rice Cakes, and Rice Krispie Treats that do not have ingredient labeling specifying flour and do not require refrigeration are candy. These products are sold in the form of bars and meet the objective test in the definition of candy.

3. Lightly Salted Rice Cakes that do not contain natural or artificial sweeteners according to the ingredient labeling are food and food ingredients and are not classified as candy.

**Participating Committee Members:**

Cathy Wicks for Larry Wilkie, Myles Vosberg, Tony Mastin, Tom Atchley, Rep. Deb Peters and Senator Luke Kenley.

**Interpretive Opinion 2010-01**

**(Adopted April 30, 2010)**

This Interpretive Opinion recommendation is made to the Governing Board by the Compliance Review and Interpretations Committee this day of March 11, 2010, in accordance with Article IX, Rule 902 of the Rules and Procedures adopted by the Streamlined Sales Tax Governing Board, Inc.

The party requesting the interpretation is Tim Maloney. The request was made on February 17, 2010.

**Issue:**

Canton Chair Rental is an Ohio-based company located in Stark County that rents tangible personal property such as tables, chairs and other party-related items to individuals, families and companies in Stark County and other adjacent counties, all in Ohio. The normal arrangement is that these items are rented to the consumer/customer for a fee on a short-term, non-recurring basis, and not of duration of more than thirty days. The orders are received by Canton Chair Rental at its Stark County offices and the items rented are delivered to the customer at the customer's home or business by Canton Chair Rental. The issue presented is whether a renter of tangible personal property in Ohio, which has local jurisdictions that levy or receive sales or use taxes pursuant to Section 310.1, can utilize origin-based sourcing. The requester proposes that an interpretation be made that such rentals should qualify for origin based sourcing.

**Public Comment:**

Written comments were received from Mr. Bill Riesenberger of the state of Ohio, the Equipment Leasing and Finance Association, and from Mr. Tim Maloney.

**Recommendation:**

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

**Rationale:**

Subsection 310.1(B) provides: "A member state may source retail sales, excluding lease or rental, of tangible personal property or digital goods to the location where the order is received by the seller if: …".

The Administrative Definitions in Part I of Appendix C of the Agreement define "lease or rental" to mean "any transfer of possession or control of tangible personal property for a fixed or indeterminate term for consideration." The transaction highlighted in Mr. Maloney's interpretation request clearly falls within the definition of "lease or rental". Since leases or rentals are excluded under Subsection 310.1(B), the sourcing for such sales must be done by the member state under the provisions of Section 310 of the Agreement. Subsection 310(B)(2) states: "For a lease or rental that does not require recurring periodic payments, the payment is sourced the same as a retail sale in accordance with the provisions of subsection 310(A)." Subsection 310(A) sources sales on the location where the customer receives the property. These transactions are excluded from the origin sourcing election provided in Section 310.1. As such, they are to be sourced according to Subsection 310(B). If the lease payments are structured such that it falls under Subsection 310(B)(2) as outlined in the situation provided, the payment is then sourced under the hierarchy provided in Subsection 310(A).

**Participating Committee Members:**

Larry Wilkie, Myles Vosberg, Tom Atchley, Rep. Deb Peters, and Richard Cram.

**Interpretive Opinion 2010-02**

**(Adopted August 17, 2010)**

This Interpretive Opinion recommendation is made to the Governing Board by the Compliance Review and Interpretations Committee this day of May 27, 2010 in accordance with Article IX, Rule 902 of the Rules and Procedures adopted by the Streamlined Sales Tax Governing Board, Inc.

The Governing Board requested the interpretation as a result of the issue being raised during the 2009 recertification compliance review.

**Issue:**

The issue being considered is whether an exemption for one-way paging conflicts with the Agreement's definition of paging? During the compliance review, the Compliance Review and Interpretations Committee determined that a number of states were exempting one-way paging. The Agreement contains a definition of "paging" which includes both one-way and two-way paging. The Committee decided not to consider the issue as part of the compliance review and to bring the issue to the attention of the Governing Board. The Governing Board asked the State and Local Advisory Council (SLAC) to conduct research and to make a recommendation to the Compliance Review and Interpretations Committee (CRIC).

**Public Comment:**

At the Governing Board's request, the SLAC conducted research on the issue. There were state and public comments received by SLAC which resulted in a paper that was submitted to CRIC.

**Recommendation:**

By a unanimous vote, the Compliance Review and Interpretations Committee submits to the Governing Board a recommendation that the interpretation action proposed by the SLAC be accepted. No action by the SLAC or the Governing Board to address "one-way paging" is necessary at this time. States identified in the CRIC's 2009 Compliance Review Report have expressed the intent to address this matter within their states by eliminating use of the term "one-way paging" (administratively or legislatively, as appropriate) so that all paging services in those states (including one-way paging) are either taxed or exempt.

**Rationale:**

The Agreement defines "paging service" as "a 'telecommunications service' that provides transmission of coded radio signals for the purpose of activating specific pagers; such transmissions may include messages and/or sounds." The Agreement does not contain a definition for "one-way paging."

Governing Board Rule 327.2, Part D provides that with respect to telecommunications, partial exclusion of a definition is prohibited. A member state choosing to tax telecommunication services shall use applicable definitions contained in the Streamlined Sales and Use Tax Agreement and shall not exclude from imposition a part of any definition or any item included in such a definition unless the Streamlined Sales and Use Tax Agreement specifically permits such a variation. There is no such provision for taxing or exempting one type of paging and not the other.

Most transmissions considered as paging now include some capacity for direct response (such as a text message). True "one-way" paging (where there is no ability to directly respond to the paging transmission) continues to exist, though perhaps on a very limited basis.

**Participating Members:**

Myles Vosberg, Tom Atchley, Rep. Deb Peters and Richard Cram

**Interpretive Opinion 2010-03**

**(Adopted October 7, 2010)**

This Interpretive Opinion recommendation is made to the Governing Board by the Compliance Review and Interpretations Committee this day of September 16, 2010 in accordance with Article IX, Rule 902 of the Rules and Procedures adopted by the Streamlined Sales Tax Governing Board, Inc.

The party requesting the interpretation is Mr. David A. Fruchtman. The request was made on August 18, 2010.

**Issue:**

Mr. Fruchtman asked, on behalf of a client, whether carbon dioxide used to make seltzer for human consumption qualifies as "food and food ingredients." According to the facts presented, the company represented is a distributer and gas refiller of a table top seltzer making system. The company's customers initially purchase a table top seltzer making kit, which includes a reusable seltzer dispenser weighing less than five pounds, two reusable plastic bottles, flavor samples and a canister filled with beverage-grade carbon dioxide ("canisters"). Customers screw a canister into the table top seltzer dispenser. To make seltzer at any time, a customer fills one of

the plastic bottles with tap water, attaches the filled bottle to the dispenser, and pushes a button for one to two seconds, releasing gas into the water. The result is a fresh bottle of seltzer for human consumption. The carbon dioxide changes the taste of water. The taste of carbonated water is different than the taste of noncarbonated water because of the formation of carbonic acid when the carbon dioxide is dissolved in water. The seltzer is ingested as part of the beverage. Customers can add flavorings if they desire. This is the only use for the system. Mr. Fruchtman requests a ruling that the company's sales of its canisters of beverage-grade carbon dioxide qualify as sales of "food and food ingredients" as that phrase is used in the Streamlined Sales and Use Tax Agreement ("SSUTA"), Appendix *C.*

**Public Comment:**

No state or public written comments were received.

**Recommendation:**

By a vote of three to one of the members present, the Compliance Review and Interpretations Committee submits to the Governing Board a recommendation that the interpretation proposed by the requester be accepted.

**Rationale:**

Term "food and food ingredients" means "Substances, whether in liquid, concentrated, solid, frozen, dried, or dehydrated form, that are sold for ingestion or chewing by humans and are consumed for their taste or nutritional value."

"Food and food ingredients" are substances. The term gas is in fact defined as a "substance." For example, a gas is "a substance at a temperature above its critical temperature and therefore not liquefiable with pressure alone..[.]" *Webster's Third International Dictionary, p. 937 (2002).* The definition of "food and food ingredients" identifies various forms in which "substances" can exist. However, the list of described forms is not exclusive. Accordingly, a gas can qualify as a "substance" as contemplated in the definition of "food and food ingredients."

Under the facts presented, the identified beverage grade carbon dioxide gas is sold for ingestion and is consumed for taste.

Based upon the forgoing, the beverage grade carbon dioxide gas qualifies as a "food and food ingredient" because it is a substance, is sold for ingestion, and is consumed for taste.

**Participating Committee Members:**

Myles Vosberg, Rep. Deb Peters, Richard Cram and Tim Jennrich

**Interpretive Opinion 2011-01**

**(Adopted December 19, 2011)**

This Interpretive Opinion recommendation is made to the Governing Board by the Compliance Review and Interpretations Committee this day of December 1, 2011 in accordance with Article IX, Rule 902 of the Rules and Procedures adopted by the Streamlined Sales Tax Governing Board, Inc.

Mr. Ken Nogueira requested an interpretation on August 12, 2011.

**Issue:**

Mr. Nogueira asked whether wood chunks used for flavoring in cooking qualifies as "food and food ingredients." According to the facts presented, the Company is a restaurant company that features "wood-grilled" items on its menu. The Company purchases Hickory wood chunks to use as an ingredient to flavor items on its menu. During the cooking process, the Hickory wood chunks are soaked in water and placed in a smoker under the grill. As the smoldering wood burns, it releases compounds that impart a unique flavor and are a key ingredient in a number of "wood-grilled" items on its menu. Mr. Nogueira requests a ruling that the company's sales of its wood chunks qualify as sales of "food and food ingredients" as that phrase is used in the Streamlined Sales and Use Tax Agreement ("SSUTA"), Appendix C.

**Public Comment:**

Three states recommended that the interpretation request not be approved.

**Recommendation:**

By a unanimous vote of the members present, the Compliance Review and Interpretations Committee submits to the Governing Board a recommendation that the interpretation proposed by the requester not be accepted and that wood chunks do not qualify as food and food ingredients.

**Rationale:**

The Agreement defines "food and food ingredients" as "substances, whether in liquid, concentrated, solid, frozen, dried or dehydrated form, that are sold for ingestion or chewing by humans and are consumed for their taste or nutritional value." *SSUTA, Appendix C- Library of Definitions, Part II "Product Definitions."*

The wood chunks, even those containing natural compounds or additives that emit a particular aroma or vapor, are not sold for ingestion or chewing by humans. The wood chunks, when heated, create smoke which flavors the food item that is smoked, but the wood chunks are not eaten by humans and do not become a component part of and are not added to the food product. Based upon the forgoing, the wood chunks do not qualify as a "food and food ingredient" because it is not sold for ingestion or chewing by humans.

**Participating Committee Members:**

Tom Atchley, Craig Johnson, Richard Cram, and Tim Jennrich

**Interpretive Opinion 2011-02**

**(Adopted December 19, 2011)**

This Interpretive Opinion recommendation is made to the Governing Board by the Compliance Review and Interpretations Committee this day of December 1, 2011 in accordance with Article IX, Rule 902 of the Rules and Procedures adopted by the Streamlined Sales Tax Governing Board, Inc.

Mr. Eric Wayne of North Carolina requested the interpretation on August 29, 2011.

**Issue:**

Mr. Wayne asked whether pencil leads and pen refills qualify as school supplies for sales tax holiday purposes. Mr. Wayne states that pencils and pens are on the list in Appendix B as school supplies but pencil leads and pen refills are not on the list. The Department was contacted before the recent August sales tax holiday and asked if pencil leads and pen refills were school supplies. Contact was made with Tennessee and Arkansas which also exempt school supplies during the their sales tax holiday and representatives for Tennessee and Arkansas were in agreement that pencil leads and pen refills should be included as school supplies and exempt

items for sales tax holiday purposes. Oklahoma does not exempt school supplies for sales tax holiday purposes. Mr. Wayne requests a ruling that pencil leads and/or pen refills be considered "school supplies" as that phrase is used in the Streamlined Sales and Use Tax Agreement ("SSUTA"), Appendix C.

**Public Comment:**

Comments were received from one state recommending that the interpretation requested be accepted.

**Recommendation:**

By a vote of three to one of the members present, the Compliance Review and Interpretations Committee submits to the Governing Board a recommendation that the interpretation proposed by the requester be accepted.

**Rationale:**

Appendix C, Library of Definitions, Part III Sales Tax Holiday Definitions defines "school supply" as "an item commonly used by a student in a course of study." Section B. Product Definitions provides an all-inclusive list of school supplies. Pencils and pens are on the list as school supplies but pencil leads and pen refills are not on the list. The Agreement does not define pens and pencils. However, pens and pencils cannot perform in their intended purpose without pen refills and pencil leads. Pen refills and pencil leads are components of pens and pencils and fall within the meaning of pens and pencils.

**Participating Committee Members:**

Tom Atchley, Craig Johnson, Richard Cram, and Tim Jennrich

## Interpretive Opinion 2011-03

**(Adopted December 19, 2011)**

This Interpretive Opinion recommendation is made to the Governing Board by the Compliance Review and Interpretations Committee this day of December 1, 2011 in accordance with Article IX, Rule 902 of the Rules and Procedures adopted by the Streamlined Sales Tax Governing Board, Inc.

Mr. Bruce Christensen requested the interpretation on August 31, 2011.

**Issue:**

May a state include its statutory appeal period in the 120-day period required by Section 317 D (1) of the Agreement? In the following example, must State A wait until the 120-day period has expired before issuing the audit assessment (i.e., does State A have to wait until after June 28, 2011) or can the 60-day appeal period be included in the 120 days such that State A can issue the audit assessment at any time after April 28, 2011 since the seller will still have until at least June 28, 2011 (120 days after the request for substantiation was provided to the seller) to provide those exemption certificates?

**Example:**

- State A issues a request to a seller on March 1, 2011 to substantiate certain exempt sales the seller claimed.
- One hundred twenty days from March 1, 2011 is June 28, 2011.
- Sellers are allowed 60 days after receiving a Notice of Amount Due from State A to either pay the amount due or file an appeal.
- If an adjustment to the seller's sales tax liability is made because a seller is missing some exemption certificates at the time the Notice of Amount Due is issued, State A will allow the seller to submit those exemption certificates during the 60-day appeal period.
- State A will treat the receipt of those exemption certificates during the 60-day appeal period as an appeal, review the exemption certificates to confirm the seller received them in good faith, and adjust the Notice of Amount Due accordingly.

**Public Comment:**

One state recommended that the interpretation not be accepted unless including the appeals period is optional.

**Recommendation:**

By a unanimous vote of the members present, the Compliance Review and Interpretations Committee submits to the Governing Board a recommendation that if a state will adjust the audit assessment during the appeal period if acceptable documentation is provided, the appeal period can be included as part of the 120 days allowed to provide exemption certificate

information. However, if a state will not adjust the audit assessment during the appeal period for exemption certificates accepted in good faith, the state may not include the appeal period as part of the 120 days that must be allowed.

**Rationale:**

Section 317 D (1) of the Agreement states:

"If the seller has not obtained an exemption certificate or all relevant data elements within 90 days subsequent to the date of sale as provided in Section 317, subsection (C), a member state shall provide the seller with 120 days subsequent to a request for substantiation by a member state, to either:

a. Obtain a fully completed exemption certificate from the purchaser, taken in good faith which means that the seller obtains a certificate that claims an exemption that:
   (i) was statutorily available on the date of the transaction in the jurisdiction where the transaction is sourced,
   (ii) could be applicable to the item being purchased, and
   (iii) is reasonable for the purchaser's type of business; or
b. Obtain other information establishing that the transaction was not subject to the tax.
   A member state may provide for a period longer than 120 days for sellers to obtain the necessary information."

The Agreement is silent on the issue of whether a state's appeals period can be included in the 120 day period. If the state allows a seller to provide substantiation during the appeals period and receive an assessment adjustment, then the requirements of the Agreement have been met as long as 120 days have been allowed since the request for substantiation. A member state has the option of using their state's appeal period as part of the 120 day period if the state will willingly adjust the audit assessment during the appeal period if acceptable exemption documentation is provided.

**Participating Committee Members:**

Tom Atchley, Craig Johnson, Richard Cram, and Tim Jennrich

**Interpretive Opinion 2013-1**

**(Adopted October 30, 2013)**

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

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

**Issue:**

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

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

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

All of these products, at the time this request was considered, were labeled as containing water and "natural flavor" or "essence." The Food and Drug Administration (FDA) issues regulations governing labeling requirement under Title 21 of the Code of Federal Regulation. Section 101.22 of Title 21 defines certain terms that may appear on the product's list of ingredients. The term "natural flavor" is defined in 21 CFR 101.22(a)(3). In short, "natural flavors" are concentrated additives to food "Whose significant function in food is flavoring rather than nutritional"

(emphasis added). The term "spice" is defined in 21 CFR 101.22(a)(2). "Spices" function in a similar manner to natural flavor; they are a "seasoning" rather than a nutritional element in food. A listing of approved common spices is provided in 21 CFR 182.10.

Among the products listed above, the Canada Dry, Vintage, and Adirondack bottled waters list water and "natural flavor" in their list of ingredients in compliance with 21 CFR 101.22(a)(3). The Metromint bottled waters list water, mint and flavor "essence" in their list of ingredients. Metromint uses the common term "mint" instead of the specific terms "peppermint" and "spearmint," which are listed as "spices" in 21 CFR 182.10. The "essence" in Metromint products appears to be similar to "natural flavor" as defined in 21 CFR 101.22(a)(3).

Additionally, Metromint states that their products contain "No sugar and no sweeteners of any kind" (see last item on manufacturer's "FAQ" webpage).
The "soft drink" definition includes those products wherein the list of ingredients specifically list natural sweeteners, artificial sweeteners, or fruit juices. Mr. Haines requests a ruling that products containing no specifically listed sweetener but include "natural flavor," "essence," or "spice" among its list of ingredients shall not be deemed includable under the "soft drink" definition.

**Public Comment:**

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

**Recommendation:**

By a unanimous vote of the members present, the Compliance Review and Interpretations Committee submits to the Governing Board a recommendation that the interpretation

proposed by the requestor be accepted. Beverages that do not include natural or artificial sweeteners, including juices, do not fit the definition of soft drinks.

**Rationale:**

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

**Participating Committee Members:**

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

**Interpretive Opinion 2013-02**

**(Adopted October 30, 2013)**

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

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

**Issue:**

Scentsy, Inc. sells fondue chocolate pouches branded as "Velata, Fun fondue" through home parties held by its direct selling consultants (see www.velata.net). The Company believes the classification of the fondue chocolate to be a food item and that it is not considered candy or a confectionary since it is not readily consumable without additional preparatory steps which cause it to be treated as a food item for home consumption. A ruling is sought for verification. The fact pattern outlining the manufacturing, distribution, and marketing of the chocolate is below: The raw chocolate is made in a wafer form by a Belgium chocolate manufacturer and shipped to New Jersey for insertion in a microwaveable pouch by a third party in amounts of 170g and shipped to Scentsy distribution centers. Scentsy direct sales consultants selling under the brand Velata order the chocolate along with a warmer for use at a home party designed to enjoy the chocolate, while encouraging participants to also purchase the chocolate and warming devices for their own use and satisfaction.

When a home party is held at which the chocolate will be enjoyed, the pouch must be microwaved for 1 minute so that the wafers are melted and able to be released in a liquid form through the pouch spout into a warming dish. The warming dish maintains the chocolate in a liquid form so that home party participants can dip and enjoy fruit, pretzels, or other items. Specific instructions on the pouch read as follows:

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

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

**Public Comment:**

No state or public written comments were received.

**Recommendation:**

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

**Rationale:**

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

**Participating Committee Members**

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

**Interpretive Opinion 2013-3**

**(Adopted May 14, 2014)**

This Interpretive Opinion recommendation is made to the Governing Board by the Compliance Review and Interpretations Committee this 17th day of October 2013 in accordance with Article IX, Rule 902 of the Rules and Procedures adopted by the Streamlined Sales Tax Governing Board, Inc.

Mr. David Steines of the Wisconsin Department of Revenue and Mr. Mike Herold of Clifton, Larson, Allen Company originally submitted the interpretation request on August 15, 2013. (Note: Mr. Herold withdrew his request for the interpretation on April 16, 2014, but the request by Mr. Steines was not withdrawn.)

**Issue:**

Do take and bake pizzas meet the definition of "prepared food" based on the following facts?

**Facts:**

- The seller of take and bake pizzas makes the pizzas on-site. They are not pre-made by someone other than the seller.
- Pizzas are not heated by the seller or sold in a heated state.
- No food is sold on the premises in a heated state.
- The seller creates the pizzas by adding sauces, cheeses, and toppings to a selected crust.
- Only the pizza dough is made on site. The meats, cheese and sauce are food products prepared and packaged by another business. The meats come pre-sliced and the cheese is shredded in the store.
- All meats used by the seller are pre-cooked by someone other than the seller.
- The crust used by the seller does not contain egg or raw animal foods requiring cooking by the consumer as recommended by the Food and Drug Administration.
- It is not the seller's practice to provide utensils with the pizza. Utensils are not made available.
- No customer seating is available.
- Take and bake pizzas are not ready for immediate consumption as they require additional preparation as instructed by the seller.
- The pizzas are sold by size and not sold by weight or volume.
- The smallest pizza contains 8 servings.
- For food safety, it is recommended the pizzas be heated to over 140 degrees.
- The seller's NAICS classification is not manufacturing in sector 311.
- The requestor asserts that payments under the federal Supplemental Nutrition Assistance Program (previously known as “food stamps”) can be used to purchase the unbaked pizzas whereas other prepared food found in a deli or fast food restaurant or pizzerias are considered “food sold hot at point of sale” and not covered.

.Mr. Steines requests a ruling that take and bake pizzas meet the definition of "prepared food." There is no exclusion from the definition of prepared food for additional preparation required by the purchaser. The take and bake pizza does not require cooking per the food code since it contains no egg or raw meat or seafood.

Mr. Herold requests a ruling that take and bake pizzas do not meet the definition of "prepared food." Mr. Herold states meat, cheese, fruit and vegetable trays are currently exempt from the definition of prepared food and require a number of similar tasks found in making unbaked pizzas. The food trays require slicing, shredding, peeling, assembly and packaging. Cheese and meats, fruits and vegetables might be combined on a platter along with sauces or dips– possibly prepared by the store or not – and sold as a single product. This process is similar to making a take and bake pizza. However, the platters are ready for immediate consumption, but the consumer must still bake the pizza.

The Committee's discussion did not address whether fruit and vegetable trays are prepared food. However, it was indicated that regardless such fruit and vegetable trays are not comparable because the components of these trays remain physically distinct within the tray at the time of sale whereas the components of the take and bake pizzas are combined to form a physically integrated product.

**Public Comment:**

Numerous public comments were received from sellers and consumers of take and bake pizzas in support of Mr. Herold's position that these pizzas are not "prepared food." Most of the public comments pointed out that the take and bake pizzas could be purchased with EBT cards/food stamps and also had dough that needed to be cooked by the consumer before eating.

The Minnesota Department of Revenue responded that take and bake pizzas would meet the definition of prepared food; however, Minnesota's position goes beyond the plain language of the definition and does not impose tax on food that otherwise meets the definition of "prepared food" if it is not ready to eat at the time of sale. Even though the seller may have heated the food at some time or may have mixed or combined two or more food ingredients to make the food, a take and bake pizza is only partially cooked and needs to be fully cooked to be eaten and is therefore not ready-to-eat at the time of sale.

The Kentucky Department of Revenue provided written testimony supporting Mr. Steines' position. The testimony stated take and bake pizzas do meet the definition of prepared food because the seller combines two or more ingredients together as one product, the pizzas do not

require additional cooking under the Food and Drug Administration code, and use of food stamps have no impact on the definition of prepared food.

**Recommendation:**

By a vote of six to one, the Compliance Review and Interpretations Committee submits to the Governing Board a recommendation that the take and bake pizzas as specifically described in this request meet the definition of "prepared food." The take and bake pizzas are two or more ingredients mixed or combined by the seller for sale as a single item and there is no exclusion in the definition of "prepared food" that would remove these take and bake pizzas from that definition.

**Rationale:**

The SSUTA, Appendix C, Library of Definitions, defines "prepared food" as:

A. Food sold in a heated state or heated by the seller;

B. Two or more food ingredients mixed or combined by the seller for sale as a single item; or

C. Food sold with eating utensils provided by the seller, including plates, knives, forks, spoons, glasses, cups, napkins, or straws. A plate does not include a container or packaging used to transport the food.

"Prepared food" in B does not include food that is only cut, repackaged, or pasteurized by the seller, and eggs, fish, meat, poultry, and foods containing these raw animal foods requiring cooking by the consumer as recommended by the Food and Drug Administration in chapter 3, part 401.11 of its Food Code so as to prevent food borne illnesses.

Based on the above definition and the facts provided, the take and bake pizzas clearly fall within the definition of "prepared food." These pizzas are the product of two or more ingredients mixed or combined by the seller for sale as a single item. The take and bake pizzas do not contain eggs, fish, meat, poultry, or foods containing these raw animal foods requiring cooking under the Food and Drug Administration's Food Code. The fact that the pizzas are taken home for baking before consumption does not alter the classification as "prepared food" since there is no exclusion from the definition of "prepared food" for items requiring additional preparation by the purchaser. The fact that take and bake pizza may qualify for purchase with federal food stamps is not a

factor in determining whether the pizzas meet the definition of "prepared food." The take and bake pizzas meet the definition of "prepared food" and do not meet the criteria for any of the exclusions provided.

**Participating Committee Members:**

Myles Vosberg, Tom Atchley, Richard Cram, Larry Paxton, Harry Fox, and Tim Jennrich supported this recommendation. Dan Noble did not support this recommendation.

**Interpretive Opinion 2015-1**

**(Adopted May 12, 2015)**

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. (Compiler's Note: Ms. Beaudelaire requested to withdraw her request after CRIC had already held the public hearing and developed its recommendation. However, the SSTGB still adopted this Interpretive Opinion as recommended by the CRIC.)

**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

**Interpretive Opinion 2015-2**

**(Adopted September 16, 2015)**

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

**Interpretive Opinion 2015-3**

**(Adopted September 16, 2015)**

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.

**Interpretive Opinion 2021-1**

**(Adopted October 5, 2021)**

This Interpretive Opinion recommendation is made to the Streamlined Sales Tax Governing Board by the Compliance Review and Interpretations Committee this 10th day of June, 2021, in accordance with Article IX, Rule 902 of the Rules and Procedures adopted by the Streamlined Sales Tax Governing Board, Inc.

Austin DeMoss of Wipfli LLP requested the determination on 12/20/2020 on behalf of its client, Educators Credit Union. Expedited consideration was not requested.

**Issue:**

The issue considered here is whether providing and hosting an online banking platform as described in the request falls within the definition of "telecommunications services" under Appendix C, Part II of the Streamlined Sales and Use Tax Agreement.

It should be noted that the interpretation request also included a proposed interpretation that the services be determined not subject to Wisconsin sales and use tax. This Interpretive Opinion does not address taxability of the services.

Background Provided by Mr. DeMoss (Summarized):

In August 2019, Educators Credit Union ("ECU") (purchaser) submitted a private letter ruling request to the Wisconsin Department of Revenue regarding the taxability of an online and mobile banking platform that ECU purchased from their vendor, Alkami Technology, Inc. ("Alkami"). ECU's position was that the online and mobile banking platform provided by Alkami was not subject to Wisconsin sales and use tax because Alkami was providing a data processing service by processing ECU's customers' banking data from ECU's servers and displaying that information to ECU's customers when they logged in to their bank accounts and not the actual transmission of the data between or among ECU and its customers. The online and mobile banking platform provided by Alkami is similar to creating and hosting a website. The WI DOR determined in their ruling that Alkami's online and mobile banking platform and certain other services provided through that platform were taxable as telecommunications services.

Prior to submitting the ruling request to the WI DOR, Mr. DeMoss indicated they researched how other Streamlined Sales Tax member states treated similar transactions. Recent rulings from Indiana and Utah were provided in which an online and mobile banking platform, very similar to the one provided by Alkami, was the subject of the ruling request. Neither of those states determined that telecommunications services were being provided, which is contrary to Wisconsin's position. (Note: Utah clarified in their public comment that the State's ruling had been misinterpreted by the requestor and that the transaction at issue was not determined to be data processing and information services but was determined to be the use of the taxpayer's application software.) After the WI ruling was received, Mr. DeMoss requested the State look more closely at the data processing aspect of the banking platform rather than the service of merely transferring data from ECU's servers to their customers' computer or smartphone screens. The WI DOR concluded that Alkami's online and mobile banking platform was subject to Wisconsin sales and use tax as a telecommunications service.

**Public Comment:**

Written public comments were received from the State of Utah, the Electronic Transactions Association, and the SST Business Advisory Council. During the teleconference, representatives from each of the 3 groups explained the written public comments they had submitted. Various other comments were made, and questions were asked during the CRIC meeting, including questions about the history of the definition of "telecommunications service" and "value added non-voice data service." Ms. Deborah Bierbaum (AT&T) provided historical background of the definitions. John Cmelak (Verizon) provided additional background.

**Recommendation:**

By a vote 6-0, with one member abstaining, 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. Based on the facts presented in the documents provided to CRIC by the requestor and the written public comments received, the transactions between ECU and Alkami do not fall within the definition of "telecommunication services" contained in the SSUTA. (Note: This interpretation does not address the taxability of the transaction between ECU and Alkami as that is determined by each state's laws. Therefore, the interpretation proposed by the requestor is accepted in part.)

**Rationale:**

Appendix C of the Agreement defines "telecommunications service" to mean the electronic transmission, conveyance, or routing of voice, data, audio, video, or any other information or signals to a point, or between or among points. The term "telecommunications service" includes such transmission, conveyance, or routing in which computer processing applications are used to act on the form, code, or protocol of the content for purposes of transmission, conveyance, or routing without regard to whether such service is referred to as voice over Internet protocol services or is classified by the Federal Communications Commission as enhanced or value added.

Generally, telecommunications services are a means by which a product is received. The requirement that a telecommunications service be necessary as a means of receiving another product or service does not necessarily make that other product or service a "telecommunications service".

The Committee determined that telecommunication services are the services that are needed to carry information and messages between various points. It was best described as the pipeline that carries the information between the two parties. ECU purchased those services (i.e., the pipeline) from a third-party and not from Alkami. ECU's customers also purchased those services (i.e., the pipeline) from a third party which enabled them to communicate with the online banking platform Alkami was providing on behalf of ECU. Alkami was not providing transmission services (i.e., the pipeline), but instead was providing the information that was being transmitted between the parties through the use of a pipeline the parties purchased from someone other than Alkami.

**Participating Committee Members:**

Present were Dan Noble, Senator Wayne Harper, Richard Dobson, David Matelski, Alison Jares and Representative Brian Kennedy. David Steines was present but abstained.

**Interpretive Opinion 2021-2**

**(Adopted October 5, 2021)**

This Interpretive Opinion recommendation is made to the Governing Board by the Compliance Review and Interpretations Committee this 24th day of June, 2021, in accordance with Article IX, Rule 902 of the Rules and Procedures adopted by the Streamlined Sales Tax Governing Board, Inc. Mr. Richard Nielsen from Pillsbury Winthrop Shaw Pittman LLP requested the interpretation on June 26, 2020.

(Note: A public meeting was initially held on September 22, 2020, and CRIC referred this issue to the State and Local Advisory Council (SLAC). SLAC formed a workgroup and developed various amendments to the Streamlined Sales and Use Tax Agreement (Agreement), the SSTGB Rules and Procedures and Appendices related to this issue. Those amendments were approved by the Governing Board on May 20, 2021, and this interpretive opinion is based on the Agreement as amended through May 20, 2021.)

**Issue:**

The issue is whether implanted ECG monitors meet the definition of prosthetic devices contained in the Streamlined Sales and Use Tax Agreement (Agreement).

Background Provided by Mr. Nielsen (Summarized):

Mr. Nielsen's request describes the implanted ECG monitors as follows:

The RICM (ECG monitor) is a long-term heart monitoring device designed to help a doctor diagnose and treat irregular heartbeats. It is a minimally invasive heart monitor that is just inserted under the skin of the chest in a simple outpatient procedure. It requires no wires or patches on the outside of the body. The battery is designed to last for up to three years. The RICM keeps a patient connected to their doctor with continuous heart monitoring. It monitors the heart' s activity and records an abnormal rhythm in the form of an electrocardiogram (ECG) that is then transmitted to their physician for review. The RICM is used with patients that experience infrequent fainting episodes. The RICM monitors the patient' s heart to help doctors determine whether the unexplained fainting is heart related. The RICM records heart rhythms automatically or when the patient uses the hand-held activator.

Mr. Nielsen was not asking to find the ECG monitor to be (or not be) a prosthetic device, he just wants consistency across the member states as one state classified it as a prosthetic device while

another member state did not classify it as a prosthetic device. Both states had adopted the uniform definition of "prosthetic device" contained in the Agreement.

**Public Comment:**

No written public comments were received. During the teleconference on September 22, 2020, there was a robust discussion on the issue. Following the discussion, CRIC decided to not issue an opinion due to the prior Governing Board action that approved Disclosed Practice 7 and included the item as a "not defined" item (that term recently changed to "Not Classified by SSTGB"). CRIC recommended that SLAC review Disclosed Practice 7 and Appendix L of the SSTGB Rules and Procedures to determine if the taxability of undefined items could be added to Disclosed Practice 7 or provide further clarification of what the phrase "not defined" in Appendix L meant related to these items. SLAC was directed to review and develop the issue and bring it back to a future meeting for discussion and resolution.

**Recommendation:**

The Compliance Review and Interpretations Committee (CRIC) submits to the Governing Board a recommendation that the interpretation request itself should not have been accepted. The recent changes approved by the Governing Board clarified that member states are allowed to have differing classifications of items in Appendix L that are identified as "Not Classified by SSTGB". Thus, CRIC is not able to provide an interpretation of whether ECG devices are or are not a "prosthetic device." Such determination would require the Governing Board to amend the Governing Board Rules and Appendices to change ECG devices from its current "Not Classified by SSTGB" designation to a specifically defined term.

**Rationale:**

Appendix C of the Agreement defines several healthcare related terms, including prosthetic device, durable medical equipment and mobility enhancing equipment. Appendix L was created to provide a list of medical items and the classification of those items within the various terms defined in the Agreement. It was agreed upon by the states and the business community that if the member states and business community could not come to a consensus with regard to a particular item it would be designated as "Not Classified by SSTGB." Member states can then choose to include or exclude that item from a defined term in the Agreement. The states and the business

community recognized that this will not result in absolute uniformity. Disclosed Practice 7 was developed as a means for member states to identify whether they include the "Not Classified by SSTGB" items within an SSUTA defined term or a specific state statutory definition. This helps the business community determine the proper taxability of these items in each of the states.

As a result of this interpretation request, CRIC recommended that SLAC review Disclosed Practice 7 to determine if the taxability of unclassified items should be added or to provide further clarification related to these items. SLAC was directed to review and develop the issue and bring it back to a future meeting for discussion and resolution. During the May 20, 2021, Governing Board meeting, amendments to Agreement Section 327 and Appendix E and SSTGB Rules and Procedures Appendix L were approved which clarified differing interpretations amongst the member states of items "Not Classified by SSTGB" are allowed.

A member state may classify "Not Classified by SSTGB" products found in the list in Appendix L under one of the SSUTA healthcare defined terms or a state specific definition.

**Participating Committee Members:**

David Steines, Richard Dobson, Senator Wayne Harper, Alison Jares, Representative Brian Kennedy, and Dan Noble. David Matelski was absent.

**Interpretive Opinion 2023-1**

**(Adopted May 23, 2023)**

This Interpretive Opinion recommendation is made to the Streamlined Sales Tax Governing Board by the Compliance Review and Interpretations Committee (CRIC) this 13th day of April, 2023, in accordance with Article IX, Rule 902 of the Rules and Procedures adopted by the Streamlined Sales Tax Governing Board, Inc. Merry Hopkins, Minnesota Department of Revenue requested the determination on November 18, 2022 (RI22002). Expedited consideration was not requested. CRIC initially met on December 21, 2202 to consider accepting the request. CRIC requested additional information and clarification. Executive Director Craig Johnson worked with the Minnesota Department of Revenue to obtain the additional information and clarifications. A revised request was prepared and distributed (RI22002A01). CRIC accepted the revised request at its meeting on January 19, 2023. A 60-day public comment period was noticed and ran through

March 27, 2023. CRIC held a public meeting on April 13, 2023 to consider and develop this recommendation.

**Issues**

The issues are:

1. Whether physically giving or handing utensils to purchasers, as used to define "food sold with eating utensils provided by the seller" in Appendix C, Part II- Prepared Food, paragraph C.2 of the Agreement, includes a seller loading utensils that are owned by the purchaser and possessed by the seller into galley carts along with the food items the seller is selling to the purchaser.
2. For food that a plate, bowl, glass, or cup is necessary to receive the food, whether making the plate, bowl, glass, or cup available to purchasers, as used to define "food sold with eating utensils provided by the seller" in Appendix C, Part II- Prepared Food, paragraph C.2 of the Agreement, includes a seller placing food on plates, bowls, glasses, or cups that are owned by the purchaser and possessed by the seller and loaded into galley carts.

Statement of Background and Facts Based on the Revised Write-up:

A purchaser in the travel industry (airline, train, etc.) ("Purchaser") has contracted with a seller to load galley carts with food items and provide loading services. Per their contract, Purchaser is stipulated to "provide" the eating utensils to the seller. The purchaser purchases the eating utensils from a third-party and then supplies the utensils to the seller. The Purchaser purchases the food items from the seller. The seller loads the galley carts with the purchased food items and the utensils supplied by the purchaser. The loaded galley cart is then provided to the purchaser.

**Fact Patterns**

1. Plate, bowl, glass, or cup not necessary for the purchaser to receive the food item.
   a. Seller contracts to sell food items and provide loading services to purchaser.
   b. Galley carts are loaded by the seller with food and utensils.
   c. The food loaded does not require a plate, bowl, glass, or cup to receive the food.
   d. The utensils being loaded were purchased by the purchaser from a third-party and supplied to the seller specifically for the purpose of being loaded into the galley carts.
   e. The fully loaded galley cart is then provided to the purchaser.

2. Plate necessary for the purchaser to receive the food item.

a. Seller contracts to sell food items and provide loading services to purchaser.

b. Galley carts are loaded by the seller with food and utensils.

c. The food loaded requires a plate to receive the food. Example: a premade cake is purchased by the seller, cut into pieces by the seller, placed on plates by the seller, and then the cake and plates are loaded onto the galley cart by the seller.

d. The plates being loaded were purchased by the purchaser from a third-party and supplied to the seller specifically for the purpose of being loaded into the galley carts.

e. The fully loaded galley cart is then provided to the purchaser.

Additional Information:

1. The food items are not purchased for resale.
2. The food items are not sold in a heated state or heated by the seller.
3. Two or more food ingredients are not mixed or combined by the seller for sale as a single item.
4. The eating utensils purchased from a third party and supplied to the seller include a mixture of disposable and reusable utensils.
5. Utensils are loaded in all galley carts at issue.
6. The galley carts are owned by the purchaser.
7. Loading involves the seller physically placing the eating utensils in the galley cart along with food items and then providing the loaded galley cart to the purchaser.

While fact pattern 2 addresses a plate, this could be a plate, bowl, glass, or cup.

**Public Comment**

Written public comments were received from Mr. Joel Hartman of Delta Air Lines, Inc. (Delta) (PC23001) and Mr. Jon Almeras of Airlines for America (PC23002).

During the teleconference on April 13, 2023, Merry Hopkins from the Minnesota Department of Revenue indicated that the purpose of Minnesota's request is to obtain a clarification on this issue and the Minnesota wants to handle the issue correctly and consistently with the other Streamlined member states.

Andy Carlson from Taft Law provided public comments on behalf of Delta and Mr. Jon Almeras provided public comments on behalf of Airlines for America.

Mr. Carlson walked through the written public comments previously provided at a high level and indicated that the utensils cannot be provided to a purchaser when the purchaser already owns them. He also indicated that the examples contained in the 2005 SST issue paper related to prepared food all infer that the seller (not the purchaser) had title to the utensils that were being provided.

Various comments were made, and questions were asked by the CRIC members, including recognition that this type of scenario was not contemplated at the time the Agreement was initially developed. Representatives from Delta also confirmed that the utensils were not purchased from the seller of the food in a separate transaction or on a separate invoice but were instead purchased from an independent third party. CRIC members stressed that this interpretation request is very fact specific.

**Recommendation**

By a vote of 7-0, the Compliance Review and Interpretations Committee (CRIC) submits to the Governing Board a recommendation that the interpretation proposed by the requestor be rejected. CRIC is recommending that the phrase "food is sold with eating utensils provided by the seller if the seller's business practice is to physically give or hand eating utensils to purchasers, except that plates, bowls, glasses and cups, necessary for the purchaser to receive the food need only be made available to purchasers," does not include utensils, plates, bowls, glasses and cups that were purchased from a third party by the purchaser of the food items, made available to the seller of the food items and then physically transferred to the purchaser by the seller of the food items, at the time the food items were loaded into a galley cart and transferred to the purchaser.

**Rationale**

For purposes of applying the definition of prepared food to the fact patterns under consideration, the phrase "food sold with eating utensils provided by the seller" is only intended to apply when the seller owns (or owned) the items (utensils, plates, bowls, glasses or cups) that are being transferred to the purchaser with the sale of the food item or used to transfer the food items to the

purchaser. Utensils, plates, bowls, glasses and cups are not "provided by the seller" if the seller is providing utensils, etc. to the purchaser that the purchaser already owns. Based on the specific facts presented, Purchaser already owns the utensils, etc. and the service provider is just giving Purchaser back its own utensils, etc. when it loads them into the galley carts and puts them on the planes.

**Participating Committee Members**

Present were Alison Jares, Chair, Richard Dobson, Vice-Chair, Senator Wayne Harper, Representative Brian Kennedy, Dave Matelski, Guy Childers and Mike Ralston.

## Interpretive Opinion 2025-1

**(Adopted May 20, 2025)**

This Interpretive Opinion recommendation is made to the Streamlined Sales Tax Governing Board by the Compliance Review and Interpretations Committee (CRIC) this 20th day of May, 2025, in accordance with Article IX, Rule 902 of the Rules and Procedures adopted by the Streamlined Sales Tax Governing Board, Inc.

Lawrence Shay and John Reilly of Haemonetics submitted the interpretation request on November 5, 2024 on an expedited basis. CRIC met on November 21, 2024 and agreed to accept the request on an expedited basis. A 10-day public comment period was noticed and ran through December 2, 2024. CRIC held a public meeting on December 12, 2024 to consider and develop this recommendation.

**Issue**

Does the device VASCADE® vascular closure system qualify as a suture alternative which is classified as a prosthetic device in SSUTA Appendix L, Healthcare List?

**Statement of Background and Facts Based on the interpretation request and supporting documentation:**

"VASCADE® vascular closure system provides rapid hemostasis for interventional and diagnostic procedures and is the only closure device proven safer than manual compression in a randomized clinical trial with zero major complications. The VASCADE system consists of a collagen patch and a cannula which allows a physician to deliver the collagen patch to the puncture site in the

tissue surrounding the vessel. The precise placement of the collagen is accomplished by placing a small collapsible mesh disc against the inside of the vessel wall, which provides temporary hemostasis."

**Public Comment**

No written public comments were received.

During the teleconference on December 12, 2024, the requestor John Rielly provided background information as necessary and indicated they are looking for clarity on the treatment of the VASCADE system. Various comments were made, and questions were asked by the CRIC members and state representatives, including whether the transaction would qualify as a bundled transaction made up of both taxable and nontaxable products and the value of the cannula/delivery system versus the value of the collagen patch itself.

**Recommendation**

By a vote of 6-0, and one absent, the Compliance Review and Interpretations Committee (CRIC) submits to the Governing Board a recommendation that the interpretation be as follows. CRIC is recommending that the Vascade vascular closure system does not qualify as a prosthetic device as defined in the SSUTA under the category of suture alternatives listed in the Appendix L, Healthcare List.

**Rationale**

The Compliance Review and Interpretations Committee members (CRIC) agreed that two distinct and identifiable products made up the VASCADE vascular closure system. The products are the cannula and the collagen patch. The cannula is the disposable delivery device that is used to place the collagen patch. The collagen patch itself would likely qualify as a prosthetic device in the suture alternative category. However, the cannula, which acts as a delivery device, does not qualify as a prosthetic device.

CRIC discussed the definition of a "bundled transaction" and concluded that the VASCADE vascular closure system qualifies as a "bundled transaction," including the cannula as a non-

prosthetic device and the collagen patch, which is a prosthetic device. Paragraph (C)(4) of the definition of "bundled transaction" in the SSUTA provides in part that a transaction that otherwise meets the definition of a "bundled transaction" is not a bundled transaction if it is "The "retail sale" of exempt tangible personal property and taxable tangible personal property where: (a) the transaction includes…"prosthetic devices" (all as defined in Appendix C) or medical supplies; and (b) where the seller's "purchase price" or "sales price" of the taxable tangible personal property is fifty percent (50%) or less of the total "purchase price" or "sales price" of the bundled tangible personal property. Sellers may not use a combination of the "purchase price" and "sales price" of the tangible personal property when making the fifty percent (50%) determination for a transaction." The requestor indicated that the collagen is a minimal part of the cost of the product. Therefore the 50% requirement for the exception to a bundled medical product would not be met. The requestor stated the company has no intention of breaking out the costs of the product. Because the Vascade vascular closure system is sold as a bundled transaction and the cannula comprises more than 50% of the cost of the product, the system does not fall within the category of "suture alternative" within Appendix L as a prosthetic device and the exception to the bundled transaction rule in (C)(4)(b) does not apply.

**Participating Committee Members**

Present were Alison Jares, Chair, Richard Dobson, Vice-Chair, Senator Wayne Harper, Guy Childers, Tim Jennrich and Mike Ralston.

## Interpretive Opinion 2025-2

## (Adopted October 7, 2025)

This Interpretive Opinion recommendation is made to the Streamlined Sales Tax Governing Board by the Compliance Review and Interpretations Committee (CRIC) this 7th day of October, 2025, in accordance with Article IX, Rule 902 of the Rules and Procedures adopted by the Streamlined Sales Tax Governing Board, Inc.

Merry Hopkins on behalf of the Minnesota Department of Revenue submitted an interpretation request on February 27, 2025, related to mobility enhancing equipment. CRIC met on March 27, 2025, and agreed to accept the request for further consideration. A 60-day public comment

period was noticed and ran through May 27, 2025. CRIC held a public meeting on July 1, 2025, to consider and develop this recommendation.

**Issue**

Whether an all-terrain mobility rider that is physically too large to use in most homes is appropriate for use in a home and meets the definition of mobility enhancing equipment (MEE).

**Statement of Background and Facts Based on the interpretation request and supporting documentation**:

Minnesota received a request to review a product to determine if it meets the definition of mobility enhancing equipment (MEE).

The product is an all-terrain mobility rider primarily marketed for use on a golf course. It has stand-up assist and other technology that enables physically challenged individuals to play golf. The seller also promotes other purposes for the product, for example, to walk someone down the aisle on their wedding day. While the product is similar to examples provided in Appendix L, such as a specialty wheelchair, scooter/transporter, and lift chairs, it cannot be used "in a home." The product is 36.6 inches wide with a turning radius of 53 inches. Due to the width of the product, it does not fit through ADA compliant doors/hallways. (Note: Although the request indicated that the product "…cannot be used in a home," a representative of VertaCat™ indicated that they do have customers using them inside homes.)

The specific product in question is the VertaCat ™.

**Public Comment**

No written public comments were received.

During the teleconference on July 1, 2025, the requestor indicated that a literal interpretation of the phrase "appropriate for use in a home" means "…within the structure/4 walls of a home." Matt Paine from VertaCat™ indicated that they do have some customers that are using it inside of homes.

Various other comments were made and questions asked/discussed by the CRIC members and state representatives during the meeting, including the following:

- Whether the requestor would consider the product to be MEE if it was used in a home;
- Whether the product is marketed as intended for home use;
- What accessories were offered with the VertaCat™;
- Whether or not MEE must fall within ADA requirements;
- Whether "appropriate for use in a home" means "can" it be used in a home?

Richard Dobson indicated that when the Agreement definitions were being developed, the goal was to make them objective definitions. His recollection was that the original intent of the definition was that it was broader than just within the four walls of a home, which is consistent with various items listed in Appendix L such as a pool wheelchair or wheelchair ramp. He also indicated that he did not recall any discussion related to ADA requirements and the ADA requirements have not come into play in the past.

At least one state indicated that they looked at the term "mobility-enhancing equipment" in very general terms as products that help people that would not otherwise be mobile, become mobile.

Concerns were raised related to the "can" it be used in a home interpretation and that may be too broad. The example was provided that with enough money, anything "could" be used in a home including someone building a racetrack and purchasing a car to use on that track.

Craig Johnson reminded the CRIC members that the definition of "mobility enhancing equipment" has other limiters built into it including the limiter that the product "is not generally used by persons with normal mobility…" Therefore, not every item would qualify just because it "could" be used in a home.

Senator Harper indicated that he tends to be more inclusive in these types of interpretations and would look at whether the product increases mobility of the user and adds to the user's quality of life.

Craig also reminded the CRIC members that a request had been made to the State and Local

Advisory Council (SLAC) to "…review the language of the definition, specific to 'is appropriate for use either in a home or motor vehicle…'" and provide input on the intent of the language, any additional information and how the issue might be resolved. SLAC issued a memo to CRIC dated May 20, 2025, which indicated in part that "SLAC believes the intent of the phrase 'appropriate for use in a home' is meant to restrict the definition of MEE to personal/individual use which may be within the home or for personal/individual use outside the home."

**Recommendation**

By a vote of 6-0 and one member absent, the Compliance Review and Interpretations Committee (CRIC) submits to the Governing Board a recommendation that the interpretation be as follows: CRIC is recommending that the requestor's recommendation be rejected and recommends that the VertaCat™ qualify as mobility-enhancing equipment as defined in the SSUTA.

**Rationale**

The Compliance Review and Interpretations Committee members (CRIC) agreed that interpreting the definition of mobility-enhancing equipment (MEE) that would limit it to only equipment used within the four walls of a home is too narrow. In addition, there is no requirement that the equipment fall within ADA specifications. Under the SSUTA, states may limit which products qualify for exemption as MEE by requiring a prescription or based on Medicare or Medicaid payments or reimbursements. A reasonable interpretation of the intent of the definition, as suggested by SLAC, is to include within the definition of MEE those items appropriate for home use whether inside or outside the home and which are not used by people with normal mobility. The VertaCat™ is appropriate for home use and as indicated by representatives of VertaCat™, they have some customers using them indoors.

(Note: CRIC also discussed that the Governing Board consider appointing a workgroup, through SLAC or otherwise, to review the definitions in the Agreement in which the phrases "appropriate for use in a home," "for home use," and "for personal use" are used and consider defining those terms, making revisions to the definitions that use those terms or developing interpretive rules related to those terms to help ensure uniform interpretations and provide additional clarity.)

**Participating Committee Members**

Present were Dave Matelski, Chair, Richard Dobson, Vice-Chair, Senator Wayne Harper, Mike Ralston, Lisa Haws and Senator Tim Reed.

## Appendix E
## Library of TAX ADMINISTRATION Practices

Tax administration practices are made up of two types of practices - "disclosed practices" and "best practices."

A "disclosed practice" is a tax administration practice that the Governing Board selects and requires each member state to disclose. Member states are only required to disclose their practice for each disclosed practice. A member state will not be found out of compliance with the Agreement if it does not follow a particular tax administration practice.

The Governing Board may identify select disclosed practices as a best practice. A "disclosed practice" that has been selected as a "best practice," will include a notation at the beginning of the tax administration practice indicating that it has been selected as a "best practice." Member states are encouraged, but not required, to follow each best practice. A member state will not be found out of compliance with the Agreement because the effect of the state's laws, rules, regulations, and policies does not follow a best practice.

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 CSP relying on erroneous data provided by the member state relative to the tax administration practices.

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 the state's "Taxability Matrix: Tax Administration Practice" is submitted to the governing board, provided the seller or CSP relied on the prior version of the taxability matrix.

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| **Disclosed Practice 1** | **Vouchers** |
| Disclosed Practice 1.1 | Value of a voucher |
| Disclosed Practice 1.2 | Discount on a voucher |
| Disclosed Practice 1.3 | Costs and expenses of the seller |
| **Disclosed Practice 2** | **Tax Credits** |
| Disclosed Practice 2.1 | Credit Against Use Tax |
| Disclosed Practice 2.2 | Credit Against Sales Tax |
| Disclosed Practice 2.3 | Reciprocity |
| Disclosed Practice 2.4 | State and Local Sales and Use "Tax Paid" |
| Disclosed Practice 2.5 | Credit for "Similar Tax" Paid to Another Jurisdiction |
| Disclosed Practice 2.6 | Credit Against "Similar Taxes" Imposed by the State |
| Disclosed Practice 2.7 | Sourcing when Receipt Location is Known |
| Disclosed Practice 2.8 | Sourcing when Receipt Location is Unknown |
| Disclosed Practice 2.9 | Characterization of Sale |
| Disclosed Practice 2.10 | Sales Price Components |
| Disclosed Practice 2.11 | Transactions with Taxable and Exempt Products |
| Disclosed Practice 2.12 | Audit Sampling |
| Disclosed Practice 2.13 | Direct Mail |
| Disclosed Practice 2.14 | Accelerated Payments on Lease/Rentals |
| Disclosed Practice 2.15 | Inception-Deferred Collection on Lease/Rentals |
| Disclosed Practice 2.16 | Lessor Acquisition |
| **Disclosed Practice Number 3** | **Liability Relief (Adopted September 16, 2015)** |
| Disclosed Practice 3.1 | Liability relief for erroneous information in the tax administration practices section of the taxability matrix |
| Disclosed Practice 3.2 | Extended liability relief for changes to the tax administration practices section of the taxability matrix |

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| Disclosed Practice 3.3 | Extended liability relief for changes to the library of definitions section of the taxability matrix |
| **Disclosed Practice Number 4** | **Limited Power of Attorney/Agent Authorization (Adopted December 16, 2016)** |
| Disclosed Practice 4.1 | Accepted for CSPs |
| Disclosed Practice 4.2 | Accepted for persons other than CSPs |
| **Disclosed Practice Number 5** | **Post Transaction Issues (Adopted May 10, 2017)** |
| Disclosed Practice 5.1 | Refund Procedure Document |
| Disclosed Practice 5.2 | Initiation of the State's Statute of Limitations for a Seller to Claim a Tax Refund for Returned Products |
| Disclosed Practice 5.3 | Statute of Limitations for a Seller to Claim a Tax Refund |
| Disclosed Practice 5.4 | Documentation to Prove Refund of Tax to Customer |
| Disclosed Practice 5.5 | Credit on Tax Return, Subsequent Tax Return or Refund Claim |
| Disclosed Practice 5.6 | Single Transaction for a Refund with Netting for Additional Required Charges |
| Disclosed Practice 5.7 | Taxability of Return Fees |
| Disclosed Practice 5.8 | Cash/Credit Refund versus Store Credit |
| Disclosed Practice 5.9 | Simultaneous Return and Sale |
| Disclosed Practice 5.10 | Refund Pending State Approval |
| Disclosed Practice 5.11 | Seller Refund When Customer Did Not Pay Tax |
| Disclosed Practice 5.12 | Returned Product to Seller in Another State |
| Disclosed Practice 5.13 | Returned Product to Seller in Another Local Jurisdiction Within the Same State |
| Disclosed Practice 5.14 | Returned Product with No Receipt |
| Disclosed Practice 5.15 | Customer Directly Filing for a Refund |
| **Disclosed Practice Number 6** | **Voluntary Disclosure Agreements (Adopted May 10, 2017)** |

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| Disclosed Practice 6.1 | Determining the Earliest Possible Date to Register Without It Adversely Affecting a Voluntary Disclosure Agreement |
| **Disclosed Practice Number 7** | **Classification of Medical Products (Adopted May 2, 2018 and Amended May 20, 2021)** |
| Disclosed Practice 7.1 | Any listed products classified under SSUTA or State specific definitions |
| Disclosed Practice 7.2 | Classification of "Not Classified by SSTGB" Products Under an SSUTA or State-Specific Definition Other Than Tangible Personal Property |
| Disclosed Practice 7.3 | Classification of items that fall within the definitions of grooming and hygiene and oral healthcare products for human use |
| **Disclosed Practice Number 8** | **Collection and Remittance Requirements Related to Remote Sellers, Marketplace Sellers, and Marketplace Facilitators/Providers (Adopted May 20, 2021)** |
| Disclosed Practice 8.1 | Remote Sellers |
| Disclosed Practice 8.2 | Marketplace Sellers |
| Disclosed Practice 8.3 | Marketplace Facilitators/Providers |
| **Disclosed Practice Number 9** | **Administration of Exemptions (Adopted October 6 and December 22, 2022)** |
| Disclosed Practice 9.1 | General Seller Requirements |
| Disclosed Practice 9.2 | Purchaser Requirements |
| Disclosed Practice Number 10 | **Delivery Network Companies (DNCs) (Adopted May 13, 2026)** |
| Disclosed Practice 10.1 | DNC has Contract or Agreement with Merchant |
| Disclosed Practice 10.2 | DNC without a Contract or Agreement with Merchant |
| Disclosed Practice 10.3 | DNC Other Collection and/or Remittance Requirements |

**Disclosed Practice Number 1 Vouchers (Adopted October 29, 2013)**

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

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

A. issued to a purchaser for an amount that is less than the face value and both the face value and amount paid by the purchaser are noted on the voucher;
B. redeemable for personal property or services in a single visit only at the seller's business;
C. redeemable either for a specific product or for a certain dollar amount towards the purchase price of any product sold by the seller;
D. issued, marketed, or distributed by a third party pursuant to a specific agreement with the seller, and the seller determines the price at which the voucher is to be issued and allows redemption of the specific voucher for personal property or services ("third party agreement");
E. neither a digital code nor a redemption code as defined by the Agreement or its Rules;
F. not a ticket for an admission to a specific performance or event on a specific date and time;
G. not a gift card or gift certificate nor is it convertible, in whole or in part, to gift cards, gift certificates or cash;
H. not usable in combination with other promotions or coupons offered by the seller; and
I. not a prepaid calling service or a prepaid wireless calling service.

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

**Disclosed Practice 1.1**

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

**Example A.** A voucher is issued for $20 by Third Party pursuant to an agreement with Seller B that entitles the purchaser to $50 towards the purchase of any food and drink sold by Seller B. The agreement provides that Third Party will retain $10 of the amount paid by the purchaser for advertising and marketing the voucher. The voucher identifies the amount paid

by the purchaser, the face value of the voucher, and the expiration date for the period that the discount is available. The purchaser buys $100 of food and drink prior to the expiration of the $30 discount offered by the seller and tenders the voucher plus enough money to pay for the food and drink. The measure (sales price) subject to sales tax is $70 which is made up of the $20 in consideration received by Third Party from the issuance of the voucher and the additional $50 paid in cash by the purchaser directly to Seller B.

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

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

**Example D.** A voucher is issued for $19 which entitles Purchaser to $99 of services for a specific seller. The face value of $99 and the amount paid by Purchaser ($19) is indicated on the voucher. Upon ordering $99 of services, Purchaser attempts to redeem the voucher after the stated expiration date. The seller only honors the voucher in the amount of $19 and Purchaser pays the remaining $80 in cash. Pursuant to the agreement between Third Party

and the seller, Third Party retains the $19 paid by Purchaser and does not remit any of the purchase price to the seller.

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

**Disclosed Practice 1.2**

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

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

**Disclosed Practice 1.3**

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

**Example.** A $20 voucher is issued by Third Party for $10 for a specific seller. The voucher indicates a face value of $20 and that Purchaser paid $10 for the voucher. By contract, the Third Party is required to remit $8 to the seller and allowed to retain $2 for advertising and marketing the voucher. Purchaser presents $20 of taxable items to the seller and tenders the $20 voucher to pay for the items. The sales price on which the sales tax is levied is $10,

which includes the $2 retained by Third Party. The difference ($10) between the value of the voucher ($20) and the amount Purchaser paid to Third Party ($10) is a discount that is not included in the sales price.

**Disclosed Practice Number 2 Tax Credits (Adopted May 15, 2014)**

**Term definitions for use in this Appendix**

A. "**Product**" includes tangible personal property, a digital good or product transferred electronically, or a service.

B. "**Sales or use taxes**" mean the taxes that are commonly referred to as sales or use taxes that are paid to a state, local jurisdiction or to the District of Columbia that are based on a percentage of the sales price or purchase price. The states of Alaska, Delaware, New Hampshire, Montana, and Oregon do not impose taxes commonly referred to as state sales or use tax. Sales or use taxes do not include "similar tax".

C. "**Similar tax**" means a tax that is:
   1. Imposed on the seller or purchaser;
   2. Required to be, or which may be, collected from the purchaser at the time of the sale;
   3. Based on a percentage of the sales price or purchase price of the product; and
   4. Required to be paid by the purchaser directly to the state, if the seller was not required to remit the tax and the purchaser stored, used or otherwise consumed the product in the state.

   **Examples that may be similar taxes:**

   - motor vehicle excise taxes
   - highway use taxes
   - scrap tire taxes
   - mill machinery taxes
   - data center taxes
   - manufacturing taxes
   - farm and irrigation equipment excise taxes

D. **"Tax paid"** means the tax that was (1) paid and (2) previously due from either the seller or the purchaser when the sale of that product is taxable in that state and it was properly sourced based on that state's sourcing rules. "Tax paid" includes tax that was (1) paid and (2) previously due from the purchaser (or seller, if applicable) because the purchaser moved the product to a different jurisdiction. "Tax paid" does not include the portion of tax paid that is

currently eligible for a credit or refund or tax paid that is eligible for refund under a tax-incentive program or agreement

E. "Sales or use taxes paid" means the "sales or use taxes" that are "tax paid".

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

The credit provided by a State will not exceed the total state and/or local sales or use tax due on a product in that State unless that state indicates otherwise.

**Example of "Tax Paid" to Subsequent State**:

- Purchaser receives a taxable product in State A for $1,000 and pays State A's 5% sales tax, $50, to the seller.
- Purchaser uses the product in State B where the state sales and use tax rate is 6%. State B provides credit for sales or use tax paid on the initial purchase. Purchaser owes and pays State B $10 for sales or use tax. (($1000 x 6%=$60) - $50=$10)
- Purchaser then uses the product in State C where the state's sales and use tax rate is 7%. State C provides credit for sales or use tax paid on the initial purchase and for taxes paid on use in a previous state. Purchaser owes State C $10 sales or use tax, as applicable. ($1000 X 7%=$70) - $60=$10)

**Example of "Tax Paid" Eligible for Refund:**

- A purchaser buys, takes delivery of, and uses a piece of equipment in State A, which imposes a 5% sales tax.
- State A exempts equipment used in manufacturing. While purchaser's use of the equipment qualifies for the exemption, the purchaser does not provide the seller with an exemption certificate. Therefore, the seller collects State A's 5% tax on the sales price of the equipment.
- The purchaser uses the equipment in State B, where the sales and use tax rate is 6%. State B does not exempt the purchaser's equipment from its sales and use tax.
- The purchaser can apply for and receive a refund of the 5% sales tax from State A.
- The purchaser owes State B 6% sales or use tax on the equipment.

**<u>Disclosed Practice 2.1</u> Credit Against Use Tax**

The State imposing tax provides credit for "sales or use taxes paid" on a product against the State's use tax.

**Disclosed Practice 2.2** **Credit Against Sales Tax**

The State imposing tax provides credit for the "sales or use taxes paid" on a product against the State's sales tax.

Credit for taxes paid on lease and rental transactions is provided for in Practices 2.14 – 2.16.

**Disclosed Practice 2.3** **Reciprocity**

2.3.a. The credit the State provides in 2.1 and 2.2 applies regardless of whether another state provides a reciprocal credit.

2.3.b. The credit the State provides in 2.1 and 2.2 only applies when the other state where the tax was paid provides a reciprocal credit.

**Disclosed Practice 2.4** **State and Local Sales and Use "Tax Paid"**

2.4.a. The credit provided for in 2.1 and 2.2 is for the combined amount of state and local "tax paid" to another state or local jurisdiction against both the state and local taxes due to the State.

2.4.b. The credit provided for in 2.1 and 2.2 is for only the state "tax paid" to another state against the taxes due to the State (i.e., no credit for local tax against state tax). If the State has local sales or use taxes, it only provides credit for state tax against state tax and local tax against local tax.

**Example A**

- Purchaser buys a taxable product from Seller in State A for $1,000.
- Purchaser takes possession of the product at Seller's location in State A.
- Seller collects State A's 5% state sales tax ($50) and 2% local sales tax ($20) on the transaction.
- Purchaser takes the product to State B where the state use tax rate is 4% ($40) and the local use tax rate is 4% ($40).
- State B gives credit for State A's 5% state tax paid against its 4% state use tax and gives credit for State A's 2% local sales tax paid against its 4% local use tax.
- State B will receive $20 in local use tax ($40 - $20) on this transaction.
- Purchaser paid a total of $90 in sales and use tax ($70 in State A and $20 in State B).

**Disclosed Practice 2.5** **Credit for "Similar Tax" Paid to Another Jurisdiction**

The credit provided for in 2.1 and 2.2 includes "similar taxes" that were (1) paid and (2) previously due to another state or local jurisdiction against the sales or use taxes due.
Credits for "similar taxes" are subject to the same restrictions and "tax paid" definitions in the tax administration practices matrix as the credit for "sales or use taxes paid."
The State should list the "similar taxes" for which credit is allowed that are known to the State. The State should also indicate any other taxes it provides credit for even if such tax does not meet the definition of a "similar tax."

**Example B**

- State A imposes a 7% sales tax and State B imposes a 6% agricultural excise tax.
- The purchaser buys, takes delivery of, and uses farm machinery in State B and pays State B the agricultural excise tax.
- The purchaser subsequently uses the equipment in State A.
- State A imposes its tax on the machinery and provides credit for the agricultural excise tax paid to State B.
- The purchaser owes 1% sales or use tax to State A.

**Disclosed Practice 2.6 Credit Against "Similar Taxes" Imposed by the State**

The credit provided for in 2.1 and 2.2 includes "sales or use taxes paid" to another state or local jurisdiction against "similar taxes" due.
A state that provides credit against specific "similar taxes", but not all, should identify the "similar taxes" for which it provides credit against in the comments section of the Matrix. The State should indicate any other taxes it provides credit against even if such tax does not meet the definition of a "similar tax."

**Example C**

- State A imposes a 7% sales tax and State B imposes a 6% agricultural excise tax.
- The purchaser buys and takes delivery of farm machinery in State A and pays 7% sales tax to State A.
- The purchaser immediately moves the farm equipment to State B.
- State B allows credit for sales tax paid State A against the agricultural excise tax due on the farm machinery. No additional tax is due State B.

**Disclosed Practice 2.7 Sourcing when Receipt Location is Known**

The credit provided for in 2.1 and 2.2 applies when the other state's "sales or use taxes" were (1) paid and (2) previously due based on: i) that other state's sourcing rules, or ii) the purchaser's location of use of a product subsequent to the initial sale.

**Disclosed Practice 2.8 Sourcing when Receipt Location is Unknown**

Except as provided in Disclosed Practice 2.13, the credit provided for in 2.1 and 2.2 applies when the seller sources the initial sale pursuant to the SSUTA Sections 310.A.3, 310.A.4, or 310.A.5, because the location where the product was received by the purchaser was unknown to the seller.

**Example D**

- A purchaser buys a digital product but does not provide seller with a delivery address. The seller collects 5% sales tax based on the purchaser's billing address in State A pursuant to SSUTA Section 310.A.3.
- The purchaser downloads the product in State B, where the sales tax rate is 7%.
- State B would allow credit for the 5% sales tax paid against the 7% use tax due. The purchaser would pay State B 2% use tax on the purchase.

**Disclosed Practice 2.9 Characterization of Sale**

The credit provided for in 2.1 and 2.2 applies regardless of the other state's characterization of the product as tangible personal property, a service, digital good, or product delivered electronically.

**Disclosed Practice 2.10 Sales Price Components**

**2.10.a. *Full Credit Allowed***

The credit provided for in 2.1 and 2.2 applies to all components of the SSUTA "sale price" definition, taxable and nontaxable in the State.

**Example E**

- State A includes delivery charges in its definition of "Sales Price".
- State B does not include delivery charges in its definition of "Sales Price".
- The purchaser buys equipment that is delivered in State A. The sales price of the product is $11,000, which includes $1,000 for delivery.
- The purchaser pays $550 sales tax to State A ($11,000 X 5% = $550).

- The purchaser uses the property in State B where the tax rate is 7%.
- State B provides full credit for $550 sales tax paid to State A.
- The purchaser pays an additional $150 use tax to State B. (($10,000 X 7% = $700) - $550 = $150).

**2.10.b. Partial Credit Allowed**

When taxable and non-taxable charges are itemized on the invoice, the credit provided for in 2.1 and 2.2 is only for the "tax paid" on the taxable components of the sales price in the State.

**Example F**

- State A includes delivery charges in its definition of "Sales Price".
- State B does not include delivery charges in its definition of "Sales Price".
- The purchaser buys a product that is delivered in State A. The sales price of the product is $11,000, which includes $1,000 for delivery. The delivery charge is itemized.
- The purchaser pays $550 sales tax to State A ($11,000 X 5% = $550).
- The purchaser uses the property in State B where the tax rate is 7%.
- State B provides credit for $500 sales tax paid to State A ($10,000 X 5% = $500).
- The purchaser pays an additional $200 use tax to State B (($10,000 X 7% = $700) - $500 = $200).

**<u>Disclosed Practice 2.11</u> Transactions with Taxable and Exempt Products**

**2.11.a. Full Credit Allowed**

The credit provided for in 2.1 and 2.2 applies to the full amount of "tax paid" on a transaction consisting of taxable and exempt products.

**Example G**

- Purchaser has a piece of equipment repaired in State A that imposes 4% sales and use tax on repair parts and repair labor. The purchaser pays $60 in sales or use tax, $500 for parts and $1,000 for labor (4% X $1,500 = $60).
- The purchaser uses the equipment in State B.
- State B imposes tax on repair parts at the rate of 7%; however, repair labor is not taxed.
- The tax due in State B on the repair parts is $35 (7% X $500).
- State B gives credit for the total tax paid to State A ($60) resulting in no additional tax being due in State B.

**2.11.b. Partial Credit Allowed**

When taxable and non-taxable products are itemized on the invoice the credit provided for in 2.1 and 2.2 is only for the "tax paid" on the taxable products of a transaction in the State.

**Example H**

- Purchaser has a piece of equipment repaired in State A that imposes 4% sales and use tax on repair parts and repair labor. The purchaser pays $60 in sales or use tax, $500 for parts and $1,000 for labor (4% X $1,500 = $60).
- The purchaser uses the property in State B and uses it in a taxable manner. State B taxes repair parts at the rate of 7% but repair labor is not taxed.
- The tax due in State B on the repair parts is $35 (7% X $500 = $35).
- State B gives credit for the tax paid to State A on the repair parts ($500 X 4% =$20) resulting in $15 additional tax due State B ($35 - $20 = $15).

**Example I**

- Purchaser has equipment repaired in State A that imposes a 7% sales and use tax on repair parts, but excludes repair labor. The sale includes $500 for parts and $1000 for labor.
- The repair shop in State A collects and remits from the purchaser $35 sales tax on the parts ($500 X 7% = $35).
- The purchaser takes the equipment to State B that imposes sales and use tax on both repair parts and labor at 4%.
- The purchaser has a taxable use in State B that imposes $60 tax on the entire transaction for repair parts and repair labor ($1,500 X 4% = $60).
- State B gives credit for the tax paid to State A on the repair parts but only up to the rate imposed in State B or 4% of $500 or $20. This results in $ 40 additional tax due on the labor ($60 - $20).

**<u>Disclosed Practice 2.12</u> Audit Sampling**

The credit provided for in 2.1 and 2.2 applies when the sale or purchase of the product was part of the population sampled pursuant to an audit sampling method.

**Disclosed Practice 2.13 Direct Mail**

The credit provided for in 2.1and 2.2 applies when the seller sources the sale of Advertising and Promotional Direct Mail pursuant to Section 313.A.4.

**Disclosed Practice 2.14 Accelerated Payments on Lease/Rentals**

The credit provided for in 2.1 and 2.2 includes the "tax paid" to another state or local jurisdiction on a lease/rental transaction based on the sum of the lease payments ("accelerated basis"), against the "sales or use taxes" due on the balance of the lease/rental payments.

**Example J**

- A purchaser enters into a leasing agreement in State A where the state tax rate is 5%. The agreement is for a three-year period with monthly lease payments of $1,000.
- State A imposes sales tax on an accelerated basis; collecting $1,800 in sales tax at the inception of the lease ($36,000 X 5% = $1,800). The property remains in State A for 12 months.
- In month 13, the purchaser moves the property to State B where the state tax rate is 8%.
- State B also imposes tax on an accelerated basis.
- The purchaser owes use tax at the rate of 8% on the remaining 24 lease payments or $1,920 ($24,000 X 8% = $1,920).
- State B allows credit for the $1,800 paid to State A. The purchaser owes an additional $120 to State B ($1,920 - $1,800).

**Example K**

- The same fact pattern as above except that State B imposes tax on the stream of lease payment each month.
- When the property is moved to State B in month 13, State B begins imposing tax on each payment or $80 per month.
- State B allows credit against the use tax due on the monthly payments until such time as the credit is exhausted; any remaining lease payments are subject to tax at the 8% rate.

**Disclosed Practice 2.15 Inception-Deferred Collection on Lease/Rentals**

The credit provided for in 2.1 and 2.2 includes the "tax paid" to another state or local jurisdiction on a lease/rental transaction based on a deferred collection/remittance method against the "sales or use taxes" due on the balance of the lease/rental payments.

**Example L**

- A purchaser enters into a leasing agreement in State A where the state tax rate is 5%. The agreement is for a three-year period with monthly lease payments of $1,000.
- State A imposes sales tax at the inception of the lease but allows for deferred collection of the tax.
- The property remains in State A for 12 months; then is moved to State B where the tax rate is 8%. State A collects tax during the life of the lease.
- In month 13, the purchaser moves the property to State B where the state tax rate is 8.0%. State A continues to impose its 5% tax on the lease.

The lease payments which become due once the property is moved are subject to an additional 3% tax (8% - 5% = 3%).

**Disclosed Practice 2.16 Lessor Acquisition**

The credit provided for in 2.1 and 2.2 includes the "tax paid" by the lessor to another state or local jurisdiction on the acquisition of the product against the "sales or use taxes" due on the balance of the lease/rental payments provided the tax reimbursement is documented and disclosed to the lessee.

**Example M**

- A lessor purchases a piece of equipment in State A that will be leased to third parties. The tax rate in State A is 6%.
- State A allows the lessor to pay tax on its purchase price, $15,000, in lieu of collecting tax on the lease payments. The lessor pays $900 sales tax to State A ($15,000 X 6% = $900).
- The equipment is leased to a company for three years and the amount of tax paid is disclosed to the lessee.
- The lessee moves the equipment to State B which has a 7% state tax rate.
- State B would provide credit of $25 ($900/36 = $25) each month against the use tax due in State B.

**Disclosed Practice Number 3 Liability Relief (Adopted September 16, 2015)**

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.

**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.**

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.*

**Disclosed Practice Number 5 Post Transaction Issues (Adopted May 10, 2017)**

Note: These tax administration practices address various scenarios that may occur after the initial sale has taken place, including scenarios in which customers are returning or exchanging products. The practices are intended to provide general guidance on how a seller can obtain a refund or credit from the state for the tax refunded to a customer.

Unless indicated otherwise throughout Disclosed Practice 5:

- Use of the word "tax" means the sales or use tax paid by the customer to the seller which was timely remitted by the seller to the state;
- Use of the word "refund" includes a credit unless otherwise stated;
- Unless otherwise stated, the refund is being claimed within the state's statute of limitations;
- Unless otherwise stated, the seller has refunded the tax to the customer;

- The tax rates used in the examples are for illustrative purposes only and are presumed to be correct;
- The seller is not engaged in fraud or making intentional misrepresentations;
- The seller maintains proper books and records to substantiate taxes collected and remitted based on the applicable state's requirements;
- The disclosed practices do not apply to sales of motor vehicles;
- The disclosed practices relate to products voluntarily returned by the customer and accepted by the seller (*e.g.,* does not include repossessed products) and;
- **The disclosed practices only provide general guidance and assume there are no other unique circumstances that apply.**

**Disclosed Practice 5.1** **Refund Procedure Document**

***Explanation****: Some states have written procedures on their websites to explain how sellers and customers can properly obtain a refund of tax when a product is returned to the seller or subsequently determined to not be taxable.*

**Disclosed Practice 5.1** Does your state have written guidance on your website, or otherwise, that explains how sellers and/or customers can properly obtain a tax refund from your state? (If "yes", please provide a website link and/or indicate how a person can obtain guidance in the comments.)

**Disclosed Practice 5.2** Initiation of the State's Statute of Limitations for a Seller to Claim a Tax Refund for Returned Products

***Explanation****: Each state's statute of limitations differs as to when it begins for a seller to obtain a refund of tax paid for products returned by a customer. It can be based on:*

- *The due date of the tax return on which the tax was required to be reported by the seller to the state;*
- *The date the tax on the sale was due by the seller to the state;*
- *The date the tax was remitted to the state or the due date of the tax return, whichever is later;*
- *The date the customer returns the product (such as a rescission of sale) to the seller and receives the refund from the seller.*

**Example 5.2**

- Seller is located in your State and makes a $100 sale on January 21, 2016, of one product.
- Customer takes possession of the product in your State on the date of the sale.
- The transaction is subject to a 6% sales tax, including any applicable local sales taxes.
- Seller collects $106 from the customer.
- Seller reports the $100 sale and remits the $6 in sales tax owed to the state and local jurisdiction on its January tax return which was due on February 20, 2016, but was filed with and submitted to the state on February 21, 2016.
- Customer returns the product on March 25, 2016, and receives a full refund of the purchase price ($100) and sales tax paid to Seller ($6).
- The Seller makes a request for a refund/credit of the $6 in tax with your State after having refunded the sales tax to the customer.

**Disclosed Practice 5.2** When does your state's statute of limitations begin for a seller to obtain a refund of tax paid for products returned by a customer?

**Post Transaction 5.2.A.** It begins on the due date of the tax return on which the tax was required to be reported by the seller to the state (February 20, 2016, in Example 5.2 above).

**Post Transaction 5.2.B.** It begins on the date the tax on the sale was due by the seller to the state (February 20, 2016, in Example 5.2 above).

**Post Transaction 5.2.C.** It begins on the date the tax was remitted to the state or the due date of the tax return, whichever is later (February 21, 2016, in Example 5.2 above).

**Post Transaction 5.2.D.** It begins on the date the customer returns the product (such as a rescission of sale) to the seller and receives the refund from the seller (March 25, 2016, in Example 5.2 above).

**Post Transaction 5.2.E.** Other – If the state's answers to 5.2.A. – 5.2.D. were all "no", check "yes" and explain when the statute of limitations for a seller's claim begins in the comments section.

**Disclosed Practice 5.3 Statute of Limitations for a Seller to Claim a Tax Refund**

***Explanation****: Most states have either a three- or four-year statute of limitations for refunds related to when a seller can obtain a refund of tax paid for products returned by a customer.*

**Disclosed Practice 5.3** How long is your state's statute of limitations time period for a seller to claim a tax refund on products returned by a customer?

**Post Transaction 5.3.A**. A three-year statute of limitations (that begins based on the state's response in 5.2) for a seller to make a refund request to the state.

**Post Transaction 5.3.B**. A four-year statute of limitations (that begins based on the state's response in 5.2) for a seller to make a refund request to the state.

**Post Transaction 5.3.C**. If the answers to both 5.3.A. and 5.3.B., were "no" indicate "yes" and provide your state's time period for a seller to make a refund request to the state in the comments section.

**Disclosed Practice 5.4 Documentation to Prove Refund of Tax to Customer**

***Explanation****: States differ on what records are required to be retained to prove tax was paid by the customer and refunded to the customer. The seller retains information that identifies the product purchased, the date purchased, the tax collected, the product returned, the date returned and the tax refunded to the customer. Note: A state's answer to this question does not impact the use of sampling, as authorized by the state, in an audit to ascertain liability.*

**Disclosed Practice 5.4** Will your state accept the seller's electronic sales receipts *that identify the product purchased, the date purchased, the tax collected, the product returned, the date returned and the tax refunded to the customer* as sufficient documentation to prove that a customer paid tax?

**Disclosed Practice 5.5 Credit on Tax Return, Subsequent Tax Return or Refund Claim**

***Explanation****: States differ on how they will allow a seller to claim credit for tax refunded to its customers. If the product return was made prior to the tax return being filed, some states will allow a credit on the tax return. Some states, subject to a state's statute of limitations, will allow a credit to be claimed on a subsequent tax return filed by a seller, while other states may require or allow a seller to file an amended tax return/refund claim to claim a credit.*

**Disclosed Practice 5.5** How does a seller obtain a refund of tax refunded to their customer?

**Example 5.5.A.**

- Seller is located in your State and sells a product for $100 on January 21, 2016.
- Customer takes possession of the product at the seller's location on the date of the sale.

- The transaction is subject to a 6% sales tax, including any applicable local sales taxes.
- Seller collects $106 from the customer.
- Customer returns the product to the seller at the seller's location on February 7, 2016, and receives a full refund of the purchase price and sales tax paid to the seller.
- The January tax return is due on February 20, 2016.

**Post Transaction 5.5.A.** Does your state allow a seller to take a credit (or net) on its tax return to report the original sale if the product was returned prior to the seller filing that tax return?

*(Note: A "Yes" answer means the seller could take a credit (or net) on the January return.* If this is required, state that in the comments section.*)*

**Example 5.5.B.**

- Seller is located in your State and sells a product for $100 on January 21, 2016.
- Customer takes possession of the product at the seller's location on the date of the sale.
- The transaction is subject to a 6% sales tax, including any applicable local sales taxes.
- Seller collects $106 from the customer.
- Customer returns the product to the seller at the seller's location on May 10, 2016, and receives a full refund of the purchase price and sales tax paid to the seller.

**Post Transaction 5.5.B.** Subject to the state's statute of limitations, does your state allow a seller to take a credit (or net) during the reporting period when the product was returned (May 10) if the product is returned in a different reporting period than the original sale?

*(Note: a "Yes" answer means the seller could take a credit (or net) on the May return.* If this is required, state that in the comments section.*)*

**Example 5.5.C.**

- Seller is located in your State and sells a product for $100 on January 21, 2016.
- Customer takes possession of the product at the seller's location on the date of the sale.
- The transaction is subject to a 6% sales tax, including any applicable local sales taxes.
- Seller collects $106 from the customer.
- Customer returns the product to the seller at the seller's location on May 10, 2016, and receives a full refund of the purchase price and sales tax paid to the seller.
- The January tax return is due on February 20, 2016.

**Post Transaction 5.5.C.** Subject to the state's statute of limitations, does your state allow the seller to file an amended tax return and/or refund claim when the product is returned after the seller filed its tax return to the state to report the original sale? *(Note: a "Yes" answer means the seller could file an amended January return or refund claim.* If this is required, state that in the comments section.*)*

**Disclosed Practice 5.6 Single Transaction for a Refund with Netting for Additional Required Charges**

***Explanation****: Some states have a general requirement that a seller must provide a customer with a full refund of the sales price and associated tax of the product returned. Other states will allow sellers to net a refund for additional charges (e.g. restocking/return fees) required to make the return (with any applicable tax on those charges being required to be collected and remitted by the seller).*

**Disclosed Practice 5.6** May the seller process the refund and additional charges in one transaction on a single invoice?

**Post Transaction 5.6.A.** Does your state allow the seller to obtain a refund from the state if the seller subtracts from the original sales price any charges imposed by the seller to make a return (understanding the tax must be collected on any taxable charges)? If your state has exceptions note those exceptions in the comments section.

**Post Transaction 5.6.B.** If the answer to 5.6.A was "no," does your state allow the seller to obtain a refund from the state if it provides a full refund, including the tax, but subsequently imposes any service charges (and imposing any applicable tax) to the customer as a separate transaction on a separate invoice?

**Disclosed Practice 5.7 Taxability of Return Fees**

**Disclosed Practice 5.7** Are restocking or return fees taxable in your state?

**Post Transaction 5.7.A.** Does your state impose tax on restocking fees or return fees that are not directly associated with the use of a returned product?

**Post Transaction 5.7.B**. Does your state impose tax on a charge for the use (e.g. wear and tear) of a product?

**Disclosed Practice 5.8** **Cash/Credit Refund versus Store Credit**

***Explanation****: Some sellers, when accepting a returned product will not provide cash or credit to a customer's credit card or debit card based on seller's return policies. Instead, a store gift card/voucher is provided for the entire purchase amount, including tax.*

**Disclosed Practice 5.8.** Does your state treat the refund in the form of store credit the same as a cash refund for returned products?

**Disclosed Practice 5.9** **Simultaneous Return and Sale**

***Explanation****: This disclosed practice addresses whether a state will allow a seller to claim credit (or net) for a returned product with a simultaneous purchase of another product in a single transaction.*

**Example 5.9.A.**

- Seller is located in your State and sells a product for $100.
- The transaction is subject to a 6% tax, including any applicable local taxes.
- Seller collects $106 from the customer.
- Customer later returns the product and simultaneously purchases another product for $150, subject to a 6% tax, including any applicable local taxes; and
- Seller collects $53 from the customer and remits $3 of tax to the state.

**Disclosed Practice 5.9.A**. Does your state allow the seller to only collect and remit the additional tax on the price difference of a returned product when the replacement product costs more? **If no, explain in the comments section.**

**Example 5.9.B.**

- Seller is located in your State and sells a product for $100.
- The transaction is subject to a 6% tax, including any applicable local taxes.
- Seller collects $106 from the customer.
- Customer later returns the product and simultaneously purchases another product for $50, subject to a 6% tax, including any applicable local taxes; and
- Seller refunds $53 to the customer and requests $3 tax refund from the state.

**Disclosed Practice 5.9.B**. Does your state allow the seller to obtain a refund from the state for the price difference of a returned product when the replacement product costs less? **If no, explain in the comments.**

**Disclosed Practice 5.10** **Refund Pending State Approval**

***Explanation****: After completing a transaction and reporting and paying that tax on the transaction to the state, a seller may be notified by a customer that a transaction was not taxable. Seller will not refund tax to the customer until the state approves the seller's refund request.*

**Disclosed Practice 5.10.A**. Will your state refund or credit a seller for tax erroneously collected and remitted to the state prior to the seller refunding the customer the tax if the seller does not have a written agreement to refund the tax to the customer?

**Disclosed Practice 5.10.B**. If you answered "no" to disclosed practice 5.10.A., if the seller has a written agreement that it will refund the tax to the customer if the state approves the refund, will your state refund or credit a seller for tax erroneously collected and remitted to the state prior to the seller refunding the customer the tax?

**Disclosed Practice 5.10.C.** Does your state require the seller to refund the tax to the customer prior to obtaining a refund from the state?

**Disclosed Practice 5.11** **Seller Refund When Customer Did Not Pay Tax**

***Explanation****: The seller paid tax to the state prior to receiving payment from the customer. The customer subsequently refuses to pay the tax. The transaction is not subject to tax. Seller files for a refund, providing the customer's reasons for why the tax is not owed.*

**Disclosed Practice 5.11**

Can the seller, who remitted the tax to the state, obtain a refund of the tax paid to the state if the customer refuses to pay the tax because the customer correctly asserted the transaction was exempt under the state's laws?

**Disclosed Practice 5.12** **Returned Product to Seller in Another State**

***Explanation****: Customer buys a product sourced to State A and returns the product to seller's location in State B. Seller at location in State B refunds full amount of State A's tax to the customer and claims a refund with State A for the tax.*

**Disclosed Practice 5.12** The customer has the original sales receipt indicating your state's tax was charged. If the product is returned in another state, will your state allow the seller to claim the refund of the tax paid to your state?

**Disclosed Practice 5.13** **Returned Product to Seller in Another Local Jurisdiction Within the Same State**

***Explanation****: Customer buys a product sourced to Local Jurisdiction X in State A and returns the product in Local Jurisdiction Y in State A. The seller refunds the full amount of Local Jurisdiction X and State A's tax to the customer and claims a refund for the local and state tax paid to State A.*

**Disclosed Practice 5.13** The customer has the original sales receipt indicating the tax was charged for a local jurisdiction in your state. The product is returned in your state in a different local jurisdiction. Does your state require the seller to claim the refund of the tax paid to the original local jurisdiction? If the state has no local jurisdictions, enter NA in the comment section.

**Disclosed Practice 5.14** **Returned Product with No Receipt**

***Explanation****: Some sellers allow customers to return a product without a receipt. Seller has no idea where product was originally purchased (both location and seller). In that situation, sellers' policy is to provide a credit for the product based on the returned product's current selling price in the store, plus the tax rate at that store.*

**Disclosed Practice 5.14** If a seller refunds tax to a customer, without a receipt, using the tax rate at the store where the return was made and the price of the returned product at the store at that time, will your state allow the seller to receive a refund or credit of this tax from the state? Note in the comments section any special documentation the seller needs to provide the state.

**Disclosed Practice 5.15** **Customer Directly Filing for a Refund**

***Explanation****: Sometimes a customer either cannot find the seller or the seller refuses to file a tax refund claim on behalf of the customer. In that situation, a customer wants to file a tax refund claim directly with the state. The states' procedures on whether they will refund the tax to the customer vary.*

**Disclosed Practice 5.15.A.** Does the state give customers the option to request a tax refund directly from the state (*i.e.*, the customer is not required to make the request through the seller)?

Note any special requirements that may apply, such as minimum dollar thresholds, in the comment section.

**Disclosed Practice 5.15.B.** If the answer to disclosed practice 5.15.A was "no," does the state allow a customer to obtain a tax refund from the state when the seller cannot be found or refuses to refund the tax to a customer? If "yes", provide details in the comment section.

**Disclosed Practice Number 6 Voluntary Disclosure Agreements (Adopted May 10, 2017)**

**Background**:

A seller considering registering with a state for sales and use tax may have identified a possible past sales and use tax liability in that state. The seller has started the process of entering into a voluntary disclosure agreement (VDA) with your state to address any potential past liability. Although in many cases the seller wants to register and start collecting the appropriate sales and use taxes as soon as possible, it is concerned that registering may adversely affect the VDA it is working on with the that state.

The purpose of these disclosed practices is to assist sellers in determining the earliest date the seller may register without that registration adversely impacting the outcome of the VDA(s).

**Disclosed Practice 6.1 Determining the Earliest Possible Date to Register Without It Adversely Affecting a Voluntary Disclosure Agreement**

**VDA 6.1.a**. A seller's registration prior to the seller (or its representative) submitting the state's voluntary disclosure agreement (VDA) application will adversely affect the seller's VDA with the state.

**VDA 6.1.b**. A seller's registration after the seller (or its representative) submits the state's voluntary disclosure agreement (VDA) application, but before either the seller or the state signs the actual VDA will adversely affect the VDA with the state.

**VDA 6.1.c.** A seller's registration after the state signs the voluntary disclosure agreement (VDA) but before the seller signs the VDA will adversely affect the VDA.

**Disclosed Practice Number 7 Classification of Medical Products (Adopted May 2, 2018 and Amended May 20, 2021)**

The Streamlined Sales Tax Governing Board (SSTGB) previously adopted Appendices L and M to the SSTGB Rules and Procedures. Those Appendices identified the definition contained in the Streamlined Sales and Use Tax Agreement under which each of the products listed in the Appendices are classified. A consensus on how some of the products identified in those Appendices was not reached and those products are identified as "Not Classified by SSTGB" in Appendix L. Appendices L and M were combined into one appendix that is now referred to as Appendix L.

These tax administration practices identify how each state classifies the products identified as "Not Classified by SSTGB" in Appendix L, **but do not indicate the taxability of those products.**

***Explanation****: States may classify one or more of the "Not Classified by SSTGB" products listed in Appendix L under one of the SSUTA definitions or a state-specific definition, other than "tangible personal property."*

> **Example** An ECG monitor that is implanted in the human body is listed in Appendix L as "Not Classified by SSTGB." While both State A and State B have adopted the SST definition of "prosthetic device," State A may classify the ECG monitor as a prosthetic device, while State B may exclude it from being a prosthetic device.

**Disclosed Practice 7.1** Does the state classify any of the products listed in Disclosed Practice 7.2 as clothing, drugs, durable medical equipment, mobility enhancing equipment, over-the-counter drugs, prosthetic devices, or under a different state-specific definition?

If yes, see Disclosed Practice 7.2 for the classification. If no, the state does not need to complete Disclosed Practice 7.2.

**Disclosed Practice 7.2 Classification of "Not Classified by SSTGB" Products Under an SSUTA or State-Specific Definition Other Than Tangible Personal Property**

***Explanation****: States that classify one or more of the products listed in this Disclosed Practice under one of the SSUTA definitions or a state-specific definition, other than "tangible personal property," should indicate the definition or classification of those products in their state.*

Place an "N" in the SSUTA Defined Term and State-Specific Defined Term columns if the product is not classified under any of the terms listed in Medical Products Disclosed Practice 7.1 or a state-specific defined term. Place a "Y" in the appropriate column if the product is classified

under one of those terms, provide the appropriate statute/rule cite and indicate in the "Comment" column the defined term under which the product is classified.

**Disclosed Practice 7.3 Classification of items that fall within the definitions of grooming and hygiene and oral healthcare products for human use.**

***Explanation****: States may classify mouthwash and toothpaste as either grooming and hygiene products or oral healthcare products for human use. If the state classifies them as oral healthcare products for human use, they should respond "yes." If the state does not classify them as oral healthcare products for human use, the state should respond "no" and indicate in the Comment column if they classify them as grooming and hygiene products or tangible personal property.*

**Disclosed Practice Number 8 Collection and Remittance Requirements Related to Remote Sellers, Marketplace Sellers, and Marketplace Facilitators/Providers (Adopted May 20, 2021)**

**Note**: These tax administration practices address how a member state administers its sales and use tax economic nexus, remote seller, and marketplace facilitator/provider statutes. The United States Supreme Court (SCOTUS) ruled in ***South Dakota v. Wayfair*** on June 21, 2018, that states can require sellers to collect and remit sales or use tax on sales delivered to locations within their state even if the seller does not have a physical presence in the state.

The purpose of these disclosed practices is to provide general guidance and assist sellers and Marketplace Facilitators/Providers in determining their sales and use tax registration, collection, and remittance responsibilities in each of the Member States. The disclosed practices do not apply to other State taxes or other regulatory registration requirements.

**Disclosed Practice 8.1 Remote Sellers**

For purposes of Disclosed Practice 8.1, a "**Remote Seller**" is a seller that does not have any physical presence in a state (i.e., no property or employees) but who sells products or services for delivery into that state. This definition applies unless otherwise described in the following questions.

A **Remote Seller** includes a "**Marketplace Seller**" that does not have a physical presence in the state.

Although the member state may not use the term "**Remote Seller**" in its statutory or regulatory language, member states conform to this definition in concept and practice.

**Note: A state may allow a seller to have limited physical presence in the state and still treat the seller as a Remote Seller as provided in (A), (B) and (C).**

**Disclosed Practice 8.1.(A) Remote Seller – Inventory in 3rd-Party Warehouse**

The State still treats a seller as a remote seller if the seller's only physical presence in the state is inventory owned by the seller that is in a third-party's warehouse.

**Disclosed Practice 8.1.(A)(1) Remote Seller – Inventory in 3rd-Party Warehouse (Inventory controlled by third-party)**

The State still treats a seller as a Remote Seller if the seller's only physical presence in the state is inventory owned by the seller that is in a third-party's warehouse which the seller does not control the movement of the inventory (e.g., **Marketplace Facilitator/Provider** controls the movement of inventory). (Note: The exception in (A)(2), (B) and/or (C) may also apply)

**Example**:

The seller, physically located in State A, sells products directly and through a **Marketplace Facilitator/Provider**. The **Marketplace Facilitator/Provider** has a warehouse in State B. Seller does not have any other property or employees in State B, except for inventory in the **Marketplace Facilitator's/Provider's** warehouse. State B still treats the seller as a Remote Seller even though the seller has inventory in the **Marketplace Facilitator's/Provider's** warehouse in State B since the **Marketplace Facilitator/Provider** controls that inventory.

**Disclosed Practice 8.1.(A)(2) Remote Seller – Inventory in 3rd-Party Warehouse (Inventory controlled by seller)**

The State still treats a seller as a **Remote Seller** if the seller's only physical presence in the state is inventory owned by that seller that is in a third party's warehouse and the seller controls the movement of the inventory. (Note: The exception in (A)(1), (B) and/or (C) may also apply.)

**Example:**

The seller, physically located in State A, only sells products directly to customers and uses a third-party's warehouse in State B to store inventory. State B still treats the seller as a **Remote Seller** even though the seller has inventory in a third-party's warehouse in State B.

**Disclosed Practice 8.1.(B) Remote Seller - Non-Sales Related Employee in State**

The State still treats a seller as a **Remote Seller** if its only physical presence in the state is an employee that is not involved in making sales. If for purposes of Disclosed Practice 8.1.(B) the State distinguishes between retail and wholesale sales, the State will indicate it in the Comment column.

**Example:**

The seller is physically located in State A. The seller has an employee who works out of his home in State B. The employee is only responsible for human resource services. Since the employee is not engaged in making sales, State B still treats the seller as a **Remote Seller** even though the seller has an employee located in State B. (Note: The exception in (A) or (C) may also apply.)

**Disclosed Practice 8.1.(C)(1) Remote Seller - Attendance at Events (Trade show, conferences or other similar events), but not an Exhibitor at the Event**

A. The state still treats the seller as a Remote Seller if the seller's only physical presence in the state is merely attending an event without soliciting sales.

If the answer depends on the number of days or events the Remote Seller attends merely as an attendee (or other conditions solely related to the seller attending an event as an attendee that could impact seller's Remote Seller status), indicate "No" and provide a comment in the Comment column indicating the conditions or number of days or events and the measurement period, which if exceeded, will cause the seller to lose its Remote Seller status. If yes, the state still treats the seller as a Remote Seller regardless of the number of days or events the Remote Seller attends merely as an attendee .

**Example 1:**

GHI Company, physically located in State X, sends an employee to attend four different conferences in State Y. One conference is a 4-day tax conference, one is a 2-day accounting conference, one is a 5-day sales conference, and one is a 3-day product training conference. State Y allows a company to physically attend as many conferences as it wants to as an attendee without it impacting its Remote Seller status in State Y. Therefore, although an employee of GHI Company attended conferences in State Y for a total of 14 days, State Y still treats GHI Company as a Remote Seller. (Note: In this

scenario, State Y should complete the disclosed practice by indicating "Yes" and not provide any limitations in the Comment column.)

**Example 2:**

ABC Company, physically located in State A, sends an employee to attend a 4-day tax conference in State B to learn more about sales tax administration. State B allows a Remote Seller to physically attend an event(s) in State B for up to three days in a calendar year without it impacting its Remote Seller status. Since the employee of ABC Company was at this event for four days, ABC Company no longer qualifies as a Remote Seller because the employee exceeded the allowable number of days in State B during the calendar year. (Note: In this scenario, State B would complete the disclosed practice by indicating "No" and entering "Sellers who attend events in the state for more than three days in the calendar year do not qualify as Remote Sellers in the Comment column.)

B. The state still treats the seller as a Remote Seller if the seller's only physical presence in the state is attending an event and soliciting sales at the event.

If the answer depends on the number of days or events the Remote Seller attends as an attendee (or other conditions solely related to the seller attending an event as an attendee that could impact seller's Remote Seller status), indicate "No" and provide a comment in the Comment column indicating the conditions or number of days or events and the measurement period, which if exceeded, will cause the seller to lose its Remote Seller status. If yes, the state still treats the seller as a Remote Seller regardless of the number of days or events the Remote Seller attends and solicits sales at such events.

**Example 1:**

GHI Company, physically located in State X, sends an employee to attend four different conferences where they may also be soliciting sales, in State Y. One conference is a 4-day tax conference, one is a 2-day accounting conference, one is a 5-day sales conference, and one is a 3-day product training conference. State Y allows a company to physically attend as many conferences as it wants to as an attendee without it impacting its Remote Seller status. Therefore, although an employee of GHI Company attended conferences and solicited sales in State Y for a total of 14 days, State Y still treats GHI Company as a Remote Seller. (Note: In this scenario, State Y should complete the

disclosed practice by indicating "Yes" and not provide any limitations in the Comment column.)

**Example 2:**

ABC Company, physically located in State A, sends an employee to State B to attend a 4-day tax conference where they may also be soliciting sales, in State B to learn more about sales tax administration. State B allows a Remote Seller to physically attend an event(s) in State B for up to three days in a calendar year without it impacting its Remote Seller status. Since the employee of ABC Company was at this event for four days and exceeded the allowable number of calendar days in State B, ABC Company no longer qualifies as a Remote Seller because the employee exceeded the allowable number of days in the state during the calendar year. (Note: In this scenario, State B would complete the disclosed practice by indicating "No" and entering "Sellers who attend events in the state for more than three days in the calendar year do not qualify as Remote Sellers" in the Comment column.)

**Disclosed Practice 8.1.(C)(2) Remote Seller - Exhibitor at Events (Trade show, conferences or other similar events) At Which No Orders Are Taken and No Sales are Made**

The state still treats the seller as a "Remote Seller" if the seller's only physical presence in the state is as an exhibitor with a booth at an event at which sales may be solicited but no orders are taken, and no sales are made.

If the answer depends on the number of events or days the Remote Seller is at an event(s) as an Exhibitor during the measurement period or if the state has any other conditions, the state should indicate "No" and provide a comment in the Comment column indicating the number of events, days and/or other conditions, including solicitating sales, in the measurement period which will cause the seller to lose its Remote Seller status .

If yes, the state still treats the seller as a Remote Seller regardless of the number of days or events the Remote Seller can exhibit at the event where no orders are taken and no sales are made.

**Example:**

XYZ Company is physically located in State A. XYZ Company attends a 3-day event in State B as an exhibitor with a booth. The exhibitor does not accept orders and does not

make any sales at the event. State B allows XYZ Company to physically attend an event(s) in State B as an exhibitor for up to 3 days in a calendar year without it impacting XYZ Company's Remote Seller status. Since the employee of XYZ Company was only at the event for 3 days, State B still treats XYZ Company as a Remote Seller because XYZ Company did not exceed the allowable number of days in State B during the calendar year. (Note: In this scenario, State B should complete the disclosed practice by indicating "No" and entering "Sellers who attend events as Exhibitors in the state for more than 3 days during a calendar year do not qualify as Remote Sellers" in the Comment column.)

**Disclosed Practice 8.1.(C)(3) Remote Seller - Exhibitor at Event (Trade show, conferences or other similar events) Where Sales Are Made**

A. Seller/Exhibitor Responsible for Tax Collection at the Event -

1. Except for sales made at an event, the state still treats the seller as a Remote Seller if the seller's only physical presence in the state is as an exhibitor at an event at which the exhibitor makes sales.

   If the answer depends on conditions or the number of days or events within the measurement period the Remote Seller is at an event(s) as an Exhibitor making sales, indicate No and provide a comment in the Comment column indicating the conditions or limit to number of days or events, which if exceeded, will cause the seller to lose its Remote Seller status.

   If yes, the Remote Seller only requirement should be collecting tax for sales made at the event.

   If no, seller is not a Remote Seller and is required to register and collect tax for sales made at the event and any sale made into the state after the event. Skip to B.

2. Is the Remote Seller required to obtain a special event or temporary permit for sales made at the event?

   If yes, indicate in the Comment column the type of permit required.

   **Example 1:**

   MNO Company is physically located in State A. MNO Company participates as an exhibitor with a booth at a 3-day sports memorabilia show in State B. MNO

Company makes sales at the show. State B requires MNO Company to obtain a temporary permit for the dates of the show and MNO Company is responsible for remitting the sales tax on its sales made during the show.

**Example 2:**

PQR Company is physically located in State A. PQR Company participates as an exhibitor with a booth at 4-day sports memorabilia show in State B. Seller PQR makes sales at the show. PQR Company is in State B for more than three days in the calendar year, however, State B requires PQR Company to obtain a permanent permit and collect and remit tax on all its sales into State B once it exceeds the three days allowed per calendar year. At the end of the year, PQR Company will need to review its activities and State B's requirements to see if it qualifies as a Remote Seller. Since the employee of PQR was at the event for more than the three days allowed per calendar year, State B no longer treats Seller PQR as a Remote Seller for any sales made into State B by the Seller PQR. (Note: In this scenario, State B should complete the disclosed practice by indicating "No" and entering "Sellers who attend events as Exhibitors making sales in the state for more than three days in a calendar year must obtain a permanent permit and collect tax on their sales for the days of the event and the remainder of the year" in the Comment column.)

B. Promoter Responsible for Tax Collection At the Event -

Except for sales made at an event, the state still treats the seller as a Remote Seller if the seller's only physical presence in the state is as an exhibitor at an event at which the exhibitor makes sales and the **event promoter is responsible for the remittance of tax on sales**.

If the answer depends on conditions or the number of days the Remote Seller is at an event(s) as an Exhibitor making sales which the promoter reports, indicate "No" and provide a comment in the Comment column indicating the number of days, number of events, days and/or other conditions, which if exceeded, will cause the seller to lose its Remote Seller status.

If "Yes," the state still treats the seller as a Remote Seller regardless of the number of days or other conditions the Remote Seller can exhibit and makes sales at such events.

**Example 1:**

STU Company is physically located in State A. STU Company's only physical presence in State B is when it participates as an exhibitor with a booth at 3-day sports memorabilia show in State B. STU Company makes sales at the show. State B requires the promoter of the memorabilia show to remit the sales tax on all sales by all exhibitors made during the show. State B does not require STU Company to obtain a permit for the dates of the show since the promoter is responsible for remitting the sales tax on all sales made during the show. STU Company is still treated as a Remote Seller in State B for any sales made into State B unrelated to the sport memorabilia show.

**Example 2:**

XYZ Company is physically located in State A. XYZ Company participates as an exhibitor with a booth at 4-day sports memorabilia show in State B. XYZ Company does not make any sales at the show. The promoter of the memorabilia show is required to remit the sales tax on all sales by all exhibitors made during the show. State B does not require XYZ Company to obtain a permit for the dates of the show since the promoter is responsible for remitting the sales tax on all sales made during the show. However, State B considers XYZ Company to have established nexus and XYZ Company must register and collect tax for any sales made into State B by the Seller that are not reported by the exhibitor.

**Disclosed Practice 8.1.a. What is the State's Remote Seller Monetary Economic Nexus Threshold?**

***Explanation****: The SCOTUS indicated in Wayfair that South Dakota's law "…affords small merchants a reasonable degree of protections. The law at issue requires a merchant to collect the tax only if it does a considerable amount of business of in the State; the law is not retroactive; and South Dakota is a party to the Streamlined Sales and Use Tax Agreement…" SST member states have established monetary thresholds to set forth a small seller exception in their state. (Note: A Remote Seller that does not meet a State's economic nexus threshold may still register with the State to collect the state's sales or use tax on behalf of the Remote Seller's customer.)*

**8.1.a.i. The State's Remote Seller monetary economic nexus threshold is "$100,000" (i.e., either $100,000 or more" or "more than $100,000"). The definition of "types of sales" is addressed in 8.1.b**.

If "Yes", the State will indicate in the Comment column if the State's monetary economic nexus threshold is:

- "$100,000 or more" or
- "More than $100,000".

If "No" – The State will indicate in the Comment column the dollar amount of the State's monetary economic nexus threshold and whether it is:

- "$X or more" or
- "More than $X".

If the State does not have a monetary economic threshold, the State will indicate "No Threshold".

**Disclosed Practice 8.1.b What Type of Products Does the State Include in its Economic Nexus Threshold Calculation?**

***Explanation****: Some states may only include sales of certain types of products in their economic nexus threshold calculation, such as only sales of tangible personal property and not include sales of services or digital goods.*

**8.1.b.i. The State includes sales of all types of products (e.g., sales of tangible personal property, sales of digital goods, sales of services) in its economic nexus threshold calculation.**

If no, the State will indicate in the Comment column which types of product sales it includes in its economic nexus threshold computation.

**Example:**

State X only includes transactions involving sales of tangible personal property in its threshold computation. State X answers this question "no" and indicates "Only sales of tangible personal property are considered for purposes of determining if a seller meets or exceeds the economic nexus threshold."

*For purposes of Disclosed Practice 8.1.c., the sales of the type of products identified in 8.1.b. are the sales to be considered when computing the state's economic nexus thresholds.*

**Disclosed Practice 8.1.c. How is the State's Remote Seller *Monetary* Economic Nexus Threshold Calculated? Only one answer should be "yes".**

***Explanation***: *A State may base its monetary economic nexus threshold on gross sales, gross revenues, gross receipts, retail sales, taxable sales or on some other basis.*

**8.1.c.i. The State's Remote Seller monetary economic nexus threshold is based on GROSS sales, gross revenue, or gross receipts from all sales.**

If the threshold is calculated based on "**gross** sales", all sales and transactions into the state are included in determining whether the **Remote Seller** meets or exceeds the threshold, including sales for resale and other exempt or nontaxable sales.

**Example:**

Company A has $400,000 (400 transactions) in total sales to State 1 for the calendar year that are made up of the following:

- $220,000 (220 transactions) of those sales are to wholesalers that provided exemption certificates claiming sales for resale.
- $75,000 (75 transactions) of those sales are to purchasers claiming exemption for purposes other than resale (use in manufacturing, exemption certificate on file, sales to exempt entities).
- $10,000 (10 transactions) of those sales are sales that qualify for product exemptions.
- $95,000 (95 transactions) are taxable sales to purchasers

Company A has $400,000 (400 transactions) in GROSS sales for purposes of computing the thresholds.

**8.1.c. ii. The State's Remote Seller monetary economic nexus threshold is based only on RETAIL sales (only excludes sales for resale)**

"**Retail** sales" are defined in the SSUTA, in part, as any sale other than a sale for resale. Since sales for resale are specifically excluded from the definition of "retail sale," they are not included in the threshold computation. However, sales that are not taxable because of the provision of an

exemption certificate or that are exempt due to a product exemption, such as food in certain states, are included in the computation.

**Example:**

Company A has $400,000 (400 transactions) in total sales to State 1 for the calendar year that are made up of the following:

- $220,000 (220 transactions) of those sales are to wholesalers that provided exemption certificates claiming sales for resale.
- $75,000 (75 transactions) of those sales are to purchasers claiming exemption for purposes other than resale (use in manufacturing, sales to exempt entities).
- $10,000 (10 transactions) of those sales are sales that qualify for product exemptions.
- $95,000 (95 transactions) are taxable sales to purchasers.

Company A has $180,000 (180 transactions) in RETAIL sales for purposes of computing the thresholds.

**8.1.c.iii. The State's Remote Seller monetary economic nexus threshold is based only on TAXABLE sales (all sales and transactions that are taxable).**

"**Taxable** sales" means all transactions that are (or should be) taxed. Transactions that are not taxed due to the provision of an exemption certificate or other documentation on the part of the purchaser are not included in "taxable sales."

**Example:**

- Company A has $400,000 (400 transactions) in total sales to State 1 for the calendar year that are made up of the following:
- $220,000 (220 transactions) of those sales are to wholesalers that provided exemption certificates claiming sales for resale.
- $75,000 (75 transactions) of those sales are to purchasers claiming exemption for purposes other than resale (use in manufacturing, sales to exempt entities).
- $10,000 (10 transactions) of those sales are sales that qualify for product exemptions.
- $95,000 (95 transactions) are taxable sales to purchasers.

Company A has $95,000 (95 transactions) in TAXABLE sales for purposes of computing the thresholds.

**8.1.c. iv.** The State calculates the monetary economic nexus threshold based on something other than Gross, Retail or Taxable sales. The State should indicate in the Comment column what the State's monetary economic nexus threshold is based on.

**Disclosed Practice 8.1.d. What is the State's Remote Seller *Transactional* Economic Nexus Threshold?**

***Explanation***: *The SCOTUS indicated in Wayfair that South Dakota's law "…affords small merchants a reasonable degree of protections.* ***The law at issue requires a merchant to collect the tax only if it does a considerable amount of business of in the State****; the law is not retroactive; and South Dakota is a party to the Streamlined Sales and Use Tax Agreement…" In addition to monetary thresholds, some States have also established transactional thresholds.*

**8.1.d.i. Remote Seller Transactional Economic Nexus Threshold**

**Best Practice: States do not have a transactional economic nexus threshold.**

The State's **Remote Seller** transactional economic nexus threshold is "200" (i.e., either "200 or more" or "more than 200") separate transactions. (What constitutes a "transaction" is explained in 8.1.f.)

If "Yes" – The State will indicate in the Comment column if the transactional economic nexus threshold is:

- "200 or more transactions" or
- "More than 200 transactions".

If "No" – The State will indicate in the Comment column the State's transactional economic nexus threshold and whether it is:

- "X transactions or more" or
- "More than X transactions".

If the State does not have a transactional economic nexus threshold the State will indicate "No Threshold".

**Disclosed Practice 8.1.e. Which Transactions Are Used to Determine if a Seller Has Met a State's *Transactional* Economic Nexus Threshold?**

***Explanation**: The transactions and sales included in the transactional economic nexus threshold calculation may be the same transactions and sales used in the monetary economic nexus threshold calculation.*

**8.1.e.i.** The State's **Remote Seller** transactional economic nexus threshold is calculated using the same sales and transactions that are used to calculate the State's monetary economic nexus threshold as indicated in Disclosed Practice 8.1.b.
If the state uses different transactions to calculate the transactional economic nexus threshold, indicate which transactions are used in the Comment column.

**Disclosed Practice 8.1.f.** For Purposes of Computing the State's Transactional Economic Nexus Threshold, what is Considered a "Transaction"? Only one answer should be "Yes" for i., ii., or iii.
***Explanation**: A state may base its transactional economic nexus threshold on several factors. This calculation can be on the number of invoices, on the number of orders placed, or on the quantity of items sold.*

**8.1.f.i.** The State's **Remote Seller** transactional economic nexus threshold is based on the number of **invoices**.

**Example 1:**

Customer places an order for 3 distinct items which are all fulfilled at different times. The customer receives one invoice that covers the purchase of all 3 items. This would count as one transaction.

**Example 2:**

Customer places an order for 3 distinct items which are all fulfilled at different times. The customer receives an invoice for each item as it is fulfilled (i.e., 3 separate invoices). This would count as three transactions.

**8.1.f.ii.** The State's **Remote Seller** transactional economic nexus threshold is based on **the number of orders placed** (i.e., if a single order is placed but it is delivered in three (3) separate shipments each with its own invoice, it is considered one (1) transaction).

**Example:**

Customer places an order for 3 distinct items which are all fulfilled at different times. The customer receives 3 shipments and 3 invoices that were generated separately from the one order. This would count as one transaction.

**8.1.f. iii.** The State's **Remote Seller** transactional economic nexus threshold is based on **the quantity of items** sold (each item on a single invoice is considered a separate transaction).

**Example 1:**

An invoice shows 20 orange widgets, 10 brown widgets, and 50 clear widgets. The total of the number of transactions used in calculating the transactional economic nexus threshold is 80.

**Example 2:**

A prepackaged box of the same product is one item (box of 12 pencils); however, multiple purchases of the same product are separate items (12 individual pencils).

**8.1.f.iv**. An invoice that includes items to be delivered into multiple states is considered a transaction in the state if any of the items on the invoice are delivered into the State.

**Example:**

- Customer purchases 2 taxable items for $1,000 each
- One item is being shipped to State A and one item is being shipped to State B
- The customer is given one invoice for $2,000 that covers both items

**Result:**

- State A would count this as one invoice/transaction
- State B would count this as one invoice/transaction
- State A would consider this to be $1,000 toward their dollar threshold
- State B would consider this to be $1,000 toward their dollar threshold

**Disclosed Practice 8.1.g. Transaction with Multiple Payments**

A transaction with multiple payments (e.g., monthly payments) is considered one transaction for purposes of the State's **Remote Seller** transactional economic nexus threshold (i.e., each

payment is not considered a separate transaction). Both examples should result in the same response.

**Example 1:**

Customer signs an annual subscription agreement and is billed monthly. This is considered one transaction and not twelve transactions.

**Example 2:**

Customer enters into a monthly subscription agreement lasting 30 days. There is automatic renewal at the end of each month unless cancelled. Over the course of the year, this will count as twelve transactions, not one.

**Disclosed Practice 8.1.h. Does a Remote Seller who makes sales through a Marketplace Facilitator/Provider need to include the sales made through the marketplace in determining if it meets a State's economic nexus threshold?**

**8.1.h.i.** A Remote Seller shall include sales made through a Marketplace Facilitator/Provider that is registered in the State when determining if it meets or exceeds the State's economic nexus threshold.

**8.1.h.ii.** A Remote Seller shall include its sales made through a Marketplace Facilitator/Provider that is not registered in the State when determining if it meets or exceeds the State's economic nexus threshold.

**Disclosed Practice 8.1.i. What period of time does the State base its a Remote Seller economic nexus threshold on? – Only one answer should be yes.**

**Background:**

States differ on the measurement period a Remote Seller uses to determine if the economic nexus threshold has been met. The most common measurement period is the previous calendar year or current calendar year. States also have measurement periods of just the previous calendar year, just the current calendar year or the previous twelve-month period. There should only be one "yes" response in this section.

**8.1.i.i.** The State's economic nexus threshold is based on a Remote Seller exceeding the threshold in either the previous calendar year or current calendar year.

**8.1.i. ii.** The State's economic nexus threshold is based on a Remote Seller exceeding the threshold only in the previous calendar year.

**8.1.i. iii.** The State's economic nexus threshold is based on a different period of time. (Provide the basis in the Comment column.)

**Disclosed Practice 8.1.j. When does the State require a Remote Seller to register and begin collecting and remitting the applicable tax? – Only one answer should be yes.**

**A Remote seller who has met the economic nexus threshold in a state but has not made any taxable sales into that state, should review Disclosed Practice 8.1.n for exceptions.**

**Background:**

Generally, if the economic nexus threshold was not reached in the previous calendar year, but is reached part way through the current calendar year, the seller is required to register and begin collecting and remitting the tax on transactions and sales that occur after the threshold is met for the remaining part of the current calendar year. The seller is not responsible for collecting and remitting the tax on transactions that occurred prior to meeting the economic nexus threshold. Some states allow a grace period for requiring the registration and collection of the tax once the threshold is met.

**Best Practice: The state does not require a Remote Seller to register and begin collecting and remitting the tax sooner than the first day of the first calendar month that begins 30 days after meeting or exceeding the state's threshold.**

**Note:** Reason for Best Practice- 1) It may take a state 30 days or more to provide a newly registered seller with the ID number required to authorize the collection of tax and the ability to create a reporting/payment account; 2) It gives sellers time to prepare and get systems in place to collect the tax; 3) If the seller engages a CSP, the CSP will generally require a 1st of the month start date.

**8.1.j.i.** The State requires a **Remote Seller** to register and begin collecting and remitting the tax on the **next transaction after meeting or exceeding the threshold.**

**8.1.j.ii.** The State requires a **Remote Seller** to register and begin collecting and remitting the tax **no later than the first day of the first calendar month that begins at least X days** after meeting or exceeding the threshold. The State will indicate in the Comment column the number of days after the threshold is met that the seller is required to register and begin collecting and remitting the tax.

**Example:**

If a State indicates X = 30 days and the seller reaches the threshold on May 28, the seller is required to register and begin collecting July 1.

**8.1.j.iii.** Other. If the State's answer to j.i and j.ii is "no" indicate in the Comment column when a **Remote Seller** must register and begin collecting and remitting the tax.

**Disclosed Practice 8.1.k. When is a Remote Seller who falls below a state's economic nexus threshold allowed to stop collecting and remitting the tax?**

**8.1.k.i.** A **Remote Seller** that falls below the State's **Remote Seller** economic nexus threshold(s) during the measurement period (See 8.1.i.) may cancel its registration or request inactive status any time after the measurement period ends.

If yes, indicate in the Comment column if the **Remote Seller** can:

- Cancel the registration, or
- Request inactive status.

If the answer is no, indicate in the Comment column when a **Remote Seller** can cancel their registration or request inactive status.

**Example 1:**

State A has a measurement period of **current or previous calendar year**. Seller exceeded the economic nexus threshold in 2019 but did not in 2020. The seller will be

eligible to cancel its registration as of 1/1/21. If the seller exceeds the threshold during 2021, it will be required to register as provided in Disclosed Practice 8.1.j.

**Example 2:**

State A has a measurement period of **current or previous calendar year**. Seller exceeded the economic nexus threshold in 2019 and 2020. The seller will be required to continue collecting tax through at least all of 2021.

**Example 3:**

State A has a measurement period of just the **previous calendar year**. Seller exceeded the economic nexus threshold in 2019 but did not in 2020. The seller will be eligible to cancel its registration as of 1/1/21. If the seller exceeds the threshold during 2021, the seller will be required to register as of 1/1/22.

**Disclosed Practice 8.1.l.** What type of permit does a Remote Seller apply for? – Only one answer should be "yes".

***Explanation:*** *Some states require* ***Remote Sellers*** *to register to collect sales tax, some state require* ***Remote Sellers*** *to register to collect seller's use tax while other states require* ***Remote Sellers*** *to submit a single application that allows them to collect both sales and use tax. States should include any applicable statutory or legal citation in the Comment column.*

**8.1.l.i.** The State requires a **Remote Seller** to register to collect sales tax .

**8.1.l. ii.** The State requires a **Remote Seller** to register to collect (seller's) use tax.

**8.1.l.iii.** The State requires a **Remote Seller** to register under a single registration to collect both sales and (seller's) use tax.

**8.1.l.iv.** The State allows a **Remote Seller** to register for <u>either</u> a sales tax or use tax permit If yes, the State should explain in the Comment column any special circumstances.

**Disclosed Practice 8.1.m. – Can a Remote Seller that is not registered or required to be registered in any State provide an exemption certificate claiming sale for resale to a Seller located in this State and can that Seller accept that exemption certificate?**

***Explanation***: *Some Remote Sellers may not be registered or required to be registered in any State. However, those Remote Sellers purchase items from their suppliers that will be resold. The suppliers want to make sure they will not be held liable for the tax on a sale to a Remote Seller that is not registered in any State if they accept an exemption certificate claiming a sale for resale from the Remote Seller. More information on a State's acceptance of an exemption certificate is available at Exemptions (streamlinedsalestax.org)*

**8.1.m.i.** A **Remote Seller** that is not registered or required to be registered in any State can issue an exemption certificate to a Seller located in this State claiming resale for those items the **Remote Seller** will resell and the Seller in this State may accept such exemption certificate.
If yes, the State should indicate in the Comment column what identification number, if any, the **Remote Seller** is required to put on the exemption certificate.

**Example:**

**Remote Seller** A located in State X purchases items for resale from Seller B located in State Y. **Remote Seller** A is not registered or required to be registered in any State. Seller B is registered in every State. Seller B delivers the items to **Remote Seller** A in State X. Seller B may accept an exemption certificate from **Remote Seller** A claiming resale.

**8.1.m.ii.** A **Remote Seller** that is not registered or not required to be registered in any State purchasing items for resale from a third-party supplier (drop shipper) who will deliver the items to the **Remote Seller's** customer located in this State can issue an exemption certificate claiming resale and the third-party supplier (drop shipper) can accept such exemption certificate. See SSUTA Sec. 317.A.8 for Drop Shipment requirements.
If yes, the State should indicate in the Comment column what identification number, if any, the **Remote Seller** is required to put on the exemption certificate.

**Example:**

**Remote Seller** A located in State X purchases items for resale from Seller B located in State Y. **Remote Seller** A is not registered or required to be registered in any State. Seller B is registered in State Y. **Remote Seller** A has Seller B deliver the items to **Remote Seller** A's customer located in State Y (e.g., a drop shipment). **Remote Seller** A may provide Seller B an exemption certificate claiming resale and Seller B may accept that exemption certificate.

**Note: States that base their calculation of economic nexus threshold on "taxable" sales in Disclosed Practice 8.1.c., do not answer Disclosed Practice 8.1.n.**

**Disclosed Practice 8.1.n**. –If your state bases your economic nexus threshold calculation on gross sales or retail sales in Disclosed Practice 8.1.c., does your state require a remote seller that meets the economic nexus threshold in your state but does not have any taxable sales in your state to register and file?

**8.1.n.i.** The State requires a remote seller to register and file as provided in Disclosed Practice 8.1.j.

If yes, go to the next Disclosed Practice.

If no, go to Disclosed Practice 8.1.n.ii.

**Example**:

*Facts*:

- The state threshold is calculated based on gross sales or retail sales.
- The state requires a remote seller to register no later than the first day of the first calendar month that is at least 30 days after meeting the state's economic nexus threshold.
- April 5 – Remote seller meets the state's economic nexus threshold (gross or retail).
- August 19 – Remote seller makes first taxable sale.

*Result*:

The remote seller is required to register effective June 1. The remote seller is required to file a return beginning with the return that covers the June reporting period.

**8.1.n.ii.** The State requires a remote seller who has met the economic nexus threshold but has not made any taxable sales **to register** as provided in Disclosed Practice 8.1.j. However, the remote seller is **not required to collect and file until the remote seller makes a taxable sale.**
If yes, go to Disclosed Practice 8.1.n.ii.A.
If no, go to Disclosed Practice 8.1.n.iii.

**8.1.n.ii.A.** When does the State require a remote seller described in 8.1.n.ii. to begin collecting tax and filing after it makes its first taxable sale?

**8.1.n.ii.A.1** Immediately upon making the first taxable sale.

**Example**:

*Facts*:

- The state threshold is calculated based on gross sales or retail sales.
- The state requires a remote seller to register no later than the first day of the first calendar month that is at least 30 days after meeting the state's economic nexus threshold.
- April 5 – Remote seller meets the state's economic nexus threshold (gross or retail)
- August 19 – Remote seller makes first taxable sale.

*Result*:

The remote seller is required to register effective June 1. The remote seller is required to collect tax beginning with the August 19 sale which is the first taxable sale made after the first day of the first calendar month no later than 30 days after meeting the threshold. The remote seller is required to file a return beginning with the return that covers the August reporting period. This may result in periods where registration will be active but no return is required.

**8.1.n.ii.A.2.** After meeting the period of time provided in Disclosed Practice 8.1.j. after making its first taxable sale.

**Example**:

*Facts*:

- The state threshold is calculated based on gross sales or retail sales.
- The state requires a remote seller to register no later than the first day of the first calendar month that is at least 30 days after meeting the state's economic nexus threshold.
- April 5 – Remote seller meets the state's economic nexus threshold (gross or retail)
- August 19 – Remote seller makes first taxable sale.

*Result*:

The remote seller is required to register effective June 1. The remote seller is required to collect tax beginning with the sales occurring after October 1 which is the first sale made after the first day of the first calendar month no later than 30 days after making the first taxable sale. The remote seller is required to file a return beginning with the return that covers the October reporting period. This may result in periods where registration will be active but no return is required.

**8.1.n.iii.** The State does not require a remote seller **to register, collect or file** as provided in Disclosed Practice 8.1.j. until the remote seller makes a taxable sale.
If yes, go to Disclosed Practice 8.1.n.iii.A.

**8.1.n.iii.A.** When does the State require a remote seller to register and collect tax after it makes its first taxable sale?

**8.1.n.iii.A.1** Immediately upon making the first taxable sale.

**Example**:

*Facts:*

- The state threshold is calculated based on gross sales or retail sales.
- The state requires a remote seller to register no later than the first day of the first calendar month that is at least 30 days after meeting the state's economic nexus threshold.
- April 5 – Remote seller meets the state's economic nexus threshold (gross or retail)
- August 19 – Remote seller makes first taxable sale.

*Result:*

The remote seller is required to register effective August 19. The remote seller is required to collect tax beginning with the August 19 sale which is the first taxable sale made after the first day of the first calendar month no later than 30 days after meeting the threshold. The remote seller is required to file a return beginning with the return that covers the August reporting period.

**8.1.n.iii.A.2.** After meeting the period of time provided in 8.1.j. after making its first taxable sale.

**Example**:

*Facts*:

- The state threshold is calculated based on gross sales or retail sales.
- The state requires a remote seller to register no later than the first day of the first calendar month that is at least 30 days after meeting the state's economic nexus threshold.
- April 5 – Remote seller meets the state's economic nexus threshold (gross or retail)
- August 19 – Remote seller makes first taxable sale.

*Result*:

The remote seller is required to register effective October 1. The remote seller is required to collect tax beginning with the sales occurring after October 1 which is the first sale made after the first day of the first calendar month no later than 30 days after making the first taxable sale. The remote seller is required to file a return beginning with the return that covers the October reporting period.

**States that have never had a transactional economic nexus threshold do not answer Disclosed Practice 8.1.o. If your state has eliminated the transactional economic nexus threshold, what is the earliest date a remote seller who does not meet or exceed your monetary economic nexus threshold but had met the transactional economic nexus threshold in the measurement period may cancel their registration?**

**8.1.o.i.** Has your state eliminated its transactional economic nexus threshold?

If yes, indicate in the Comments column the effective date and go to Disclosed Practice 8.1.o.ii

If no, go to next Disclosed Practice.

**8.1.o.ii** Can a remote seller that does not meet or exceed the monetary economic nexus threshold but had met the transactional economic nexus threshold in the measurement period prior to the elimination of the transactional threshold:

A. Cancel its registration?

If yes, indicate in the Comments column what is the earliest date the remote seller may cancel its registration.

B. Request inactive status?

If yes, indicate in the Comments column what is the earliest date the remote seller may request inactive status.

**Example:**

State has a monetary economic nexus threshold of meet or exceed gross sales of $100,000 in current or prior calendar year or a transactional economic nexus threshold of meet or exceed 200 separate transactions in the current or previous calendar year. State eliminates the transactional economic nexus threshold effective January 1, 2024. Remote seller meets the transactional economic nexus threshold in May 2023 but does not meet the monetary economic nexus threshold. What is the earliest date the remote seller can cancel their registration or request inactive status?

- January 1, 2024, or
- January 1, 2025

**Example**:

State has a monetary economic nexus threshold of meet or exceed gross sales of $100,000 in current or prior calendar year or a transactional economic nexus threshold of meet or exceed 200 separate transactions in the current or previous calendar year. State eliminates the transactional economic nexus threshold effective July 1, 2024. Remote seller met the transactional economic nexus threshold in May 2023 but does not meet the monetary economic nexus threshold. Seller met the transaction threshold by 7/1/24. What is the earliest date the remote seller can cancel their registration or request inactive status?

- July 1, 2024, or

- January 1, 2025
- January 1, 2026

**Disclosed Practice 8.1.p. Registration with Secretary of State (or equivalent state agency) as a Condition of Obtaining a Sales Tax Permit**

**8.1.p.** Is a Remote Seller required to register with the Secretary of State (or equivalent state agency) as a condition of obtaining a sales tax permit?

**Disclosed Practice 8.1.q. Consumer Use Tax**

**8.1.q.i.** Does a Remote Seller who is registered to collect tax on sales, have an obligation to remit consumer's use tax on its own property delivered into the state, such as catalogs, give aways or samples if such property is taxable?
If yes, go to a. and b.
If no, skip to DP 8.2.

**8.1.q.i.a.** A remote seller who is registered to collect tax on sales is required to separately register to report tax due on its own taxable property delivered into the state.

**8.1.q.i.b.** A remote seller who is registered to collect tax on sales is required to report tax due on its own taxable property delivered into the state on a separate return from the return on which the tax on sales is reported.

**Disclosed Practice 8.2 Marketplace Sellers**

***Explanation:*** *Many States have enacted* ***Marketplace Facilitator/Provider*** *laws that require the* ***Marketplace Facilitator/Provider*** *to collect and remit tax on sales facilitated on behalf of* ***Marketplace Sellers****. These laws related to* ***Marketplace Facilitators/Providers*** *resulted in the creation of "****Marketplace Sellers****." The* ***Marketplace Seller*** *may also be required to register and file returns for sales and use tax purposes in a State.*

A **Marketplace Seller** may also be a "**Remote Seller**." A **Remote Seller** is generally a seller that does not have a physical presence in a state but who sells products or services for delivery into that State.

A **Remote Seller** that sells through a **Marketplace Facilitator/Provider** and also sells products direct to its customers, is required to register to collect and remit sales tax in the State if its sales in that State meet that State's **Remote Seller Economic Nexus Threshold**. A Marketplace Seller who does not have a physical presence in the state should see Disclosed Practice 8.1 for additional threshold, registration, filing and remittance requirements.

If a seller has a physical presence in a State, the seller is not a **Remote Seller** and is generally required to register in that State regardless of the volume of sales.

**Definition:** For purposes of Disclosed Practice 8.2, the following general definition applies:

> "**Marketplace Seller**" means a seller who sells products or services through a physical or electronic marketplace operated by a Marketplace Facilitator/Provider.

**Disclosed Practice 8.2.a.** Does a State require a **Marketplace Seller** to register in the State when all its sales are made through a **Marketplace Facilitator/Provider** that is registered to collect and remit the tax on behalf of the **Marketplace Sellers**?

**8.2.a.i.** The State requires a **Marketplace Seller** that is a **Remote Seller** that sells exclusively through **Marketplace Facilitators/Providers** to still register with the State.

**8.2.a.ii.** The State requires a **Marketplace Seller** with a physical presence (i.e., not a **Remote Seller**) that sells exclusively through **Marketplace Facilitators/Providers** to still register with the State.

**Disclosed Practice 8.2.b.** Does the State require a **Marketplace Seller** to include its sales (dollars and transactions) made through a **Marketplace Facilitator/Provider** in determining if it meets or exceeds the State's economic nexus threshold. See Disclosed Practice 8.1.b for which types of transactions must be included.

**8.2.b.i.** The State requires a **Marketplace Seller** to include its sales (dollars and transactions) made through a **Marketplace Facilitator/Provider** in determining if it meets or exceeds the State's economic nexus threshold.

**Disclosed Practice 8.2.c.** Does the State require a **Marketplace Seller** that is registered and filing in the State to include its marketplace sales in the total sales reported on its tax return and take a deduction as if the sales are exempt?

**8.2.c.i.** The State requires a **Marketplace Seller** registered and filing in the State to include its sales through a **Marketplace Facilitator/Provider** on its tax returns. If the State responds yes to this question, it will provide an explanation in the Comment column on how the deduction is claimed for such sales.

**Disclosed Practice 8.2.d.** Does the State require a **Marketplace Seller** to maintain exemption documentation only for its direct sales, and not for sales made through a **Marketplace Facilitator/Provider**?

**8.2.d.i.** The State requires a **Marketplace Seller** to maintain exemption documentation only for its direct sales, and not for sales made through **Marketplace Facilitators/Providers**.

**Disclosed Practice 8.2.e.** Does the State allow a **Marketplace Seller** to rely upon a customer's exemption documentation for its direct sales, even where the exemption documentation is maintained by a **Marketplace Facilitator/Provider**?

**8.2.e.i.** The State allows a **Marketplace Seller** to rely upon a customer's exemption documentation for its direct sales even though that exemption documentation is maintained by a **Marketplace Facilitator/Provider**.

**Example:**

**Marketplace Seller** has access to the **Marketplace Facilitator's/Provider's** exemption documentation.

**Disclosed Practice 8.2.f** Can a **Marketplace Seller** that is not registered or not required to be registered in any State provide an exemption certificate to a Seller located in this State claiming sale for resale and can that Seller accept that exemption certificate?

**8.2.f.i.** A **Marketplace Seller** that is not registered or required to be registered in any State can issue an exemption certificate to a Seller located in this State claiming resale for those items the **Marketplace Seller** will resell and the Seller in this State may accept such exemption certificate. If yes, the State should indicate in the Comment column what identification number, if any, the **Marketplace Seller** is required to put on the certificate?

**Example:**

**Marketplace Seller** A located in State X purchases items for resale from Seller B located in State Y. **Marketplace Seller** A is not registered or required to be registered in any State. Seller B is registered in every State. Seller B delivers the items to **Marketplace Seller** A in State X. Seller B may accept an exemption certificate from **Marketplace Seller** A claiming resale.

**8.2.f.ii.** A **Marketplace Seller** that is not registered or not required to be registered in any State purchasing items for resale from a third-party supplier (drop shipper) who will deliver the items to the **Marketplace Seller's** customer located in this State can issue an exemption certificate claiming resale and the third-party supplier (drop shipper) can accept such exemption certificate. See SSUTA Sec. 317.A.8 for Drop Shipment requirements.
If yes, the State should indicate in the Comment column what identification number, if any, the **Marketplace Seller** is required to put on the certificate?

**Example:**

**Marketplace Seller** A located in State X purchases items for resale from Seller B located in State Y. **Marketplace Seller** A is not registered or required to be registered in any State. Seller B is registered in State Y. **Marketplace Seller** A has Seller B deliver the items to **Marketplace Seller** A's customer located in State Y (e.g., a drop shipment). **Marketplace Seller** A may provide Seller B an exemption certificate claiming resale and Seller B may accept that exemption certificate.

**Disclosed Practice 8.2.g.** **Marketplace Seller** Liability and Audits

**8.2.g.i** A **Marketplace Seller** is liable for the tax on sales made through a **Marketplace Facilitator/Provider** if the **Marketplace Seller** provides incorrect or insufficient information. The State should indicate in the Comment column if there are exceptions to this rule.

**8.2.g.ii.** The state has a written policy that explains when and how a **Marketplace Seller** may be audited and held liable for tax on sales made using **Marketplace Facilitators/Providers**? If yes, the state will provide a reference to the document location in the Comment column.

**Disclosed Practice 8.2.h** Registration with Secretary of State (or equivalent state agency) as a Condition of Obtaining a Sales Tax Permit

**8.2.h.** Is a Marketplace Seller, who otherwise does not have physical presence in the state, required to register with the Secretary of State (or equivalent state agency) as a condition of obtaining a sales tax permit?

**Disclosed Practice 8.3 – Marketplace Facilitators/Providers**

***Explanation****: Many States have enacted* ***Marketplace Facilitator/Provider*** *laws that require the* ***Marketplace Facilitator/Provider*** *to collect and remit sales and use tax on sales facilitated on behalf of* ***Marketplace Seller****s if they exceed certain thresholds. States may define a* ***Marketplace Facilitator/Provider*** *more narrowly or more broadly than the general definition below.*

A **Marketplace Facilitator/Provider** may also be a **Remote Seller** if it makes sales on its own behalf. A **Remote Seller** is generally a seller that does not have a physical presence in a State but who sells products or services for delivery into that State.

If the **Marketplace Facilitator/Provider** has a physical presence in a State, it is not a **Remote Seller** and is generally required to register in that State regardless of the amount or number of sales.

**Definition:** For purposes of Disclosed Practice 8.3, the following general definition applies: **"Marketplace Facilitator/Provider"** is generally a person who owns, operates or otherwise controls a physical or electronic marketplace and facilitates Marketplace Seller's sales that

the Marketplace Facilitator/Provider either directly or indirectly through contracts, agreements, or other arrangements with third parties, collects the payment from the purchaser and transmits all or part of the payment to the Marketplace Seller.

**The State should indicate whether the State has adopted and/or follows the NCSL model definition of "Marketplace Facilitator."**

**Disclosed Practice 8.3.a.** Exceptions to **Marketplace Facilitator/Provider** Collection Requirements

***Explanation****: A State's statutory definition of "**Marketplace Facilitator/Provider**" may specifically exclude certain business types from **Marketplace Facilitator/Provider** collection requirements or by the nature of the definition, certain business types may not be included. If by nature of what type of business is considered to be a **Marketplace Facilitator/Provider**, a business type is excluded, the State should indicate those exclusions below.*

**8.3.a.i** The State excludes a person as a **Marketplace Facilitator/Provider** if that person's sole activity with respect to the transaction with the **Marketplace Seller** is to provide payment processing services between the seller and purchaser.

If a State excludes a payment processor from its definition of **Marketplace Facilitator/Provider** it should answer "Yes" to this statement. If a State does not exclude a payment processor from its definition of **Marketplace Facilitator/Provider** it should respond "No" and explain in the Comment colum. If the State's law is less restrictive, (i.e., the payment processing activity must only be the principal activity), the State should also indicate this in the Comment column.

**8.3.a.ii.** The State excludes from **Marketplace Facilitator/Provider** a person who only provides a platform for sellers to list items for sale and provides information that allows the buyer to contact the seller. However, the sales transaction and payment for the transaction occurs off the platform directly between the buyer and the seller.

**8.3.a.iii.** The State excludes a person from being a **Marketplace Facilitator/Provider** if the person's participation is limited to listing items for sale and connecting purchasers to Sellers and the **Marketplace Facilitator/Provider** does not directly or indirectly enter into a contract,

agreement, or other arrangement with an unaffiliated payment processor that is solely responsible for collecting funds from purchasers and disbursing those funds to Sellers.
If a State excludes from its definition of **Marketplace Facilitator/Provider** a person whose only participation in the transaction is connecting purchasers with sellers and it is the payment processor that is responsible for disbursing funds to the seller, it should answer "Yes" to this statement. If a State does not exclude from its definition of **Marketplace Facilitator/Provider** a person whose only participation in the transaction is connecting purchasers with sellers and it is the payment processor that is responsible for disbursing funds to the seller it should respond "No."

**Example:**

A person operates a web platform where sellers can list items for sale and buyers can view the items and make purchases. The platform provides the ability for the seller to connect its own payment processing accounts and the platform does not have the ability to disburse the sale proceeds to the seller. The payment processor may manage payment solutions, disputes, chargebacks, fraud management, merchant management and risk management. The platform has no access to the sale proceeds or the tax proceeds unless the payment processor specifically provides the ability to direct disbursement of the collected sales tax to the platform.

**8.3.a.iv. Marketplace Facilitator/Provider** excludes a person exclusively providing advertising services.
If a State excludes from its definition of **Marketplace Facilitator/Provider** a person that only provides advertising services, it should respond "yes".

**8.3.a.v. Marketplace Facilitator/Provider** excludes a person that is registered with the Commodity Futures Trading Commission when using its platform services.
If a State excludes from its definition of **Marketplace Facilitator/Provider** a person that is registered with the Commodity Futures Trading Commission, it should respond "yes".

**8.3.a.vi.** The State requires a **Marketplace Facilitator/Provider** to collect tax on all types of taxable products (e.g., tangible personal property, digital goods, or services).

If no, please explain in Comment column which types of taxable product the **Marketplace Facilitator/Provider** is required to collect on.

**8.3.a.vii.** Are sales by certain types of businesses (*e.g.,* prepared food/grocery delivery services, hotel or travel intermediaries, car rental services, *etc*.) excluded from **Marketplace Facilitator/Provider** collection requirements?
If "yes," please indicate the exclusions in the Comment column.

**Disclosed Practice 8.3.b. Marketplace Facilitator/Provider Notification Requirements**

**8.3.b.i.** The State requires a **Marketplace Facilitator/Provider** to provide notification or certification to its Marketplace Sellers that it is registered to collect and remit the tax? (If yes, describe the method in the Comment column.)

**8.3.b.ii.** The State requires a **Marketplace Facilitator/Provider** to provide notification or certification to the state tax agency that it is registered to collect and remitthe tax? (If yes, describe the method in the comment column.)

**8.3.b.iii.** The State requires a **Marketplace Facilitator/Provider** to provide notification or certification to its Marketplace Sellers that it is no longer registered to collect and remit the tax as provided in 8.3.h. (If yes, describe the method in the Comment column.)

**Disclosed Practice 8.3.c. Does your State's Marketplace Facilitator/Provider law provide for a waiver of the Marketplace Facilitator/Provider registration, collection, and remittance requirements?**

**8.3.c.i.** The State allows for a waiver of registration, collection and remittance by the **Marketplace Facilitator/Provider** if substantially all of a **Marketplace Facilitator's/Provider**'s sellers are registered with the State to collect and remit the tax.

**8.3.c.ii.** The State allows a **Marketplace Seller** to continue to collect and remit the tax if mutually agreed to by the **Marketplace Facilitator/Provider** and if it is approved by the revenue/tax agency.

**8.3.c.iii.** The State allows the **Marketplace Seller** to continue to remit the tax if mutually agreed to by the **Marketplace Facilitator/Provider** and the revenue/tax agency is notified. Indicate in the Comment column if any threshold requirements must be met before the Marketplace Seller can enter into such agreement .
Indicate in the Comments if a sales threshold must be met before the **Marketplace Facilitator/Provider** and **Marketplace Seller** can enter into an agremeent for the **Marketplace Seller** to collect and remit the tax and any other special requirements in the State such as being required to provide the State a copy of the agreement.

**Disclosed Practice 8.3.d. Marketplace Facilitator/Provider Monetary Economic Nexus Threshold**

**8.3.d.i.** The State's **Marketplace Facilitator/Provider** monetary economic nexus threshold and calculation is the same as **Remote Sellers** in Disclosed Practices 8.1.
If different, answer "no" and indicate the monetary economic nexus threshold or calculation differences in the Comment column.

**Disclosed Practice 8.3.e. Marketplace Facilitator/Provider Transactional Economic Nexus Threshold**

**8.3.e.i.** The State's **Marketplace Facilitator/Provider** transactional economic nexus threshold and calculation is the same as **Remote Sellers** in Disclosed Practices 8.1. If different, please answer "no" and indicate the transactional economic nexus threshold in the Comment column.

**Disclosed Practice 8.3.f. Marketplace Facilitator/Provider Economic Nexus Measurement Period**

**8.3.f.i.** The State's **Marketplace Facilitator/Provider** Economic Nexus Measurement Period is the same as **Remote Sellers** in Disclosed Practice 8.1. If different, please answer "no" and indicate the measurement period in the Comment column.

**Disclosed Practice 8.3.g. Exceptions to Physical Presence**

**8.3.g.i.** A **Marketplace Facilitator's/Provider's** physical presence is based solely on its presence and not on the presence of its **Marketplace Sellers**.

**8.3.g.ii.** A **Marketplace Facilitator/Provider** who is below the state's economic nexus threshold(s) is excluded from collecting and remiting the state's sales/use tax if the **Marketplace Facilitator/Provider** only has employees located in the state that are not engaged in making sales (if applicable, please indicate any exceptions).

**Disclosed Practice 8.3.h. When is a Marketplace Facilitator/Provider that falls below a state's economic nexus threshold allowed to stop collecting and remitting the applicable tax?**

**8.3.h.i.** The State allows a **Marketplace Facilitator/Provider** who falls below the State's **Marketplace Facilitator/Provider** economic nexus threshold during the measurement period to cancel its registration or request inactive status in the same manner as a **Remote Seller** in Disclosed Practice 8.1.. If different, please answer no and indicate differences in the Comment column.

**Disclosed Practice 8.3.i. What Type of Permit Does a Marketplace Facilitator/Provider Apply For?**

**8.3.i.i.** The State's registration requirement for a **Marketplace Facilitator/Provider** is the same as **Remote Sellers** in Disclosed Practice 8.1. If different, please answer "no" and indicate type of registration in the Comment column.

**Disclosed Practice 8.3.j. What are the Registration and Reporting requirements for a Marketplace Facilitator/Provider?**

**Explanation**: Some states require that a **Marketplace Facilitator/Provider** may only obtain a single registration and file a single return upon which the **Maketplace Facilitator/Provider** reports both its own sales and the sales it facilitated. Other states allow the **Maketplace Facilitator/Provider** the option of obtaining separate registrations and file two returns – one to report its own sales and another to report the sales it facilitates.

**8.3.j.i.** A **Marketplace Facilitator/Provider** is only permitted to obtain a single registration and file a single return covering its own sales and those made on behalf of **Marketplace Sellers**.

**8.3.j.ii.** A **Marketplace Facilitator/Provider** is permitted to register and file separate returns for its own sales and those made on behalf of **Marketplace Sellers**.

**8.3.j.iii.** Were the answers to 8.3.j.i and 8.3.j.ii both "no"? If so, explain in the Comment column the registration and filing requirements for a **Marketplace Facilitator/Provider**.

**Disclosed Practice 8.3.k. Voluntary Registration as a Marketplace Facilitator/Provider**

**8.3.k.i.** The State allows a person who does not meet the State's definition of **Marketplace Facilitator/Provider** to voluntarily register to collect and remit the tax on behalf of its third-party sellers.

**8.3.k.ii.** If the person does not meet the State's definition of a **Marketplace Facilitator/Provider** and does not have physical nexus in the state, will the State enter into an agreement that provides authority for a person to voluntarily register as a **Marketplace Facilitator/Provider** to collect the tax on behalf of third-party sellers and have the same obligations, rights, and protections as a **Marketplace Facilitator/Provider**? Note: If a written agreement is required, the State should provide requirements in the Comment column.

**Example**:

A marketplace meets the definition of **Marketplace Facilitator/Provider** in States A and B, but does not meet the definition of **Marketplace Facilitator/Provider** in State C. The marketplace wants to act as a **Marketplace Facilitator/Provider** in State C. State C allows the marketplace to collect the tax and provides it with the same rights, obligations, and protections as if they met the definition of **Marketplace Facilitor/Provider** in State C.

**8.3.k.iii.** The State allows a person to register and be treated as a **Marketplace Facilitator/Provider** if they meet the State's definition, regardless of whether the **Marketplace Facilitator/Provider** has nexus in the State and have the same obligations, rights, and protections as any **Marketplace Facilitator/Provider.**

**Disclosed Practice 8.3.l. - Marketplace Facilitator/Provider Treatment as a Seller – A Marketplace Facilitator/Provider is treated as the seller for the following:**

**8.3.l.i.** Refunds – The State allows the **Marketplace Facilitator/Provider** to request a refund from the state in the same manner as a seller/retailer.

**8.3.l.ii.** Vendor discounts – The State applies timely filing/payment discounts/vendor allowances to **Marketplace Facilitators/Providers** in same manner as a seller/retailer.

**8.3.l.iii.** Exemption Documentation – The State allows sales made by **Marketplace Facilitator/Provider** to be exempt based on the **Marketplace Facilitator/Provider** having access to exemption documentation maintained by either the **Marketplace Facilitator/Provider** or **Marketplace Seller**.

**8.3.l.iv.** Coupons - The State allows coupons, whether issued by a **Marketplace Facilitator/Provider** or a marketplace seller to be deemed to be a retailer's coupon/discount. (If "no," the state should indicate in the Comment column how such coupons are treated)

**8.3.l.v**. Bad Debts – The State allows a sales/use tax bad debt deduction based on the party that is able to claim the federal tax deduction under IRC 166, regardless of which party remitted the sales tax. (If "no," the state should indicate in the Comment column such restrictions)

**Disclosed Practice 8.3.m. Shifting of Liability to Marketplace Seller**

**8.3.m.i.** A **Marketplace Facilitator/Provider** is liable for the tax unless a **Marketplace Seller** provided incorrect or insufficient information.

**8.3.m.ii.** The state has a written policy on what reasonable steps a **Marketplace Facilitator/Provider** must take to obtain correct and sufficient information from a **Marketplace Seller** to shift the liability of the tax to the **Marketplace Seller** (if "yes," please reference location of the document in the Comment column).

**Disclosed Practice 8.3.n. Marketplace Facilitator/Provider absolved of tax, penalty and interest.**

**8.3.n.i.** The State absolves a **Marketplace Facilitator/Provider** of tax, interest, and penalty if it can show that a **Marketplace Seller** or the purchaser has already paid tax on the transaction.

**Disclosed Practice 8.3.o. Marketplace Facilitator/Provider Other Collection and/or Remittance Requirements**

*Disclosed practice 8.3.o. only relates to taxes and fees administered by the state tax agency. States are encouraged to provide a complete list of other taxes and/or fees that Marketplace Facilitators/Providers may be required to calculate, collect and/or remit to the state. However, since these taxes and/or fees may be administered by other agencies or divisions in each state, this may not be an all-inclusive list, and Marketplace Facilitators/Providers are ultimately responsible for determining which taxes and/or fees they are responsible for collecting and remitting.*

**8.3.o.i.** Marketplace Facilitators/Providers registered for sales/use tax collection may also be liable for other taxes and fees associated with the transaction and administered by the state tax agency.

If "yes", please list the taxes and fees in the comment column along with legal authority. The list provided may not be an all-inclusive list.

**Disclosed Practice 8.3.p. – Class Action Law Suits**

**8.3.p.i.** Did the State enact class action protections for **Marketplace Facilitators/Providers** separate from what the State is required to provide for all sellers based on Section 325 of the SSUTA/Agreement?
If yes, provide the statutory reference in the Comment column.
(Note: Indicate in the Comment column if this also applies to Marketplace Sellers.)
**States that have never had a transactional economic nexus threshold do not answer**

**Disclosed Practice 8.3.q.**

**Disclosed 8.3.q. If your state has eliminated the transactional economic nexus threshold, what is the earliest date a marketplace facilitator/provider who does not meet or exceed your monetary economic nexus threshold but had met the transactional economic nexus threshold in the measurement period may cancel their registration?**

**8.3.q.i.** Has your state eliminated its transactional economic nexus threshold?
If yes, indicate in the Comment column the effective date.

**8.3.q.ii.** The State allows a marketplace facilitator/provider who does not meet or exceed the monetary economic nexus threshold but had met the transactional economic nexus threshold in the measurement period prior to its elimination, to cancel its registration or request inactive status in the same manner as a remote seller in Disclosed Practice 8.1.o.
If different, please answer "no" and indicate difference in the Comment column.

**Disclosed Practice 8.3.r – Registration with Secretary of State (or equivalent state agency) as a Condition of Obtaining a Sales Tax Permit**

**8.3.r.** Is a Marketplace Facilitator, who otherwise does not have physical presence in the state, required to register with the Secretary of State (or equivalent state agency) as a condition of obtaining a sales tax permit?

**Disclosed Practice Number 9 Administration of Exemptions (Adopted October 6 and December 22, 2022)**

These tax administration practices address how a member state administers exemptions that appear on the Streamlined Sales Tax Certificate of Exemption (SST exemption certificate). Not all states allow all the exemptions listed on the SST exemption certificate. In addition, some exemptions may have limitations or be limited in some manner in a state. The phrase "exemption certificate" includes both paper exemption certificates and the electronic capture of the required data elements.

**Sellers are not required to validate a purchaser's ID number or to know whether a purchaser is required to be registered in a state.**

**Purchasers may be held liable for the tax, interest, and penalties on a transaction if the purchaser improperly issues an exemption certificate to the seller.**

**Disclosed Practice 9.1. General – Seller Requirements**

***Explanation*** *– Section 317 of the Streamlined Sales and Use Tax Agreement (SSUTA) provides specific practices that apply to the administration of exemptions and exemption certificates in the SST member states. To be in compliance with the SSUTA, member states are required to follow Disclosed Practices 9.1.A, 9.1.B and 9.1.C.*

**Disclosed Practice 9.1.A.** Member states are asked to affirm that they comply with the following requirements. If a state does not comply with a particular requirement, they are asked to indicate in the Comment column which requirement is not followed.

**9.1.A.i.** The seller is not required to verify the purchaser's ID number or determine the purchaser's registration requirements. (SSUTA Rule 317.A.6.g)

**9.1.A. ii.** The seller is required to maintain proper records of exempt transactions and provide those records to the state when requested in the form in which they are maintained. Those records may be provided in paper or electronic format. (SSUTA Sec. 317.A.6.)

**9.1.A.iii.** A seller may not accept an exemption certificate for an entity-based exemption on a sale if the subject of the transaction is actually received by the purchaser at a location operated by the seller within the designated state if the state does not allow such an entity-based exemption. (SSUTA Sec. 317.B)

**9.1.A. iv.** A drop shipper may accept an ID number to claim the resale exemption as provided below in the Purchaser's Requirements. The ID number may include an ID number issued by another state. This may result in the same ID number being listed for more than one state. (SSUTA Sec. 317.A.8.)

**Disclosed Practice 9.1.B. Your state requires a seller to renew blanket exemption certificates if more than 12 months elapses between transactions.**

***Explanation****: Section 317.F of the SSUTA prohibits a member state from asking a seller to renew a blanket certificate or update exemption certificate information or data elements when there is a recurring business relationship between the purchaser and the seller. A "recurring business relationship" exists when a period of no more than twelve months elapses between transactions. If more than twelve months elapses between the transactions, a state may request the seller to obtain new or updated exemption certificate information or data elements.*

**Example**:

**A purchaser provides a seller with a blanket exemption certificate for the purchase of items to be resold on February 13, 2022. States may require the seller to obtain a new blanket exemption certificate from the purchaser if the next sale to that purchaser occurs after February 13, 2023.Disclosed Practice 9.1.C. A seller is required to obtain the exemption certificate at the time of sale or within 90 days of the sale to receive liability relief provided**

**in Section 317.C of the SSUTA. A state may allow a period of longer than within 90 days of the sale.**

A state is directed to indicate in the Comment column if it allows a period of longer than within 90 days of the sale and what the acceptable period of time is to obtain the exemption certificate.

**Disclosed Practice 9.2 – Purchaser Requirements**

**Disclosed Practice 9.2.A**. Sales for Resale ID number Requirements, including drop shipments (Sellers – see Seller Requirements in Disclosed Practice 9.1.)

***Explanation****: If a purchaser is required to be registered to collect and remit sales tax in the state in which the purchaser is claiming exemption, the purchaser is required to include the ID number for that state on the exemption certificate. A purchaser that is registered through the Streamlined Sales Tax Registration System receives a Streamlined Sales Tax ID number (SSTID) and some states may use the SSTID as the State sales tax registration ID number. If the purchaser is not required to be registered in the state, the state may allow a purchaser to use the business registration number issued by the state in which the purchaser is claiming the exemption, a sales tax ID number from any other state (which may be your SSTID), a Federal Employee Identification Number (FEIN), or a state issued driver's license number.*

Member states are asked to respond to the following questions indicating if their state will accept the particular ID number. This list is a hierarchy of sort. If the purchaser does not have the ID number indicated in the first statement, the purchaser proceeds to the next ID type, etc.

**9.2.A.1.i.** The state requires a purchaser that is required to be registered to collect sales and use tax in the state to include that state's state issued sales tax or resale number on an exemption certificate it provides to its seller to claim an exemption from sales or use tax when purchasing for resale.

**9.2. A.1. ii.** A state is to indicate if the state accepts different types of ID numbers for purchasers that are not required to be registered to collect sales and use tax in their state on an exemption certificate it provides to its seller to claim an exemption from sales or use tax when purchasing for resale.

**9.2.A.1.ii.a.** A business registration number issued by your state, other than a sales tax or resale number.

**Example**:

State or local business license number or state issued Secretary of State Number.

**9.2.A.1.ii.b.** If the purchaser does not have any business registration number issued by your state, then a state-issued sales tax or resale number from any state.

**9.2.A.1.ii.c.** If the purchaser does not have a business registration number issued by any state, then a U.S. Federal Employer ID number (FEIN). If the purchaser does not have a state issued sales tax or resale number from any state, then a business registration number issued by any state, other than a sales tax or resale number.

**Example**:

State or local business license number or state issued Secretary of State Number.

**9.2. A.1. ii. d.** If the purchaser does not have a state issued sales tax or resale number from any state, then a business registration number issued by any state, other than a sales tax or resale number.

**Example**:

State or local business license number or state issued Secretary of State Number.

**9.2.A.1.ii.e.** If the purchaser is not required to be registered and does not have one of the ID numbers in 9.2. A.1. ii. a through 9.2.A.1.ii.d above, then a state issued driver's license number.

**9.2.A.1.ii.f.** If the state accepts any other ID number, the type of number it accepts and when it can be used should be indicated in the Comment column.

**9.2.A.1.ii.g.** If a foreign purchaser does not have any of the ID numbers in 9.2. A.1. ii. a through 9.2.A.1.ii.f, does your state accept the tax ID number issued by the foreign country (e.g., VAT) on purchases for resale?

**9.2.A.1.ii.h.** Does the state require an ID number when claiming an exemption for resale if the purchaser does not have any ID number listed in 9.2. A.1. ii. a. through 9.2.A.1.ii.f and g.?

**Disclosed Practice 9.2.B.** Direct Sales to the Federal Government (See 9.2.1.L and M for information on sales to construction contractors and other third parties who have contracts with the Federal Government)

**9.2.B.1**. Does your state have a statutory exemption, which may be limited, for direct sales to the Federal Government (including transactions with payment by government credit cards that are paid direct by the government)?

**9.2.B.2.** Is an exemption certificate or other documentation required when the purchaser is claiming exemption as the Federal Government? If yes, the state should indicate the documentation required in the Comment column.

**9.2.B.3.** Is the name of the federal agency making the purchase required?

**Disclosed Practice 9.2.C.** Direct Sales to Your State Government (See 9.2.L and M for information on sales to construction contractors and other third parties who have contracts with your State Government)

**9.2.C.1.** Does your State have a statutory exemption, which may be limited, for sales to your State or State agencies located in your state? If the answer to this question is no, the state does not need to answer the remaining questions in 9.2.C. but instead should go to 9.2.D.

**9.2.C.2.** Is the State or State agency required to apply for an exemption number from your state?

- Yes (State or State agency contacts state to apply for exemption number)
- No (exemption applies, does not require state approval)

If yes, the state is to indicate in the Comment column if the exemption number is required to be provided on the exemption certificate or other documentation when claiming this exemption.

**9.2.C.3.** Is an exemption certificate or other documentation required when the purchaser is claiming exemption as your State? If yes, the state should indicate the documentation required in the Comment column.

**Disclosed Practice 9.2.D.** Direct Sales to a Local Government located in your state (See 9.2.L and M for information on sales to construction contractors and other third parties who have contracts with a Local Government located in your state)

**9.2.D.1.** Does your state have a statutory exemption, which may be limited, for sales to a Local Government located in your state? If the answer to this question is no, the state does not need to answer the remaining questions in 9.2.D. but instead should go to 9.2.E.

**9.2.D.2.** Is the Local Government required to apply for an exemption number from your state?

- Yes (Local Government contacts state to apply for exemption number)
- No (exemption applies, does not require state approval)

If yes, indicate in the Comment column if the exemption number is required to be provided on the exemption certificate or other documentation when claiming this exemption.

**9.2.D.3.** Is an exemption certificate or other documentation required when the purchaser is claiming exemption as a Local Government located in your state? If yes, the state should indicate the documentation required in the Comment column.

**Disclosed Practice 9.2.E.** Direct Sales to State Government located in another state (See 9.2.L and M for information on sales to construction contractors and other third parties who have contracts with State Government from other states)

**9.2.E.1.** Does your state have a statutory exemption, which may be limited, for sales to a State Government from another state? If the answer to this question is no, the state does not need to answer the remaining questions in 9.2.E. but instead should go to 9.2.F.

**Example**:

State A Department of Revenue maintains an audit office in your state. Are purchases by State A Department of Revenue exempt from your sales tax when purchased for their office in your state?

**9.2.E.2.** Is the State Government from the other state required to apply for an exemption number from your state?

- Yes (Other State contacts state to apply for exemption number)
- No (exemption applies, does not require state approval)

If yes, indicate in the Comment column if the exemption number is required to be provided on the exemption certificate or other documentation when claiming this exemption.

**9.2.E.3.** Is an exemption certificate or other documentation required when purchaser is claiming exemption as a State from another state? If yes, the state should indicate the documentation required in the Comment column.

**Disclosed Practice 9.2.F**. Direct Sales to a Local Government located in another state (See 9.2.L and M for information on sales to construction contractors and other third parties who have contracts with the Local Government from another state)

**9.2.F.1.** Does your state have a statutory exemption, which may be limited, for sales to a Local Government located in another state? If the answer to this is no, the state does not need to answer the remaining questions in 9.2.F. but instead should go to 9.2.G.

**9.2.F.2**. Is the Local Government located in another state required to apply for an exemption number from your state?

- Yes (Local Government contacts state to apply for exemption number)
- No (exemption applies, does not require state approval)

If yes, indicate in the Comment column if the exemption number is required to be provided on the exemption certificate or other documentation when claiming this exemption.

**9.2.F.3.** Is an exemption certificate or other documentation required when purchaser is claiming exemption as a Local Government located in another state? If yes, the state should indicate the documentation required in the Comment column.

**Disclosed Practice 9.2.G**. Direct Sales to Tribal Governments (See 9.2.L and M information on sales to construction contractors and other third parties who have contracts with the Tribal Governments)

**9.2.G.1.** Does your state's sales tax agency have published guidance for the treatment of sales to Tribal Governments, Tribal Entities or Tribal members? If yes, provide links to any published guidance in the Comment column.

**Disclosed Practice 9.2.H**. Sales to Foreign Diplomats

**9.2.H.1**. Does your state's sales tax agency have published guidance for any exemptions, which may be limited, for sales to a Foreign Diplomat?

**9.2.H.2**. Is an exemption certificate or other documentation required when the purchaser is claiming exemption as a Foreign Diplomat? If yes, the state should indicate the documentation required and the acceptable ID numbers in the Comment column.

**Disclosed Practice 9.2.I.** Direct Sales to Charitable Organizations (See 9.2.L and M for information on sales to construction contractors and other third parties who have contracts with a Charitable Organization)

**9.2.I.1.** Does your state have a statutory exemption, which may be limited, for sales to Charitable Organizations? If the answer to this question is no, the state does not need to answer the remaining questions in 9.2.I. but instead should go to 9.2. J.

**9.2.I.2**. Is the Charitable Organization required to apply for an exemption number from your state?

- Yes (Charitable Organization contacts state to apply for exemption number)
- No (exemption applies, does not require state approval)

If yes, indicate in the Comment column if the exemption number is required to be provided on the exemption certificate or other documentation when claiming this exemption.

**9.2.I.3.** Is an exemption certificate or other documentation required when the purchaser is claiming exemption as a Charitable Organization? If yes, the state should indicate the documentation required in the Comment column.

**9.2.I.4.** Is your state's own state-issued exemption ID number required when claiming exemption as a Charitable Organization? If no, the state should indicate the documentation required in the Comment column.

**9.2.I.5.** Does your state's exemption for sales to Charitable Organizations apply to Charitable Organizations located in another state?

> **Example**: A nonprofit organization, which holds a State A exempt organization certificate, drives to your state to purchase items it will use in its charitable purpose. Can the State A nonprofit organization qualify for exemption on its purchases in your state?

If yes, answer 9.2.I.6, if no go to 9.2.J.

**9.2.I.6.** Does your state have different requirements for Charitable Organizations located in your state than Charitable Organizations located in another state?

If yes, indicate the differences in the Comment column.

**Disclosed Practice 9.2.J**. Direct Sales to Religious Organizations (See 9.2.L and M for information on sales to construction contractors and other third parties who have contracts with a Religious Organization)

**9.2.J.1.** Does your state have a statutory exemption, which may be limited, for sales to a Religious Organization? If the answer to this question is no, the state does not need to answer the remaining questions in 9.2.J. but instead should go to 9.2.K.

**9.2.J.2**. Is the Religious Organization required to apply for an exemption number from your state?

- Yes (Religious Organization contacts state to apply for exemption number)
- No (exemption applies, does not require state approval)

If yes, indicate in the Comment column if the exemption number is required to be provided on the exemption certificate or other documentation when claiming this exemption.

**9.2.J.3**. Is an exemption certificate or other documentation required when the purchaser is claiming exemption as a Religious Organization? If yes, the state should indicate the documentation required in the Comment column.

**9.2.J.4.** Is your state's own state-issued exemption ID number required when claiming exemption as a Religious Organization? If no, the state should indicate the documentation required in the Comment column.

**9.2.J.5**. Does your state's exemption for sales to Religious Organizations apply to Religious Organizations located in another state?

**Example**:

A church, which holds a State A Religious Organization exemption certificate, drives to your state to purchase items it will use in its religious purpose. Can the State A church qualify for exemption on its purchases in your state?

If yes, answer 9.2.J.6, if no go to 9.2.K.

**9.2.J.6.** Does your state have different requirements for Religious Organizations located in your state than Religious Organizations located in another state. If yes, indicate the differences in the Comment column.

**Disclosed Practice 9.2.K.** Direct Sales to Educational Organizations (See 9.2.L and M for information on sales to construction contractors and other third parties who have contracts with an Educational Organization)

**9.2.K.1.** Does your state have a statutory exemption, which may be limited, for sales to an Educational Organization? If the answer to this question is no, the state does not need to answer the remaining questions in 9.2.K. but instead should go to 9.2.L.

**9.2.K.2.** Is the Educational Organization required to apply for an exemption number from your state?

- Yes (Educational Organization contacts state to apply for exemption number)
- No (exemption applies, does not require state approval)

If yes, indicate in the Comment column if the exemption number is required to be provided on the exemption certificate or other documentation when claiming this exemption.

**9.2.K.3.** Is an exemption certificate or other documentation required when the purchaser is claiming exemption as an Educational Organization? If yes, the state should indicate the documentation required in the Comment column.

**9.2.K.4.** Is your state's own state-issued exemption ID number required when claiming exemption as a Educational Organization? If no, the state should indicate the documentation required in the Comment column.

**9.2.K.5**. Does your state's exemption for sales to Educational Organizations apply to Educational Organizations located in another state?

> **Example**: A State A University, which holds a State A exempt Educational organization certificate, drives to your state to purchase items it will use in its educational purpose. Can the State A University qualify for exemption on its purchases in your state?

If yes, answer K.6, if no go to 9.2.L.

**9.2.K.6.** Does your state have different requirements for claiming an exemption as an Educational Organization located in your state than as an Educational Organization located in another state? If yes, indicate the differences in the Comment column.

**Disclosed Practice 9.2.L.** Sales to Construction Contractors of materials incorporated into real property for the specified organizations. This does not include sales for resale. (See below)

**9.2.L.1**. Does your state have a statutory exemption or published guidance, which may be limited, for sales to construction contractors for construction materials incorporated into real property by that contractor for the following entities? If yes, the state should indicate the documentation required or provide a link to the published guidance in the Comment column. If no, go to 9.2.M.

**9.2. L1.i.** Federal Government

**9.2. L.1. ii.** State Government located in your State

**9.2.L.1.iii**. State Government located in other States

**9.2. L.1. iv**. Local Government located in your State

**9.2.L.1.v.** Local Government located in other States

**9.2. L.1.vi**. Tribal Governments, Tribal Entities, or Tribal members

**9.2.L.1.vii.** Charitable Organizations located in your State

**9.2.L.1.viii.** Charitable Organizations located in other States

**9.2. L.1. ix.** Religious Organizations located in your State

**9.2. L.1. x**. Religious Organizations located in other States

**9.2. L.1. xi.** Educational Organizations located in your State

**9.2. L.1. xii**. Educational Organizations located in other States

**Disclosed Practice 9.2.M.** Sales to third parties who are providing services or performing contracts not related to real property.

**9.2.M.1.** Does your state have a statutory exemption or published guidance, which may be limited, for sales to third parties who are providing services or performing contracts not related to real property, for the following entities?

If yes, the state should indicate the documentation required or provide a link to the published guidance in the Comment column. If no, go to 9.2.N.

**Example**:

A for profit business is contracted by the listed organization to provide IT services to the organization. The business purchases equipment it uses in managing this contract which can either be used by the provider's employees or by the organization's employees. The provider purchases the equipment. The provider's contract with the organization provides authority for the provider to make these purchases on the organization's behalf in support of the contract.

**Example**: The sale of food by third parties, such as private caterers, restaurants, licensees, or other lessees operating on the campuses of the college or university to students does not qualify for exemption because such sales are not made by a qualified nonprofit educational organization. *However, if the third parties are acting in agency capacity on behalf of the college or university, the exemption is applicable.* The contracts with the third parties (private caterers, restaurants, licensees, or other lessees operating on the campuses of the college or university) must specifically designate the third party as an agent on behalf of the college or university. Furthermore, the third-party food provider must be subject to the control of the university in connection with the selling of food to students.

**9.2.M.1.i.** Federal Government

**9.2.M.1.ii.** State Government located in your State

**9.2.M.1.iii.** State Government located in other States

**9.2. M.1.iv.** Local Government located in your State

**9.2.M.1.v.** Local Government located in other States

**9.2. M.1.vi.** Tribal Governments, Tribal Entities or Tribal members

**9.2.M.1.vii.** Charitable Organizations located in your State

**9.2.M.1.viii.** Charitable Organizations located in other States

**9.2.M.1.ix.** Religious Organizations located in your State

**9.2 M.1.x.** Religious Organizations located in other States

**9.2.M.1.xi.** Educational Organizations located in your State

**9.2.M.1.xii.** Educational Organizations located in other States

**Disclosed Practice 9.2.N.** Sales of Products used in Agricultural Production

**9.2.N.1.** Does your state have a statutory exemption, which may be limited, for products used in Agricultural Production? If yes, the state should provide a link to any published guidance issued by the state's sales tax agency for the treatment of sales of products used in Agricultural Production in the Comment column. If the answer to this question is no, the state does not need to answer the remaining questions in 9.2.N. but instead should go to 9.2.O.

**9.2.N.2.** Is the purchaser required to apply for an exemption number from your state in order to claim the Agricultural Production exemption?

- Yes (purchaser contacts state to apply for an exemption number)
- No (exemption applies, does not require state approval)

If yes, indicate in the Comment column if the exemption number is required to be provided on the exemption certificate or other documentation when claiming this exemption.

**9.2.N.3**. Is an exemption certificate or other documentation required when the purchaser is claiming exemption for Agricultural Production? If yes, the state should indicate the documentation required in the Comment column.

**9.2.N.4**. Does your state's Agricultural Production Exemption apply to Agricultural Production Entities located in another state?

**9.2.N.5**. Is your state's own state-issued exemption ID number required when claiming exemption for Agricultural Production? If no, the state should indicate in the Comment column which ID numbers are acceptable.

**Example**:

A farmer from State A who holds a State A agricultural exemption drives to your state to purchase a piece of equipment to be used in qualifying agriculture activities in State A. Will your state accept the State A agricultural exemption for the purchase in your state?

**9.2.N.6.** Does your state have different requirements for claiming an Agricultural Production exemption by a purchaser located in your state than by a purchaser located in another state? If yes, indicate the differences in the Comment column.

**Disclosed Practice 9.2.O**. Sales of products used in Industrial Production/Manufacturing

**9.2.O.1.** Does your state have a statutory exemption, which may be limited, for sales of products used in Industrial Production/Manufacturing? If the answer to this is no, the state does not need to answer the remaining questions in 9.2.O but instead should go to 9.2.P.

**9.2.O.2.** Is the purchaser required to apply for an exemption number from your state?

- Yes (purchaser contacts state to apply for exemption number)
- No (exemption applies, does not require state approval)

If yes, indicate in the Comment column if the exemption number is required to be provided on the exemption certificate or other documentation when claiming this exemption.

**9.2.O.3.** Is an exemption certificate or other documentation required when the purchaser is claiming exemption for Industrial Production/Manufacturing? If yes, the state should indicate the documentation required in the Comment column.

**9.2.O.4.** Does your state's Industrial Production/Manufacturing Exemption apply to Industrial Production/Manufacturing Entities located in another state?

**9.2.O.5.** Is your state's own state-issued exemption ID number required when claiming exemption for Industrial Production/Manufacturing? If no, the state should indicate in the Comment column which ID numbers are acceptable.

**Example**:

An Industrial Production/Manufacturer from State A who holds a State A Industrial Production/Manufacturing exemption drives to your state to purchase a piece of equipment to be used in qualifying Industrial Production/Manufacturing activities in State A. Will your state accept the State A Industrial Production/Manufacturing exemption for the purchase in your state?

**9.2.O.6**. Does your state have different requirements for claiming an Industrial Production/Manufacturing exemption by a purchaser located in your state than by a purchaser located in another state?
If yes, indicate the differences in the Comment column.

**Disclosed Practice 9.2.P.** Sales of Direct Mail

**9.2. P.1.** Does your state allow the purchaser to claim direct mail and assume responsibility for directly reporting tax to the appropriate taxing jurisdictions? If the answer to this question is no, the state does not need to answer the remaining questions in 9.2.P. but instead should go to 9.2.Q.

**9.2. P.2.** Is an exemption certificate or other documentation required when the purchaser claims direct pay responsibility for Direct Mail? If yes, the state should indicate the documentation required in the Comment column.

**9.2.P.3.** Does your state require an ID number when the purchaser is claiming Direct Mail and assuming the responsibility for directly reporting tax to the appropriate jurisdiction?
If no, go to 9.2.Q.

**9.2.P.4.** Is your state's own state-issued ID number required when the purchaser is claiming Direct Mail and assuming the responsibility for directly reporting tax to the appropriate jurisdiction. If no, indicate in the Comment column which ID numbers are acceptable.

**Disclosed Practice 9.2.Q**. Direct Pay Permit

**9.2.Q.1.** Does your state authorize direct pay permits? (SSUTA Sec. 326)

**9.2.Q.2** Is an exemption certificate, direct pay permit or other documentation required when the Direct Pay Permit holder is claiming Direct Pay authority? If yes, the state should indicate the documentation required in the Comment column.

**9.2. Q.3.** Does the state require an ID number when the Direct Pay Permit holder is claiming Direct Pay authority?

**9.2.Q.4.** Is the state's own state-issued ID number required when the Direct Pay Permit holder is claiming Direct Pay authority? If no, the state should indicate in the Comment column which ID numbers are acceptable.

**Example**:

A manufacturing company in State A has been issued a Direct Pay Permit. It drives to your state to purchase supplies which qualify to be purchased tax free in State A under the State A's Direct Pay Permit. Will your state accept State A's Direct Pay Permit?

**Disclosed Practice 10 – DELIVERY NETWORK COMPANIES (DNCs)**

For purposes of Disclosed Practice 10, "Delivery Network Companies" are generally defined as business entities that own or operate an internet website and/or mobile application utilized to facilitate sales and delivery services of food, prepared food, and other tangible personal property offered by local merchants to customers within a certain geographical market.

**Disclosed Practice 10.1. DNC has a Contract or Agreement with the Merchant**

Disclosed practice 10.1 only applies to "Delivery Network Companies" who:

- Have transactions that are made and the payment is processed through the DNC's website or mobile application and not through the merchant's website or mobile application, and
- Have a contract or agreement with the merchant.

**10.1.a. DNC Registration, Collection and Remittance Requirement**

**10.1.a.i.** The State treats DNCs as marketplace facilitators/providers for registration, collection and remittance of sales/use taxes, following all subsections of Disclosed Practice 8.3, "Marketplace Facilitators/Providers".

If "yes", move to Disclosed Practice 10.1.c.

If "no", explain in the comments any other provisions requiring a DNC to collect and remit tax.

**10.1.a.ii.** DNCs not otherwise required to collect and remit sales/use tax can voluntarily register to collect and remit sales/use tax.

**Disclosed Practice 10.1.b. DNC Tax Refund Requests**

**10.1.b.i.** DNCs registered to collect and remit sales/use tax may request a refund from the State in the same manner as a seller/retailer.

If "no", explain in the comment section the procedure for DNCs to obtain a refund.

**10.1.b.ii.** DNCs registered to collect and remit sales/use tax can take a deduction or reduction on the sales/use tax return when a refund is given to the purchaser for an item that is not or cannot be returned (e.g. spoiled food, order improperly prepared, etc.).

If "yes", explain in the comment section how the DNC takes the deduction or reduction.

If "no", explain the procedure for DNCs to obtain a refund.

**Disclosed Practice 10.1.c. DNC Deduction, Reduction or Credit for Tax Paid**

**10.1.c.i.** DNCs registered to collect and remit sales/use tax can take a deduction, reduction or tax credit (e.g., a "tax paid inventory resold" deduction or a "tax paid at source" deduction or other similar deduction) on the sales/use tax return for tax paid by the DNC to the merchant.

If "yes", explain in the comment section how the DNC takes the deduction, reduction or credit.

If "no", describe any alternative method the DNC can take to recover the tax paid to the merchant.

**Disclosed Practice 10.1.d. DNC Tax Collection Notification to Merchants**

**10.1.d.i.** The state considers contractual agreements noting the sales/use tax collection and remittance responsibility rests with the Delivery Network Company as sufficient documentation supporting the merchant not charging tax, thereby precluding any requirement for supplementary documentation.

If "no", explain in the comment section what a DNC needs to provide to merchants to support no tax being charged to the DNC.

**Disclosed Practice 10.2. DNC *without* a Contract or Agreement with the Merchant**

Disclosed practice 10.2 only applies to "Delivery Network Companies" who:

- Have transactions that are made and the payment is processed through the DNC's website or mobile application and not through the merchant's website or mobile application, and
- **Do not** have a contract or agreement with the merchant.

**Disclosed Practice 10.2.a. DNC Deduction, Reduction or Credit for Tax Paid to Non-Contracted or Non-Agreement Merchants**

10.2.a.i. A DNC that collects sales tax from a customer, and who obtains products from a merchant with whom the DNC **does not have a contract or agreement**, may take a deduction, reduction or tax credit (e.g., a "tax paid inventory resold" deduction or a "tax paid at source" deduction or other similar deduction) on the sales/use tax return for tax paid by the DNC to the merchant to obtain the products.

If "yes", explain in the comment section how the DNC takes the deduction, reduction or credit.
If "no", describe any alternative method the DNC can take to recover the tax paid to the merchant.

**Disclosed Practice 10.3. DNC Other Collection and/or Remittance Requirements**

Disclosed practice 10.3. pertains to DNCs both with and without a Contract or Agreement with the Merchant.

**10.3.a.** *Disclosed practice 10.3.a. only relates to taxes and fees administered by the State tax agency. States are encouraged to provide a complete list of other taxes and/or fees that DNC's may be required to calculate, collect and/or remit to the state. However, since these taxes and/or fees may be administered by other agencies or divisions in each state, this may not be an all-inclusive list, and DNCs are ultimately responsible for determining which taxes and/or fees they are responsible for collecting and remitting.*

**10.3.a.i.** DNCs registered for sales/use tax collection may also be liable for other taxes and fees associated with the transaction and administered by the state tax agency.

If "yes", please list the taxes and fees in the comment column along with legal authority. The list provided may not be an all-inclusive list.

## Compiler's Notes

In accordance with the Streamlined Sales and Use Tax Governing Board (SSTGB) Rules and Procedures 806.1.7, the following Compiler's Notes address each of the amendments, changes and additions to the Streamlined Sales and Use Tax Agreement (SSUTA) that have been made from April 16, 2005 to the present. The compiler's notes are in order based on the Section of the SSUTA that was amended, changed or added. Unless noted otherwise, the date indicated in each note represents the date of the SSTGB meeting which resulted in the amendment, change or addition to the SSUTA.

**Section 102: FUNDAMENTAL PURPOSE**

*Compiler's note: On December 14, 2018, Section 102 was amended by AM18008A02 which allows sellers to select the specific states (members or participating nonmembers) in which they want to register. The second vote on this amendment was waived and therefore became effective upon its adoption.*

**Section 106: TREATMENT OF MARIJUANA AND PRODUCTS CONTAINING MARIJUANA**

*Compiler's note: (a) On October 11, 2017, Section 106 (AM17002A01) was adopted and became effective upon its adoption. (b) On December 19, 2025, Section 106 was amended by AM25007-01 to change the term "marijuana" to "cannabis." This was done to broaden the types of products that are excluded from being subject to the Agreement requirements.*

**Section 107: SPECIFIC RESPONSES TO PRESIDENTIALLY DECLARED STATES OF EMERGENCY**

*Compiler's note: On March 5, 2021, Section 107 (AM21001A01) was adopted and became effective upon its adoption.*

**Section 203: CERTIFIED SERVICE PROVIDER (CSP)**

*Compiler's note: On December 14, 2018, Section 203 was amended by AM18008A02 which allows sellers to select the specific states (members or participating nonmembers) in which they want to register. The second vote on this amendment was waived and therefore became effective upon its adoption.*

**Section 204: ENTITY-BASED EXEMPTION**

*Compiler's note: On October 1, 2005 Section 204 was amended by adding the second sentence. Each member state shall comply with the October 1, 2005 amendment to this section no later than January 1, 2008.*

**Section 205: MODEL 1 SELLER**

*Compiler's note: (a) On September 30, 2009 Section 205 was amended by adding "registered under the Agreement" after the first "seller." The amendment became effective upon its adoption and (b) on December 14, 2018, Section 205 was amended by AM18008A02 which allows sellers to select the specific states (members or participating nonmembers) in which they want to register. The second vote on this amendment was waived and therefore became effective upon its adoption.*

**Section 206: MODEL 2 SELLER**

*Compiler's note: On September 30, 2009 Section 206 was amended by adding "registered under the Agreement" after the first "seller." The amendment became effective upon its adoption.*

**Section 207: MODEL 3 SELLER**

*Compiler's note: On September 30, 2009 Section 207 was amended by adding "registered under the Agreement" after the first "seller." The amendment became effective upon its adoption.*

**Section 207.1: MODEL 4 SELLER**

*Compiler's note: On September 30, 2009 Section 207.1 was adopted and became effective upon its adoption.*

**Section 211: REGISTERED UNDER THIS AGREEMENT**

*Compiler's note: On December 14, 2018, Section 211 was amended by AM18008A02 which allows sellers to select the specific states (members or participating nonmembers) in which they want to register. The second vote on this amendment was waived and therefore became effective upon its adoption.*

**Section 213: STATE**

*Compiler's note: (a) On April 18, 2006 Section 213 was amended as follows: "Any state of the United States, ~~and~~ the District of Columbia and the Commonwealth of Puerto Rico." The amendment to this section became effective upon adoption. (b) On May 20, 2021 Section 213 was amended as follows:* Any state of the United States, the District of Columbia, and any territory of the United States including ~~the Commonwealth of~~ American Samoa, Guam, Northern Mariana Islands, Puerto Rico, and the U.S. Virgin Islands.

**Section 214: USE-BASED EXEMPTION**

*Compiler's note: On October 1, 2005 Section 214 was amended as follows: "An exemption based on a specified use of the product by the purchaser~~'s use of the product~~." Each member state shall comply with the October 1, 2005 amendment to this section no later than January 1, 2008.*

**Section 301: STATE LEVEL ADMINISTRATION**

*Compiler's note: On April 30, 2010 Section 301 was amended by adding subsection (B) and amending the first subsection as follows:*

> *A. Each member state shall provide state level administration of sales and use taxes subject to the Agreement. The state level administration may be performed by a member state's Tax Commission, Department of Revenue, or any other single entity designated by*

*state law. Sellers and purchasers are only required to register with, file returns with, and remit funds to the state level authority. ~~Each~~ The state level authority of a member state shall provide for collection of any local taxes and distribution of them to the appropriate taxing jurisdictions. ~~Each member~~ The state level authority shall conduct, or ~~authorize~~ others may be authorized to conduct on its behalf, subject to the provisions of subsection (B), all audits of the sellers and purchasers ~~registered under the Agreement~~ for that state's tax and the tax of its local jurisdictions. ~~,~~ Except as provided herein, ~~and~~ local jurisdictions shall not conduct independent sales or use tax audits of sellers and purchasers ~~registered under the Agreement~~.*

*This amendment became effective upon its adoption.*

**Section 302: STATE AND LOCAL TAX BASES**

*Compiler's note: (a) On December 13, 2010 Section 302 was amended as follows:*

*~~Through December 31, 2005, if a member state has local jurisdictions that levy a sales or use tax, all local jurisdictions in the state shall have a common tax base. After December 31, 2005, the~~ The tax base for local jurisdictions shall be identical to the state tax base unless otherwise prohibited by federal law. This section does not apply to sales or use taxes levied on 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 and the retail sale or transfer of motor vehicles, aircraft, watercraft, modular homes, manufactured homes, or mobile homes.*

*(b) On October 14, 2016, Section 302 was amended to add the definition of energy so that it may excluded from the uniform state and local tax base requirement.*

*(c) On October 2, 2019, Section 302.C. was created by AM19001. This amendment provides the guidelines for how a state that has a different local tax base can allow the reporting of the taxes due on these items on the SER.*

**Section 303: SELLER REGISTRATION**

*Compiler's note: (a) On September 30, 2009 Section 303 was amended by deleting "is" and inserting "shall be" in subsection (A), the addition of a new subsection (B), renumbering the preexisting B, C, D and E, and the addition of subsections (G), (H),(I),(J), and (K). This amendment became effective upon its adoption. (b) On December 14, 2018, Section 303 was amended by AM18008A02 which allows sellers to select the specific states (members or*

*participating nonmembers) in which they want to register. The second vote on this amendment was waived and therefore became effective upon its adoption.*

**Section 304: NOTICE FOR TAX CHANGES**

*Compiler's note: On September 5, 2008 Section 304 was amended by the addition of subsection (C), (D) and (E). This amendment became effective upon its adoption.*

**Section 305: LOCAL RATE AND BOUNDARY CHANGES**

*Compiler's note: (a) On October 1, 2005 the following amendments were made to Section 305:*

1. *In Section 305 (F) "or CSP" was added after each "seller." In addition, in two places "~~of a purchaser~~" was replaced with "applicable to a purchase."*
2. *Section 305 (G) was amended as follows: "~~Participate with other member states in the development of an~~ Have the option of providing address-based ~~system~~ database records for assigning taxing jurisdictions and their associated rates which shall be in addition to the requirements of subsection (F) of this section. The ~~system~~ database records must be in the same approved format as the database records pursuant to subsection (F) of this section and must meet the requirements developed pursuant to the federal Mobile Telecommunications Sourcing Act ~~(4 U.S.C. Sec. 119)~~ (4 U.S.C.A. Sec.119 (a)). The Governing Board may allow a member state to require sellers that register under this Agreement to use an address-based ~~system~~ database provided by that member state. If any member state develops ~~an~~ address-based assignment ~~system~~ database records pursuant to the ~~Mobile Telecommunications Sourcing Act~~ Agreement, a seller or CSP may use ~~that system~~ those database records in place of the ~~system~~ five and nine-digit zip code database records provided for in subsection (F) of this section. If a seller or CSP is unable to determine the applicable rate and jurisdiction using an address-based database record after exercising due diligence, the seller or CSP may apply the nine digit zip code designation applicable to a purchase. If a nine-digit zip code designation is not available for a street address or if a seller or CSP is unable to determine the nine digit zip code designation applicable to a purchase after exercising due diligence to determine the designation, the seller or CSP may apply the rate for the five digit zip code area. For the purposes of this section, there is a rebuttable presumption that a seller or CSP has exercised due diligence if the seller or CSP has attempted to determine the tax rate and*

*jurisdiction by utilizing software approved by the Governing Board that makes this assignment from the address and zip code information applicable to the purchase".*

3. *Section305 (H) was added.*

*The amendment to this section became effective upon adoption.*

*(b) On June 23, 2007 subsection (I) was added.*

*(c) On May 3, 2018, Sections 305(F) and (G) were amended by AM18001A01 to clarify that the database assigns the proper tax rates and jurisdictions to each five and nine digit zip code, to change "purchase" to "transaction" since they apply to both the sales and purchase and to draft the due diligence language in (F) to be consistent with the due diligence language in (G).*

*(d) On December 21, 2021, Sections 305 (F) and (G) were amended by AM21007A02 to identify software that would satisfy the rebuttable presumption contained in Section 305 and to allow states to require the use of address-based database records developed in accordance with the Agreement.*

*The amendment became effective upon its adoption.*

*(e) On May 15, 2024 the first vote was taken to amend Sections 305, 306, 307, 308, 309 and 310 by AM24002A02 to address the requirements and use of the rate and jurisdiction databases, when liability relief is provided, the allowable use of the highest, lowest or blended rate in 5-digit zip code areas and sourcing of transactions when a complete street address is (or is not) required to deliver or transfer the product to the purchaser, expectations of sellers to request or obtain complete street address information and loss of liability relief if a seller sources a transaction using Section 310.A.5 but has not complied with the requirements of Section 309. The second vote was taken on AM24002A02 on July 18, 2024. The amendment became effective upon its adoption.*

*(f) On October 15, 2026 Section 305A.6.(b) was amended by AM26008 to replace "blended rate" with language to clarify states can use any rate in-between the highest and lowest rate in the 5-digit zip code area.*

**Section 306: RELIEF FROM CERTAIN LIABILITY**

*Compiler's note: (a) On October 1, 2005 Section 306 was amended as follows: "Each member state shall relieve sellers and CSPs using databases pursuant to subsections (F), (G) and (H) from liability to the member state and 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 a member state on tax rates, boundaries, or taxing jurisdiction assignments. After providing adequate notice as determined by the Governing Board, a ~~A~~ member state that provides an address-based ~~system~~ database for assigning taxing jurisdictions pursuant to Section 305, subsection (G) ~~or pursuant to the federal Mobile Telecommunications Sourcing Act will not be required to provide~~ or (H) may cease providing liability relief for errors resulting from the reliance on the ~~information~~ database provided by the member state under the provisions of Section 305, subsection (F). If a seller demonstrates that requiring the use of the address-based database would create an undue hardship, a member state and the Governing Board may extend the relief from liability to such seller for a designated period of time."*

*(b) On December 21, 2021, Section 306 was amended by AM21007A02 to remove any additional notice requirement related to the use of address-based database records provided by a state and to remove any approval by the Governing Board related to any undue hardship claim related to the use of address-based database records.*

*The amendment to this section became effective upon adoption.*

**Section 307: DATABASE REQUIREMENTS AND EXCEPTIONS**

*Compiler's note: (a) On October 1, 2005 the following amendments were made to Section 307:*

*Section 307 (A) was amended by adding the last three sentences.*

*Section 307 (C) was amended by adding "and (G)" after "(F)," deleting the second sentence ~~(The Governing Board shall establish the effective dates for availability and use of the databases.)~~ and adding the last two sentences.*

*(b) On December 21, 2021, Section 307 was amended by AM21007A02 to remove obsolete language.*

*The amendment to this section became effective upon adoption.*

**Section 308: STATE AND LOCAL TAX RATES**

*Compiler's note: (a) On April 18, 2006 Section 308A was amended by deleting "~~after December 31, 2005~~" following "or services" and by adding the second sentence. The amendment to this section became effective upon adoption.*

*(b) On December 13, 2010 Section 308C was amended as follows:*

*C. The provisions of this section do not apply to sales or use taxes levied on fuel used to power motor vehicles, aircraft, locomotives, or watercraft, or to electricity, piped natural or artificial gas, or other ~~heating~~ fuels delivered by the seller, or the retail sale or transfer of motor vehicles, aircraft, watercraft, modular homes, manufactured homes, or mobile homes.*

*(c) On October 14, 2016, Section 308 was amended to add a reference to the definition of energy contained in Section 302 so that it is excluded from the state and local tax rates requirement.*

*(d) On October 2, 2019, Section 308.D. was created by AM19001. This amendment provides the guidelines for how a state that has a different tax rate on items allowed in the SSUTA can allow the reporting of the taxes due on these items on the SER.*

*(e) On May 13, 2026, Section 308 was amended by AM26004-01 to change "blended rate" to "any rate in-between, within the five digit zip code area".*

**Section 309: APPLICATION FO GENERAL SOURCING RULES AND EXCLUSIONS FROM THE RULES**

*Compiler's note: (a) On October 1, 2005 Section 309 (B)(4) was amended by deleting 2005 and inserting 2007. The amendment to this section became effective upon adoption.*

*(b) On December 14, 2006 Section 309 (b) was amended as follows: "~~Section~~ Sections 310 and 312 ~~does~~ do", and 309 (B) (3) was amended by adding "and ancillary services" following "services" and "and Internet access service" before "shall".*

*(c)On June 23, 2007 the date in subsection (B)(4) was changed from "December 31, 2007" to December 31, 2009."*

*(d) On September 5, 2008 Section 309 (B)(4) was amended to delete "Until December 31, 2009," at the beginning of the first sentence and to replace "Prior to this date, these items" at the start of the second sentence with "Such sales." The amendment became effect upon its adoption.*

*(e) On October 7, 2010, subsection (A) was amended by inserting "or Section 310.1" at the end of the first sentence and after "Section 310" in third sentence; the first clause was added in the second and third sentences; and "to all sales" was added after "apply" in the second sentence. In addition, number 5 was added to subsection (B). The amendments to this section became effective upon their adoption.*

**Section 310: GENERAL SOURCING RULES**

*Compiler's note: On December 12, 2007 Section 310 (A) was amended as follows: "~~The~~ Except as provided in Section 310.1, the retail sale, excluding lease or rental, of a product shall be sourced as follows:". The amendment was effective upon its adoption.*

**Section 310.1: ELECTION FOR ORIGIN-BASED SOURCING**

*Compiler's note: (a) On December 12, 2007 Section 310.1 was adopted. This section becomes effective on and after January 1, 2010. (b) On September 30, 2009 Section 310.1 was amended to delete "On or after January 1, 2010, a" in D 2 and to delete the following after "2010" in D 3: ", provided that at least five (5) states which are not full member states on December 31, 2007, have been found to be in substantial compliance with each of the provisions of the Agreement other than sourcing sales of tangible personal property and digital goods pursuant to Section 310 of the Agreement and have notified the Governing Board of an election pursuant to paragraph 8 of subsection (C) of this section to source sales pursuant to this section and have been found to be in substantial compliance with the provisions of this section. States electing to source sales under this section after that time may become full member states if all other requirements for membership are satisfied". This amendment became effective upon its adoption.*

*(c) On October 7, 2010 "product" was replaced by "sale" in the first sentence of C 2; "on that sale" was added to the end of the second sentence in C2; and "from the purchaser" was added to the second sentence in C 5. The amendments to this section were effective upon their adoption.*

*(d) On May 23, 2012 the following section D was repealed. This amendment was effective upon adoption:*

*"D. Compliance with the provisions of this section shall satisfy a state's eligibility for membership in this Agreement as follows:*

*1. If a state is in substantial compliance with each of the provisions of this Agreement other than sourcing of sales of tangible personal property and digital goods as provided in Section 310 and elects to source sales of tangible personal property and digital goods pursuant to this section, such state may become an associate member state in the same manner as provided for states to become full member states pursuant to Article VIII of this Agreement.*

*2. A state which becomes an associate member state pursuant to this subsection shall automatically become a full member state, provided that at least five (5) states which*

*are not full member states on December 31, 2007, have been found to be in substantial compliance with each of the provisions of the Agreement other than sourcing sales of tangible personal property and digital goods pursuant to Section 310 of the Agreement and have notified the Governing Board of an election pursuant to paragraph 8 of subsection (C) of this section to source sales pursuant to this section and have been found to be in substantial compliance with the provisions of this section.*

3. *The provisions of this section shall be fully effective for all purposes on or after January 1, 2010."*

**Section 311: GENERAL SOURCING DEFINITIONS**

*Compiler's note: (a) On May 13, 2026 subsections D. and E. were added by AM26005.*

**Section 312: MULTIPLE POINTS OF USE (Repealed)**

*Compiler's note: (a) The following is the section that would have gone into effect on January 1, 2008 had it not been repealed:*

*Notwithstanding the provisions of Section 310, a business purchaser that is not a holder of a direct pay permit that knows at the time of its purchase of a digital good, computer software, or a service that the digital good, computer software, or service will be concurrently available for use in more than one jurisdiction shall deliver to the seller in conjunction with its purchase an exemption certificate claiming multiple points of use or meet the requirements of Section 312, subsections (B) or (C). Computer software, for purposes of this section includes, but is not limited to computer software delivered electronically, by load and leave, or in tangible form. Computer software received in-person by a business purchaser at a business location of the seller is not included.*

*Upon receipt of an exemption certificate claiming multiple points of use, the seller is relieved of all obligation to collect, pay, or remit the applicable tax and the purchaser shall be obligated to collect, pay, or remit the applicable tax on a direct pay basis.*

*A purchaser delivering an exemption certificate claiming multiple points of use may use any reasonable, but consistent and uniform, method of apportionment that is supported by the purchaser's books and records as they exist at the time the transaction is reported for sales or use tax purposes.*

*A purchaser delivering an exemption certificate claiming multiple points of use shall report and pay the appropriate tax to each jurisdiction where concurrent use occurs. The tax due will be calculated as if the apportioned amount of the digital good, computer software or service had been delivered to each jurisdiction to which the sale is apportioned pursuant to Section 312, subdivision (A)(2).*

*The exemption certificate claiming multiple points of use will remain in effect for all future sales by the seller to the purchaser (except as to the subsequent sale's specific apportionment that is governed by the principles of Section 312, subdivisions (A)(2) and (A)(3)) until it is revoked in writing.*

*Notwithstanding Section 312, subsection (A), when the seller knows that the product will be concurrently available for use in more than one jurisdiction, but the purchaser does not provide an exemption certificate claiming multiple points of use as required in subsection (A), the seller may work with the purchaser to produce the correct apportionment. The purchaser and seller may use any reasonable, but consistent and uniform, method of apportionment that is supported by the seller's and purchaser's business records as they exist at the time the transaction is reported for sales or use tax purposes. If the purchaser certifies to the accuracy of the apportionment and the seller accepts the certification, the seller shall collect and remit the tax pursuant to Section 312, subdivision (A)(3). In the absence of bad faith, the seller is relieved of any further obligation to collect tax on any transaction where the seller has collected tax pursuant to the information certified by the purchaser.*

*When the seller knows that the product will be concurrently available for use in more than one jurisdiction and the purchaser does not have a direct pay permit and does not provide the seller with an exemption certificate claiming multiple points of use exemption as required in Section 312, subsection (A), or certification pursuant to Section 312, subsection (B), the seller shall collect and remit the tax based on the provisions of Section 310.*

*A holder of a direct pay permit shall not be required to deliver an exemption certificate claiming multiple points of use to the seller. A direct pay permit holder shall follow the provisions of Section 312 subdivisions (A)(2) and (A)(3) of this section in apportioning*

*the tax due on a digital good, computer software, or a service that will be concurrently available for use in more than one jurisdiction.*

*Nothing in this section shall limit a person's obligation for sales or use tax to any state in which the qualifying purchases are concurrently available for use, nor limit a person's ability under local, state, federal, or constitutional law, to claim a credit for sales or use taxes legally due and paid to other jurisdictions.*

*(b) The following is the section as first enacted:*

*Notwithstanding the provisions of Section 310, a business purchaser that is not a holder of a direct pay permit that knows at the time of its purchase of a digital good, computer software delivered electronically, or a service that the digital good, computer software delivered electronically, or service will be concurrently available for use in more than one jurisdiction shall deliver to the seller in conjunction with its purchase a form disclosing this fact ("Multiple Points of Use or MPU" Exemption Form).*

*A. Upon receipt of the MPU Exemption Form, the seller is relieved of all obligation to collect, pay, or remit the applicable tax and the purchaser shall be obligated to collect, pay, or remit the applicable tax on a direct pay basis.*

*B. A purchaser delivering the MPU Exemption Form may use any reasonable, but consistent and uniform, method of apportionment that is supported by the purchaser's business records as they exist at the time of the consummation of the sale.*

*C. The MPU Exemption Form will remain in effect for all future sales by the seller to the purchaser (except as to the subsequent sale's specific apportionment that is governed by the principle of subsection (B) and the facts existing at the time of the sale) until it is revoked in writing.*

*D. A holder of a direct pay permit shall not be required to deliver a MPU Exemption Form to the seller. A direct pay permit holder shall follow the provisions of subsection (B) in apportioning the tax due on a digital good or a service that will be concurrently available for use in more than one jurisdiction.*

**Section 313: DIRECT MAIL SOURCING**

*Compiler's note: On September 30, 2009 Section 313 was replaced in its entirety. The following is the section as it was previously:*

*A. "Notwithstanding Section 310, a purchaser of direct mail that is not a holder of a direct pay permit shall provide to the seller in conjunction with the purchase either a Direct Mail Form or information to show the jurisdictions to which the direct mail is delivered to recipients.*

*1. Upon receipt of the Direct Mail Form, the seller is relieved of all obligations to collect, pay, or remit the applicable tax and the purchaser is obligated to pay or remit the applicable tax on a direct pay basis. A Direct Mail Form shall remain in effect for all future sales of direct mail by the seller to the purchaser until it is revoked in writing.*

*2. Upon receipt of information from the purchaser showing the jurisdictions to which the direct mail is delivered to recipients, the seller shall collect the tax according to the delivery information provided by the purchaser. In the absence of bad faith, the seller is relieved of any further obligation to collect tax on any transaction where the seller has collected tax pursuant to the delivery information provided by the purchaser.*

*B. If the purchaser of direct mail does not have a direct pay permit and does not provide the seller with either a Direct Mail Form or delivery information, as required by subsection (A) of this section, the seller shall collect the tax according to Section 310, subsection (A)(5). Nothing in this paragraph shall limit a purchaser's obligation for sales or use tax to any state to which the direct mail is delivered.*

*C. If a purchaser of direct mail provides the seller with documentation of direct pay authority, the purchaser shall not be required to provide a Direct Mail Form or delivery information to the seller."*

*The amendment to this section became effective upon its adoption.*

**Section 313.1: ELECITON FOR ORIGIN-BASED DIRECT MAIL SOURCING**

*Compiler's note: (a) On September 5, 2008 Section 313.1 was adopted. This section became effective upon its approval.*

*(b) On September 30, 2009 a new subsection (D) was added, those subsections following were renumbered and subsections (B) and (C) were amended as follows:*

*B. If the purchaser provides the seller with a direct pay permit or ~~an exemption~~ an Agreement certificate of exemption claiming direct mail (or other written statement*

*approved, authorized or accepted by the state), the seller, in the absence of bad faith, is relieved of all obligations to collect, pay, or remit the applicable tax ~~and~~ on any transaction involving "direct mail." ~~the~~ The purchaser ~~is obligated to pay or remit the~~ must report and pay any applicable tax ~~on a direct pay basis~~ due. ~~An exemption~~ An Agreement certificate of exemption claiming direct mail shall remain in effect for all future sales of direct mail by the seller to the purchaser until it is revoked in writing.*

*C. Except as provide in subsection (B) and the second sentence of this subsection, the seller shall collect the tax according to Section 310~~, subsection (A)(5)~~ A.5. To the extent the seller knows that a portion of the sale of direct mail will be delivered or distributed to a location in another state, the seller shall collect the tax on that portion according to Section 313."*

**Section 314: TELECOMMUNICATION AND RELATED SOURCING RULE**

*Compiler's note: (a) On April 16, 2005 Section 314, subdivision (C)(3) was amended by inserting "or a sale of a prepaid wireless calling service" after "service" in the first line; and by deleting "mobile telecommunications service that is a prepaid telecommunications" and inserting "prepaid wireless calling" in its place. Member states shall comply with this amendment no later than January 1, 2008.*

*(b) On December 14, 2006 Section 314 was amended by the addition of D and E.*

**Section 315:TELECOMMUNICATION SOURCING DEFINITIONS**

*Compiler's note: (a) On April 16, 2005 Section 315 (J) was amended by inserting ", except a prepaid wireless calling service," after "telecommunications service in the second sentence. The former 315 (L) and (M) were renumbered 315 (M) and (N) and a new Section 315 (L) was inserted. The cross references in 315 (N) were changed to account for the renumbering. Member states shall comply with amendments to this section no later than January 1, 2008.*

*Compiler's note: (b) On December 14, 2006 Section 315 was amended to add a new subsection (B) "ancillary services" and a renumbering of the remaining subsections and cross references.*

**Section 316: ENACTMENT OF EXEMPTIONS**

*Compiler's note: (a) On October 1, 2005 all of Section 316 was repealed and replaced with the current language. The following language was repealed:*

*A member state may enact a product-based exemption without restriction if the Agreement does not have a definition for the product or for a term that includes the product. If the Agreement has a definition for the product or for a term that includes the product, a member state may exempt all items included within the definition but shall not exempt only part of the items included within the definition unless the Agreement sets out the exemption for part of the items as an acceptable variation.*

*A member state may enact an entity-based or a use-based exemption without restriction if the Agreement does not have a definition for the product whose use or purchase by a specific entity is exempt or for a term that includes the product. If the Agreement has a definition for the product whose use or specific purchase is exempt, a member state may enact an entity-based or a use-based exemption that applies to that product as long as the exemption utilizes the Agreement definition of the product. If the Agreement does not have a definition for the product whose use or specific purchase is exempt but has a definition for a term that includes the product, a member state may enact an entity-based or a use-based exemption for the product without restriction.*

*For purposes of complying with the requirements in this section, the inclusion of a product within the definition of tangible personal property is disregarded.*

*(b) The following was the section prior to January 1, 2008.*

*A. A member state may enact a product-based exemption without restriction if the Agreement does not have a definition for the product or for a term that includes the product. If the Agreement has a definition for the product or for a term that includes the product, a member state may exempt all items included within the definition but shall not exempt only part of the items included within the definition unless the Agreement sets out the exemption for part of the items as an acceptable variation.*

*B. A member state may enact an entity-based or a use-based exemption without restriction if the Agreement does not have a definition for the product whose use or purchase by a specific entity is exempt or for a term that includes the product. If the Agreement has a definition for the product whose use or specific purchase is exempt, a member state may enact an entity-based or a use-based exemption that applies to that product as long as the exemption utilizes the Agreement definition of the product. If the Agreement does not*

*have a definition for the product whose use or specific purchase is exempt but has a definition for a term that includes the product, a member state may enact an entity-based or a use-based exemption for the product without restriction.*

C. *For purposes of complying with the requirements in this section, the inclusion of a product within the definition of tangible personal property is disregarded.*

**Section 317: ADMINISTRATION OF EXEMPTIONS**

*Compiler's note: (a) On April 16, 2005 Subsection (A)(8) was added. Subsection (B) was amended to delete "any" and insert "the" after "from" in the first sentence and by inserting all the material after "claim an exemption" in the second sentence. Subsection (C) was inserted. Each member state shall comply with the April 16, 2005 amendments to this section no later than January 1, 2008.*

*(b) On December 14, 2006 Section 312 was repealed making the last clause in the January 1, 2008 version of Section 317 B obsolete.*

*(c) On April 30, 2010 "After December 31, 2007," was deleted from subsection (A)(8);" ; or to a seller who accepts an exemption certificate claiming multiple points of use for tangible personal property other than computer software for which an exemption claiming multiple points of use is acceptable under Section 312" was deleted from the last sentence of subsection (B); "A member state may provide for a period longer than 90 days for the seller to obtain necessary information." was added to the end of subsection (C); subsection (G) was added; and subsection (C) was changed as follows:*

*C. Each state shall relieve a seller of the tax otherwise applicable if the seller obtains a fully completed exemption certificate or captures the relevant data elements required under the Agreement within 90 days subsequent to the date of sale. <u>A member state may provide for a period longer than 90 days for the seller to obtain necessary information.</u>*

*D.*

*1. If the seller has not obtained an exemption certificate or all relevant data elements as provided in Section 317, subsection (C) <u>a member state shall provide</u> the seller ~~may, within~~ <u>with</u> 120 days subsequent to a request for substantiation by a member state, <u>to</u> either ~~prove that the transaction was not subject to tax by other means or obtain~~:*

*a. Obtain a fully completed exemption certificate from the purchaser, taken in good faith~~. For purposes of this section, member states may continue to apply their own standards of good faith until such time as a uniform standard for good faith is defined in the Agreement~~ which means that the seller obtain a certificate that claims an exemption that (i) was statutorily available on the date of the transaction in the jurisdiction where the transaction is sourced, (ii) could be applicable to the item being purchased, and (iii) is reasonable for the purchaser's type of business; or*

*b. Obtain other information establishing that the transaction was not subject to the tax.*

*A member state may provide for a period longer than 120 days for sellers to obtain the necessary information.*

*2. If the seller obtains the information described in subsection (D)(1) of this section, the member state shall relieve the seller of any liability for the tax on the transaction unless it is discovered through the audit process that the seller had knowledge or had reason to know at the time such information was provided that the information relating to the exemption claimed was materially false or the seller otherwise knowingly participated in activity intended to purposefully evade the tax that is properly due on the transaction. The state must establish that the seller had knowledge or had reason to know at the time the information was provided that the information was materially false.*

*E. Nothing in this section shall affect the ability of member states to require purchasers to update exemption certificate information or to reapply with the state to claim certain exemptions.*

*F. ~~Notwithstanding the aforementioned, each~~ Each member state shall relieve a seller of the tax otherwise applicable if it obtains a blanket exemption certificate ~~for~~ from a purchaser with which the seller has a recurring business relationship. ~~States~~ Notwithstanding the provisions of subsection (E) of this section, a member state may not request from the seller renewal of blanket certificates or updates of exemption certificate information or data elements when there is a recurring business relationship between the*

*buyer and seller. For purposes of this section a recurring business relationship exists when a period of no more than twelve months elapses between sales transactions.*

*The amendments to this section became effective upon their adoption.*

**Section 318: UNIFORM TAX RETURNS**

*Compiler's note: (a) On September 20, 2009 Section 318 was amended as follows: "Each member state shall:*

A. *Require that only ~~one~~ a single tax return for each taxing period for each seller be filed for the member state ~~and~~ to include all the taxing jurisdictions within the member state.*

B. *Require that returns be due no sooner than the twentieth day of the month following the month in which the transaction occurred.*

C. *~~Allow any Model 1, Model 2, or Model 3 seller to submit its sales and use tax returns in a simplified format that does not include more data fields than permitted by the Governing Board. A member state may require additional informational returns to be submitted not more frequently than every six months under a staggered system developed by the Governing Board.~~ Make available to all sellers, whether or not registered under the Agreement, except sellers of products qualifying for exclusion from the provisions of Section 308 of this Agreement, a simplified return that is filed electronically as follows:*

1. *The simplified electronic return (hereinafter SER) shall be in a form approved by the Governing Board and shall contain only those fields approved by the Governing Board. The SER shall contain two parts. Part 1 shall contain information relating to remittances and allocations and part 2 shall contain information relating to exempt sales.*
2. *Each member state must notify the Governing Board if it requires the submission of the part 2 information. Provided, no state may require the submission of part 2 information from a model 4 seller which has no legal requirement to register in such state.*
3. *Returns shall be required as follows;*

   a) *Certified service providers must file a SER in all member states on behalf of model 1 sellers. Certified service providers, on behalf of*

*such sellers, shall file the audit reports provided for in Article V of the Governing Board's rules and procedures for such states, and in addition, shall be required to file part 1 of the SER each month for each member state. A state shall allow a model 1 seller to file both part 1 and the part 2 of the SER. A model 1 seller which chooses to file both part 1 and the part 2 of the SER shall still be required to file the audit reports provided for in Article V of the Governing Board's rules and procedures.*

b) *Model 2 and model 3 sellers must file a SER in all member states other than states for which they have indicated that they anticipate making no sales. Such sellers shall file part 1 or the SER every month for all states in which they anticipate making sales. Such sellers need not file part 2 information until January 1, 2012. After such date they shall have the following options for meeting their obligation to furnish part 2 information:*

i. *File part 2 of the SER together with part 1 of the SER every month; or*

ii. *File part 2 of the SE at the same time part 1 of the SER for the month of December is due. Part 2 information filed pursuant to this option shall cover the month of December and all previous months of the same calendar year and shall only require annual and not monthly totals.*

*Such sellers shall only be required to file part 2 of the SER for any state which has notified the Governing Board that it will require the submission of the part 2 information pursuant to paragraph 2 of this subsection.*

*C. No later than January 1, 2011, every member state shall allow model 4 sellers to file a SER. Such sellers shall file part 1 of the SER every month unless a state allows less frequent filing. Model 4 sellers which have a legal requirement to register in such state shall have the following options for meeting their obligation to furnish part 2 information:*

*i) File part 2 of the SER together with part 1 of the SER; or*

*ii)File part 2 of the SER at the same time part 1 of the SER for the month of December is due. Part 2 information filed pursuant to this option shall cover the months of December and all previous months of the same calendar year and shall only require annual and not monthly totals. Such sellers shall only be required to file part 2 of the SER for any state which has notified the Governing Board that it will require the submission of the part 2 information pursuant to paragraph 2 of this subsection.*

*Model 4 sellers which elect not to file a SER shall file returns in the form and pursuant to schedules afforded to sellers not registered under the Agreement according to the requirements of each member state.*

*d. No later than January 1, 2013 every member state shall allow sellers not registered under the Agreement that are registered in the state to file a SER. Such sellers shall file part 1 of the SER every month unless a state allows less frequent filing and shall have the following options for meeting their obligation to furnish part 2 information:*

*i) File part 2 of the SER together with part 1 of the SER; or*

*ii)File part 2 of the SER at the same time part 1 of the SER for the month of December is due. Part 2 information filed pursuant to this option shall cover the month of December and all previous months of the same calendar year and shall only require annual and not monthly totals. Such seller shall only be required to file part 2 of the SER for any state which has notified the Governing Board that it will require the submission of the part 2 information pursuant to paragraph 2 of this subsection.*

*4. A state which requires the submission of part 2 information pursuant to paragraph 2 of this subsection may provide an exemption from this requirement to a seller under terms and conditions set out by the state.*

*5. A state may require a seller which elects to file a SER to give at least three months notice of the seller's intent to discontinue filing a SER.*

~~*D. Allow any*~~ *Not after January 1, 2010 require the filing of a return from a seller that is registered under the Agreement which has indicated at the time of registration*

*that it anticipates making no sales which would be sourced to the state under the Agreement. A seller shall lose such exemption upon making any taxable sales into such state and shall file a return in the month following such sale. A state may, but is not required to, allow a seller to regain such filing exemption upon such terms and condition as the state may impose~~, which does not have a legal requirement to register in the member state, and is not a Model 1, 2, or 3 seller, to submit its sales and use tax returns as follows:~~*

*~~1. Upon registration, a member state shall provide to the seller the returns required by that state.~~*

*~~2. A member state may require a seller to file a return anytime within one year of the month of initial registration, and future returns may be required on an annual basis in succeeding years.~~*

*~~3. In addition to the returns required in subsection (D)(2), a member state may require sellers to submit returns in the month following any month in which they have accumulated state and local tax funds for the state in the amount of one thousand dollars or more~~.*

*~~E. Participate with other member states in developing a more~~ Adopt a standardized transmission process to allow for receipt of uniform ~~sales and use~~ tax ~~return that, when completed, would be available to all sellers~~ 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.*

*~~F. Require, at each member state's discretion, all Model 1, 2, and 3 sellers to file returns electronically. It is the intent of the member states that all member states have the capability of receiving electronically filed returns by January 1, 2004~~ After January 1, 2010 give notice to a seller registered under this Agreement which has no legal requirement to register in the state, or a failure to file a required return and a minimum of*

*thirty days to file thereafter prior to establishing a liability amount for taxes based solely on the seller's failure to timely file a return. Provided, a member state may establish a liability amount for taxes based solely on the seller's failure to timely file a return if such seller has a history of non-filing or late filing.*

*G. Nothing in this section shall prohibit a state from allowing additional return options or the filing of returns less frequently." The amendment to this section became effective upon adoption.*

*(b) On December 13, 2010 subsection (B) was amended as follows:*

1. *Require that returns be due no sooner than the twentieth day of the month following the month in which the transaction occurred.*
2. *When the due date for a return falls on a Saturday or Sunday or legal holiday in the subject member state, the return shall be due on the next succeeding business day. If the return is filed in conjunction with a remittance and the remittance cannot be made pursuant to Section 319.E.2, the return shall be accepted as timely filed on the same day as the remittance under that subsection.*

*(c) On May 4, 2016, Subsection (E) was amended to require state to adopt web services as the standardized transmission process. States have until January 1, 2019 to comply with this provision.*

*(d) On December 14, 2018, Section 318 was amended by AM18008A02 which allows sellers to select the specific states (members or participating nonmembers) in which they want to register. The second vote on this amendment was waived and therefore became effective upon its adoption.*

**Section 319: UNIFORM RULES FOR REMITTANCES OF FUNDS**

*Compiler's note: (a) On October 1, 2005 the second sentence in subsection (A) was amended as follows: "The state shall allow the amount of ~~the~~ any additional remittance ~~shall~~ to be determined through a calculation method rather than actual collections. Any additional remittances ~~and~~ shall not require the filing of an additional return." The amendment to this section became effective upon adoption.*

*(b) On September 30, 2009 subsection (G) was added and subsections (B) and (C) were amended as follows*

*"A. Require, at each member state's discretion, all remittances ~~from sellers under Models 1, 2, and 3~~ in payment of taxes reported on the approved simplified return format to be remitted electronically.*

*B. Allow for electronic payments by all remitters by both ACH Credit and ACH Debit."*

*The amendment so this section became effective upon adoption.*

*(c) On December 13, 2010 subsection (E) was amended as follows:*

1. *Provide that if a due date for a payment falls on a Saturday, Sunday, or legal ~~banking~~ holiday in a member state, the payment, including any related payment voucher information, is ~~taxes are~~ due to that state on the next succeeding business day.*
2. *Additionally, if the Federal Reserve Bank is closed on a due date that prohibits a person from being able to make a payment by ACH Debit or Credit, the payment shall be accepted as timely if made on the next day the Federal Reserve Bank is open.*

**Section 321: CONFIDENTIALITY AND PRIVACY PROTECTIONS UNDER MODEL 1**

*Compiler's note: On September 5, 2008 Section 321(D)(2) was amended to add "and proper identification of taxing jurisdictions" after "purchasers" and Section 321(D)(4) was amended to add "and for documentation of the correct assignment of taxing jurisdictions" after "purchased." The amendment became effective upon its adoption.*

**Section 322: SALES TAX HOLIDAYS**

*Compiler's note: (a) On September 5, 2008 Section 322(A)(1) was amended to delete the obsolete date and to replace "the Agreement" with "Part II or Part III(B) of the Library of Definitions." In addition, subdivisions 3 and 4 were added. The amendment became effective upon its adoption. (b) On October 11, 2017, Section 322A.2. was amended by AM17009. The amendment became effective upon its adoption. (c) On November 7, 2023, Section 322A.1 was amended by AM23009A01 which allows states to exclude baby receiving blankets from the definition of "clothing" for sales tax holidays and to define "temporary exemption" as less than or equal to three calendar months. The amendment became effective upon adoption. (d) On May 25, 2025, Section 322 was amended by AM25002A-01 which allows states to enact sales tax holidays on all tangible personal property as defined in the Agreement and exclude certain defined items. The exemption became effective upon adoption. (e) On October 7, 2025*

*amendments AM25005 and AM25006-02 related to the exclusion for certain telecom related charges and the treatment of periodic payments were adopted. The changes became effective upon adoption.*

**Section 323: CAPS AND THRESHHOLDS**

*Compiler's note: (a) On February 26, 2009 Section 323C was amended as follows:*

*~~A Each~~ No member state ~~shall:~~*

*~~1. Not~~ 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 ~~after December 31, 2005. A member state may continue to have caps and thresholds until that date.~~*

*2. ~~Not~~ or have caps 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 ~~Each~~ No member state that has local jurisdictions that levy a sales or use tax ~~shall not~~ may place caps or thresholds on the application of local rates or use tax rates or exemptions that are based on the value of the transaction or item ~~after December 31, 2005. A member state may continue to have caps and thresholds until that date~~.*

*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 For states 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 in the Library of Definitions.*

*This provision became effective upon its approval.*

*(b) On May 3, 2016, Section 323 was amended to read as follows:*

*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 holiday on "clothing."*

*~~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.*

*This provision became effective upon its approval.*

**Section 327: LIBRARY OF DEFINITIONS**

*Compiler's note: (a) The Governing Board issued an interpretation of Section 327.C. on August 29, 2006. That interpretation can be found in the Library of Interpretations in Appendix D.*

*(b) On September 5, 2008 Section 327.C. was amended by adding "and 332" in the first line; by adding "Part II or Part III(B)" after "each" in line three; by adding "such" after "each" in line four; and by adding the last sentence. This amendment became effective upon its adoption.*

*(c) On December 19, 2017, the second vote approving the amendment to Section 327.C. (AM17003A02) was completed. The amendment to Section 327.C. added language to require states to follow any specific lists of products or services relating to a term defined in the SSUTA as adopted by the Governing Board. The following language was added to the first sentence "…including all products and services listed in the rules, appendices and interpretive opinions adopted by the Governing Board." A third sentence was added which states "A member state is not in compliance with the Agreement if the member state excludes any product or services that is included with in a product definition or includes a product or service that is excluded from a product definition." Member States must comply with this amendment no later than January 1, 2020.*

*(d) On May 20, 2021 Section 327.C. was amended by adding an exception for items listed in Disclosed Practice 7 in Appendix E for products not classified by the Streamlined Sales Tax Governing Board into a specific healthcare related definition.*

**Section 328: TAXABILITY MATRIX**

*Compiler's note: (a) On September 20, 2007 Section 328 was amended as follows. The amendment was effective on January 1, 2008:*

A. *To ensure uniform application of terms defined in the Library of Definitions each member state shall complete a taxability matrix adopted by the Governing Board. The member state's entries in the matrix shall be provided and maintained in a database that is in a downloadable format approved by the Governing Board. A member state shall provide notice of changes in the taxability of the products or services listed in the taxability matrix as required by the Governing Board.*

*B. ~~Until such time as sufficient additional definitions are adopted to provide for a uniform application of the definition of tangible personal property, each member state shall certify to the Governing Board its tax treatment of photographs delivered electronically. This information shall be included in the taxability matrix. A uniform application of the definition of tangible personal property requires an amendment to Section 327 of this Agreement. Notice of changes in the taxability of such goods shall be made in the same manner as required for notice of changes in the taxability of other products or services listed in the taxability matrix.~~*

*~~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 taxability matrix ~~or in the certification of the state's tax treatment of photographs delivered electronically~~.*

*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 taxability matrix.*

*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 taxability matrix of the products for which a tax exemption is provided.*

*F. For purposes of this section, the term "transferred electronically" means obtained by the purchaser by means other than tangible storage media.*

*(b) On September 5, 2008 subsection (F) was repealed. This amendment became effective upon its adoption.*

*(c) On October 29, 2013, Section 328 was amended to read as follows and became effective upon its adoption:*

*A. Taxability Matrix*

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

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

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

*~~B~~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 taxability matrix. If a member state amends an existing provision of its taxability matrix, the member state shall, to the extent possible, relieve sellers and CSPs from liability to the member state and its local jurisdictions until the first day of the calendar month that is at least 30 days after notice of a change to a member state's taxability matrix is submitted to the Governing Board, provided the seller or CSP relied on the prior version of the taxability matrix.*

*~~C~~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~~10~~ (H) of this Agreement, such exemption must be noted in the taxability matrix.*

*~~D~~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 taxability matrix of the products for which a tax exemption is provided.*

*(d) On May 12, 2015, Section 328 was amended to read as follows and became effective upon its adoption:*

*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.*

**SECTION 330: BUNDLED TRANSACTIONS**

*Compiler's note: (a) On April 16, 2005 Section 330 was added. Member States shall comply with the provisions of this Section no later than January 1, 2008.*

*(b) On December 6, 2008 Section 330 D was added. This provision became effective upon its adoption.*

**SECTION 331: RELIEF FROM CERTAIN LIABILITY**

*Compiler's note: (a) On August 29, 2006 Section 331 was added. Member States shall comply with the provisions of this Section no later than January 1, 2009.*

*(b) On December 14, 2006 Section 331 was amended by inserting "provided that" in lieu of "except" after "Section 331 A," and to add the clause following "Section 328" in B, and by adding the clause starting with "however" in E.*

**SECTION 332: SPECIFIED DIGITAL PRODUCTS**

*Compiler's note: (a) On September 20, 2007 Section 332 was added and became effective on January 1, 2008.*

*(b) On April 2, 2008 Subsection (G) was amended by adding "or product "transferred electronically"" after "specified digital product" in the first sentence and by deleting ""specified digital products" from within one or more specified digital product categories" and inserting "such products" in the third sentence.*

*(c) On May 13, 2026, Subsection (H) was amended by AM26002-01.*

**SECTION 333: USE OF SPECIFIED DIGITAL PRODUCTS**

*Compiler's note: On September 20, 2007 Section 332 was added and became effective on January 1, 2010.*

**SECTION 334: PROHIBITED REPLACEMENT TAXES**

*Compiler's note: On May 12, 2009 Section 334 was added and became effective upon its approval.*

**SECTION 335: TAX ADMINISTRATION PRACTICES**

*Compiler's note: (a) On October 29, 2013, Section 335 was added and became effective upon its approval. (b) The vouchers best practices were adopted on October 29, 2013. See Appendix E.*

*(c) The credits best practices were adopted on May 15, 2014. See Appendix E.*

*(d) On May 12, 2015, Section 335 was amended to read as follows and became effective upon its adoption:*

**Section 335: TAX ADMINISTRATION PRACTICES**

*(a) ~~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 selects 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.*

*(b) Section 335 was amended on May 24, 2023 by AM23002 to clarify the voting procedures and became effective upon its adoption.*

**SECTION 336: TAX TREATMENT OF REDEMPTION CODES**

*Compiler's note: On October 7, 2025, the second vote on adding Section 336 as noted in AM25006-01 was approved. States must come into compliance with the requirement no later than January 1, 2028 per Section 805.B of the Agreement.*

**SECTION 401: SELLER PARTICIPATION**

*Compiler's note: (a) On December 14, 2018, Section 401 was amended by AM18008A02 which allows sellers to select the specific states (members or participating nonmembers) in which they want to register. The second vote on this amendment was waived and therefore became effective upon its adoption.*

*(b) On December 20, 2019, Section 401.D. was amended by AM19002 to replace the word "a" with "the sole." The purpose of the amendment is to clarify that sellers that register through the central registration system may be provided information about other taxes when they register and that once they file, states may use that data as a basis for contacting the seller to make them aware of other possible taxes they may owe. Rule 401.2 was created by RP19001 at the same time.*

**SECTION 402: AMNESTY FOR PARTICIPATION**

*Compiler's note: (a) The Governing Board adopted AM20004A02 on December 18, 2020 which requires a seller to register for all full member states in which it makes sales, with certain exceptions, to qualify for amnesty, The amendment was effective upon its adoption.*

*(b) On October 14, 2026 the Governing Board adopted AM26010-02 by adding subsection G which ends the amnesty program provided under Section 402 once the Streamlined Sales Tax Voluntary Disclosure Program for Remote Sellers provided in Section 402.1 begins.*

**SECTION 402.1 STREAMLINED SALES TAX VOLUNTARY DISCLOSURE PROGRAM FOR REMOTE SELLERS**

*Compiler's note: On October 14, 2026 the Governing Board adopted AM26010-02 which ended the amnesty program provided under Section 402 and adopted the Streamlined Sales Tax Voluntary Disclosure Program (SSTVD) for Remote Sellers. The SSTVD begins January 1, 2027.*

**SECTION 403: METHOD OF REMITTANCE**

*Compiler's note: On December 14, 2018, Section 403 was amended by AM18008A02 which allows sellers to select the specific states (members or participating nonmembers) in which they want to register. The second vote on this amendment was waived and therefore became effective upon its adoption.*

**SECTION 404: REGISTRATION BY AN AGENT**

*Compiler's note: On December 14, 2018, Section 404 was amended by AM18008A02 which allows sellers to select the specific states (members or participating nonmembers) in which they want to register. The second vote on this amendment was waived and therefore became effective upon its adoption.*

**SECTION 502: STATE REVIEW AND APPROVAL OF CERTIFIEDAUTOMATE SYSTEM SOFTWARE AND CERTAIN LIABILITY RELIEF**

*Compiler's note: (a) On January 13, 2006 Section 502 was added. Member States shall comply with the provisions of this Section no later than January 1, 2008.*

*(b) On June 23, 2007 subsections (A) and (D) were amended as follows:*

A. *Each member state shall review software submitted to the Governing Board for certification as a CAS under Section 501. Such review shall include a review to determine that the program ~~adequately classifies the state's product-based exemptions~~ accurately reflects the taxability of the product categories included in the program. Upon ~~completion of the review~~ approval by the state, the state shall certify to the*

*Governing Board its acceptance of the ~~classifications made by the system~~ determination of the taxability of the product categories included in the program.*

*D. The Governing Board and the member states shall not be responsible for classification of an item or transaction within the ~~product-based exemptions~~ product categories certified. The relief from liability provided in this section shall not be available for a CSP or model 2 seller that has incorrectly classified an item or transaction into a ~~product-based exemption~~ product category certified by a member state. This paragraph shall not apply to the individual listing of items or transactions within a product definition approved by the Governing Board or the member states.*

*(c) On May 10, 2017 subsection (F) was adopted in its entirety based on AM17001A02.*

**SECTION 601: MONETARY ALLOWANCE UNDER MODEL 1**

*Compiler's note: On December 18, 2020 the Governing Board adopted AM20005 which changed the term "voluntary seller" to "CSP-compensated seller" to be consistent with the language contained in the CSP contract.*

**SECTION 603: MONETARY ALLOWANCES FOR MODEL 3 SELLERS AND ALL OTHER SELLERS NOT UNDER MODESL 1 OR 2 (Repealed)**

*Compiler's note: The following was repealed on October 7, 2010.*

*The member states anticipate that they will provide a monetary allowance to sellers under Model 3 and to all other sellers that are not under Models 1 or 2 based on the following:*

*A. For a period not to exceed twenty-four months following a voluntary seller's registration through the Agreement's central registration process, a percentage of tax revenue generated for a member state by the voluntary seller for each member state for which the seller does not have a requirement to register to collect the tax.*

*B. Vendor discounts afforded under each member state's law.*

**SECTION 604: ADDITIONAL MONETARY ALLOWANCE REQUIRED FOR MEMBERS MAKING CERTAIN ELECTIONS (Repealed)**

*Compiler's note: This section was adopted on December 12, 2007, became effective on January 1, 2010 and was repealed on October 7, 2010.*

*In addition to the monetary allowance provided pursuant to Sections 601, 602 and 603 of this Agreement, each state that makes the election by Section 310.1 of this Agreement, upon becoming a full member state, shall provide reasonable compensation for the incremental*

*expenses incurred in establishing or maintaining a uniform origin system for administering, collection and remitting sales and use taxes on origin-based sales.*

**SECTION 605: VENDOR COMPENSATION DEFINITIONS (Repealed)**

*Compiler's note: (a) This section was adopted on October 7, 2010 and became effective upon its adoption.*

*(b) This section was repealed effective October 7, 2012 based on Section 611.*

*"The following definitions apply to Sections 606 through Sections 613, inclusive.*

*A. "Remote sales" are sales into a state in which the seller would not legally be required to collect sales or use tax, but for the ability of that state to require such "remote seller" to collect sales or use tax under federal authority.*

*B. "Remote seller" is a seller that would not register in a state but for the ability of that state to require such "remote seller" to collect sales or use tax under federal authority.*

*C. "In-state seller" is any seller that is not a "remote seller" in a state and is legally required to collect sales or use tax in that state.*

*D. "New remote seller" is a "remote seller" who registers with the online registration system established pursuant to Section 303 and was not previously required to collect sales or use taxes. A seller merely reincorporating, changing its name or having a change in ownership or any other similar change in its business structure or operations does not constitute a "new remote seller"."*

**SECTION 606: COMPENSATION REQUIREMENT (Repealed)**

*Compiler's note: (a) This section was adopted on October 7, 2010 and became effective upon its adoption.*

*(b) This section was repealed effective October 7, 2012 based on Section 611.*

*"A. 1. A member state may require "remote sellers" to collect state and local sales and use tax on "remote sales" provided such member state authorizes compensation to all sellers in accordance with the requirements of Section 605 through Section 613, inclusive.*

*2. A member state shall not be required to comply with the requirements for compensation in Section 605 through Section 613, inclusive, but if such member state does not comply with*

*the requirements for compensation, it shall not exercise collection authority over "remote sellers"."*

**SECTION 607: PETITION FRO COLLECTION AUTHORITY AND COMPENSAITON COMPLIANCE DETERMINATIONS (Repealed)**

*Compiler's note: (a) This section was adopted on October 7, 2010 and became effective upon its adoption.*

*(b) This section was repealed effective October 7, 2012 based on Section 611.*

*"A. Upon a petition by the member state, the Governing Board shall certify which member states are in compliance with the compensation requirements of the Agreement and shall reevaluate such certification on an annual basis. The process for certification is as follows:*

*1. A member state shall petition the Governing Board for certification that it meets all the compensation requirements of this section. The petition must include the most recent certificate of compliance showing such member state to be in full compliance with the minimum simplification requirements of the Agreement, other than compensation.*

*2. A petition for collection authority may be submitted to the Governing Board at any time but the Governing Board shall not grant state specific authorization to begin remote seller collections until at least 6 months after the general remote seller collection authority has been granted by federal authority.*

*3. Upon certification by the Governing Board, the member state will be authorized to require collection by remote sellers. This authority will commence for such state on the first day of the next calendar quarter at least 60 days after the date the Governing Board makes its compensation determination. Such collection authority will continue as long as the member state provides the minimum compensation to all sellers as required or permitted under the Agreement and consistent with subdivision C of this section and maintains its certification and compliance with the Agreement.*

*B. The Governing Board shall establish within its bylaws a compensation certification and review committee comprised of no less than 11 members. Membership shall be drawn from the business advisory council, the state and local advisory council and delegates to the Governing Board. The chair of the compliance review and interpretations committee shall be ex officio.*

*The purpose of this committee is to:*

1. *Review each member state's petition pursuant to subdivision A of this section;*
2. *Perform annual reviews of state compensation plans; and*
3. *Provide timely recommendations to the Governing Board for action on member states' petitions made pursuant to subdivision 1 of this section.*

*C. At any time after the Governing Board has made the determinations required by the Agreement to grant remote seller collection authority to a member state, any person affected by the Agreement may petition the Governing Board for a determination of a member state's compliance with the Agreement. Such request shall be deemed a petition for matters of compliance under Section 1002 of the Agreement and shall comply with the rules and procedures for issue resolution in Section 1001 of the Agreement.*

*D. Upon final determination by the Governing Board that a member state's compensation is not in compliance with the compensation requirements of the Agreement, a member state's authority to require collection by remote sellers shall automatically terminate 30 days following the date of such final determination.*

*E. Upon final determination by the Governing Board that a member state is not in compliance with the minimum simplification parts of the Agreement, other than compensation, that member state shall lose its remote seller collection authority on the earlier of:*

1. *The date specified by the Governing Board, or*
2. *The later of the first day of January at least 2 years after the Governing Board finally determined the member state was not in compliance or the first day of a*

*calendar quarter following the end of one full session of the member state's legislature beginning after the Governing Board finally determined the state was not in compliance.*

*F. Any member state that loses its collection authority must file a petition with the Governing Board to have its remote seller collection authority restored. The petition, which may be submitted at any time, should identify how the issues which caused loss of certification have been addressed and why certification should be restored. Restoration of collection authority, if granted, will commence for such state on the first day of the next calendar quarter at least 60 days after the Governing Board makes its compensation determination."*

**SECTION 608: STANDARDS FOR COMPENSATION (Repealed)**

*Compiler's note: (a) This section was adopted on October 7, 2010 and became effective upon its adoption.*

*(b) This section was repealed effective October 7, 2012 based on Section 611.*

*"A. The member state shall provide at least the minimum compensation to all sellers for expenses incurred in administering, collecting, and remitting sales and use taxes (other than taxes paid on goods and services purchased for consumption by the seller) to that member state that is reasonably related to actual costs incurred in collecting and remitting sales and use taxes.*

*The Governing Board may allow compensation to:*

1. *Vary from state to state;*
2. *Vary according to collection costs of sellers of different sizes;*
3. *Vary according to the complexity of a state's laws, including having a single state rate versus many local jurisdictions, clothing caps or thresholds, intra-state origin sourcing;*
4. *Exceed the minimum standard;*
5. *Be reasonably capped;*

*6. Be adjusted in relationship to changes in the size of the small business exemption adopted by the Governing Board;*

*7. Be decreased as additional simplifications and improvements in technology reduce collection costs;*

*8. Be increased if provisions of the Agreement are adopted that increase collection costs.*

*B. Compensation will be paid as a percentage applied to tax remitted on a return. The Governing Board shall promulgate rules to provide appropriate adjustments to accommodate differing filing periods of member states.*

*C. Each member state shall establish three rates of compensation which shall be a percentage of a portion of sales and use taxes remitted by a seller in the reported month. Rate 1 shall be paid on the first $6,250.00 of the sales and use tax remitted by a seller in the reported month. Rate 2, which shall not be less than fifty percent (50%) of a rate 1, shall be paid on the amount of sales and use tax remitted in the reported month exceeding $6,250.00 and less than or equal to $62,500.00. Rate 3, which shall not be less than twenty-five percent (25%) of rate 1, shall be paid on the sales and use tax remitted by a seller in the reported month exceeding $62,500.00.*

*Each member state shall establish rates 1, 2, 3 to provide total compensation not less than:*

*1. Three-fourths of one percent (0.75%) of state and local sales and use tax collections for states that require sellers to report tax by local jurisdiction; or*

*2. One-half of one percent (0.5%) of sales and use tax collections for states that do not require sellers to report tax by local jurisdiction.*

*Calculation of the compensation rate for the next succeeding calendar year shall be based on remittances for the previous 12 months ending June 30 of the immediately prior calendar year and the methodology prescribed in the rules to be promulgated by the Governing Board.*

*D. No member state shall be required by the Agreement to pay compensation to a seller in any month on sales and use taxes remitted for such month in excess of:*

*1. Seven hundred fifty thousand dollars ($750,000.00) for member states with sales and use tax collections in the twelve month period ending June 30 of the previous calendar year of not more than one billion dollars ($1,000,000,000.00); or*

*2. One million dollars ($1,000,000.00) for states with sales and use tax collections in the twelve month period ending June 30 of the previous calendar year of more than one billion dollars ($1,000,000,000.00) and not more than two billion five hundred million dollars ($2,500,000,000.00); or*

*3. Three million dollars ($3,000,000.00) for states with sales and use tax collections in the twelve month period ending June 30 of the previous calendar year of more than two billion five hundred million dollars ($2,500,000,000.00) and not more than five billion dollars ($5,000,000,000.00); or*

*4. Five million dollars ($5,000,000.00) for states with sales and use tax collections in the twelve month period ending June 30 of the previous calendar year of more than five billion dollars ($5,000,000,000.00) and not more than seven billion five hundred million dollars ($7,500,000,000.00); or*

*5. Seven million dollars ($7,000,000.00) for states with sales and use tax collections in the twelve month period ending June 30 of the previous calendar year of more than seven billion five hundred million dollars ($7,500,000,000.00) and not more than ten billion dollars ($10,000,000,000.00); or*

*6. Ten million dollars ($10,000,000.00) for member states with sales and use tax collections in the twelve month period ending June 30 of the previous calendar year of more than ten billion dollars ($10,000,000,000.00).*

*The Governing Board may adjust the above caps as necessary due to inflation, growth in sales tax revenues or other relevant factors. The compensation certification and review committee must review any proposed adjustments to these caps and make a*

*recommendation to the Governing Board on such proposed adjustments prior to any vote by the Governing Board on changes to the above caps.*

*E. Member states that have a second state rate on groceries or drugs or clothing thresholds will be required to pay additional compensation as provided by rule adopted by the Governing Board.*

*F. Rules setting forth calculations of minimum compensation amounts and procedures to facilitate payment of compensation shall be approved by the Governing Board prior to any member state exercising its collection authority.*

*G. All rules relating to compensation or changes to the minimum compensation amounts shall be reviewed every two years by the Governing Board in time for member states to incorporate any changes into their next legislative session.*

*H. Member states may restrict sellers from altering the number of returns filed in order to enhance their own compensation or that of another person.*

*I. Compensation, addressed by this amendment, is applicable only to sales and use taxes.*

*J. Compensation shall be paid for any period that a return is timely filed and fully paid. No member state is required to pay compensation for an untimely or partially paid return. Absent fraud, a return filed and fully paid in good faith does not constitute a partially paid return if it is subsequently determined that additional tax is due from the seller. A member state is not required to provide compensation on additional tax found due.*

*K. Member states will not be required to pay compensation on sales for which a seller is using a certified service provider and such certified service provider is being compensated for that service by the state.*

*L. Member states are not required to provide compensation for transactions in which the seller is not responsible for collecting and remitting the tax, and for persons with direct pay permits.*

*M. Member states shall not assess penalty or interest on tax due pursuant to paragraph A 3 of Section 607 on remote sales transactions occurring during the first six months following commencement of remote seller collection authority.*

*N. Each member state, at its option, shall be permitted to lower, reduce, or eliminate the amount or rate of compensation otherwise provided for by this section paid to public utilities providing gas, electric, water or sewer services."*

**SECTION 609: OBLIGATION TO PAY (Repealed)**

*Compiler's note: (a) This section was adopted on October 7, 2010 and became effective upon its adoption.*

*(b)On December 13, 2010 this section was amended as follows:*

*A. For purposes of this section the term "small remote seller" shall mean a new remote seller which has gross national remote sales of no more than five million dollars ($5,000,000.00) as calculated pursuant to Section 610 of this Agreement and shall include sellers which would be "new remote sellers" but for the fact that they had gross national remote sales of less than five hundred thousand dollars ($500,000.00) as calculated pursuant to Section 610 of this Agreement.*

*B. Member states shall begin paying compensation to a "new remote seller" upon submission of the seller's initial return filed after the effective date of the member state's authorization for compensation that meets the standards of Section 608. Notwithstanding the rates of compensation established by a member state pursuant to Section 608, ~~compensation paid to~~ a "~~new~~ small remote seller~~s~~" may elect to receive ~~for a six months period beginning with the first month that such sellers collect a Member State's tax shall be calculated based on the following rates: Rate 1 shall be three percent (3%), rate 2 shall be one and one-half percent (1.5%) and rate3 shall three-fourths of one percent (0.75%)~~ twenty percent (20%) of*

*the tax collected and due(except for the compensation amount to be retained by the small remote seller) to a state in a month not to exceed compensation of eighty-five dollars ($85.00) in any month in lieu of compensation calculated using the rates of compensation established by a member state pursuant to Section 608. Such election shall be for a six month period beginning with the first month that such seller collects a member state's tax. After such six month period, the rates used to calculate compensation for such seller~~s~~ shall be those rates established by the member state pursuant to Section 608. The increased amount of compensation allowed by this subsection shall be available to a "small remote seller" which begins collecting tax for a member state within the first 12 months following the date of the member state's authorization for the collection of taxes on remote sales.*

*A seller subsequently found not to meet the qualifications of a "~~new~~ small remote seller" may be denied and assessed, including any applicable penalties and interest, for any compensation it was not qualified to claim.*

*The provisions of this section shall apply to each state which is currently a full member of the Agreement and to each state which becomes a full member of the Agreement after the adoption of this section.*

*~~B.~~ C. If a member state determines that a "new remote seller" had previously been registered in that state, compensation for that seller may be delayed until the state is required to pay compensation for all "in-state sellers" as set forth in ~~subdivision 3~~ subsection (D) of this section ~~of Section 609~~." The remaining subsections were renumbered.*

*(c) This section was repealed effective October 7, 2012 based on Section 611.*

*"A. For purposes of this section the term "small remote seller" shall mean a new remote seller which has gross national remote sales of no more than five million dollars ($5,000,000.00) as calculated pursuant to Section 610 of this Agreement and shall include sellers which would be "new remote sellers" but for the fact that they had gross national remote sales of less than five hundred thousand dollars ($500,000.00) as calculated pursuant to Section 610 of this Agreement.*

*B. Member states shall begin paying compensation to a "new remote seller" upon submission of the seller's initial return filed after the effective date of the member state's authorization for compensation that meets the standards of Section 608. Notwithstanding the rates of compensation established by a member state pursuant to Section 608, a "small remote seller" may elect to receive twenty percent (20%) of the tax collected and due (except for the compensation amount to be retained by the small remote seller) to a state in a month not to exceed compensation of eighty-five dollars ($85.00) in any month in lieu of compensation calculated using the rates of compensation established by a member state pursuant to Section 608. Such election shall be for a six month period beginning with the first month that such seller collects a member state's tax. After such six month period, the rates used to calculate compensation for such seller shall be those rates established by the member state pursuant to Section 608. The increased amount of compensation allowed by this subsection shall be available to a "small remote seller" which begins collecting tax for a member state within the first 12 months following the date of the member state's authorization for the collection of taxes on remote sales.*

*A seller subsequently found not to meet the qualifications of a "small remote seller" may be denied and assessed, including any applicable penalties and interest, for any compensation it was not qualified to claim.*

*The provisions of this section shall apply to each state which is currently a full member of the Agreement and to each state which becomes a full member of the Agreement after the adoption of this section.*

*C. If a member state determines that a "new remote seller" had previously been registered in that state, compensation for that seller may be delayed until the state is required to pay compensation for all "in-state sellers" as set forth in subsection (D) of this section.*

*D. A member state shall elect one of the following methods (Option1, Option 2, or Option 3) for commencing payment of compensation for "in-state sellers" or "new remote sellers" previously registered in that state.*

*1. Option 1. Pay "in-state sellers" and "new remote sellers" previously registered in that state when tax collections from "new remote sellers" reaches the dollar threshold established by the following method:*

*a) A state utilizing this option shall track and report its total collections from "new remote sellers to the Governing Board.*

*b) When the amount of monthly collections received from such sellers for each of four consecutive months occurring sometime after the date remote seller collection authority began meets or exceeds the amount that would be required to pay the approved average monthly level of compensation for all other sellers, then compensation will be due and owing beginning the first day of the following quarter and thereafter for all sellers.*

*c) In a state that is already compensating its sellers, only the difference above the currently paid amount and the amount that would be required to pay the approved average monthly level of compensation for all other sellers will be required to accumulate before implementing the approved compensation.*

*2. Option 2. Begin paying "in-state sellers" and "remote sellers" that had been previously registered in that state on the next return remitted fifteen months following the grant of collection authority.*

*3. Option 3. Continue paying compensation to all the sellers previously receiving such payment as long as such compensation meets the requirements of this section.*

*E. A member state that does not receive sufficient sales and use tax collections from remote sellers to justify the state's continued participation may notify the Governing Board that its remote collection authority should expire and may terminate its obligation to pay compensation at the Governing Board-approved rate. A member state which exercises this option shall give not less than 60 days' notice of its intent to relinquish remote collection authority."*

**SECTION 610: SMALL SELLER EXCEPTION (Repealed)**

*Compiler's note: (a) This section was adopted on October 7, 2010 and became effective upon its adoption.*

*(b) Subsection (G) was adopted on November 8, 2010 and became effective upon its adoption.*

*(c) This section was repealed effective October 7, 2012 based on Section 611.*

*"A. The Governing Board shall develop a sales volume threshold for determining which small "remote sellers" qualify for an exemption from the requirement to collect sales or use taxes on "remote sales." In making such a determination the Governing Board shall consider whether:*

*1. The sales are occasional or isolated;*

*2. The sales are of such low volume that the administrative expense of collection imposes too great a burden on both seller and member state;*

*3. The collection burden on the remote seller is offset by compensation;*

*4. The remote seller has a monthly filing requirement in a member state;*

*5. Certified service providers for sellers in that industry group are readily available; and*

*6. Technology solutions are available to mitigate the filing burden.*

*In making such determination, the Governing Board shall identify the total annual dollar volume of gross remote sales nationwide of the seller above which would trigger a collection responsibility for remote sellers. The exemption threshold shall be set at a relatively low level and over time adjusted downward so that only sellers making isolated or occasional sales are excluded from the collection requirement.*

*The threshold shall be based on national remote sales volume.*

*B. "Remote sellers" shall be required to annually determine if the small seller exemption applies based on (1) sales volume of the seller and (2) the annual policy determination of the Governing Board. To determine whether a remote seller qualifies for the small seller exception, the seller computes the total gross national remote sales volume for the most recent 12-month period beginning July 1 of one calendar year and ending June 30 of the next calendar year. If the total gross national remote sales volume for such period exceeds the exemption threshold amount in effect for such period, then the remote seller shall begin collection and remittance of sales and use tax on remote sales on January 1 of the following year.*

*C. Once a seller has exceeded the exemption threshold, the seller must be allowed until the beginning of the first calendar quarter commencing within 60 days following the date such threshold is exceeded in order to prepare before the collection obligation becomes effective. If gross national remote sales volume for a seller that is currently collecting and remitting sales and use tax on remote sales falls below the small seller exemption threshold amount then in effect, such seller shall continue to collect and remit such taxes until the end of the following calendar quarter.*

*D. In determining whether a "remote seller" has exceeded the small seller exemption threshold, the remote sales of such seller should be totaled with the remote sales of any affiliated business owned in whole or substantial part by another "remote seller" selling the same or substantially similar products and doing business under the same or substantially similar business. No "remote seller" that is part of an affiliated group with a gross national remote sales volume above the small seller exemption threshold is eligible to qualify for the small seller exemption, even if such seller's gross national remote sales volume is below such threshold.*

*E. The Governing Board shall post information about the small seller exception on its website at least 90 days prior to the date on which it becomes effective on the first day of a calendar quarter.*

*F. The Governing Board shall review the small seller exemption threshold every two years, and such threshold may be adjusted no more frequently than annually with not less than 90 days notice. Remote sellers claiming the small seller exemption must file an exemption certificate with the online registration system, stating that they qualify for the small seller exception and meet such threshold. Prior to the implementation of remote collection authority in any state, the Governing Board shall enact rules that provide for the registration of remote sellers and the implementation of the requirement for remote sellers to begin collecting.*

*G. The Governing Board shall adopt rules to establish the amount of annual gross remote sales necessary to require a seller to register with the online registration system and the amount of annual gross remote sales necessary to require a seller to collect sales and use tax."*

**SECTION 611: REPEAL (Repealed)**

*Compiler's note: (a) This section was adopted on October 7, 2010 and became effective upon its adoption.*

*(b) This section was repealed effective October 7, 2012.*

*"Sections 605 through Sections 613, inclusive, are repealed twenty four months after their adoption by the Governing Board if Congress has not granted states authority to require remote sellers to collect sales and use tax."*

**SECTION 612: VOLUNTARY COMPENSATION FOR REMOTE SELLERS (Repealed)**

*Compiler's note: (a) This section was adopted on October 7, 2010 and became effective upon its adoption.*

*(b) This section was repealed effective October 7, 2012 based on Section 611.*

*"States may choose to compensate remote sellers as a measure of good faith, and offer such compensation as an inducement to registering to collect through the online registration system."*

**SECTION 613: OPTIONAL COMPENSATION FOR REMOTE SELLERS (Repealed)**

*Compiler's note: (a) This section was adopted on October 7, 2010 and became effective upon its adoption.*

*(b) This section was repealed effective October 7, 2012 based on Section 611.*

*"States may choose to not compensate remote sellers until such time federal legislation authorizes states to require remote sellers to collect sales and use tax."*

**SECTION 701: EFFECTIVE DATE**

*Compiler's note: (a) On April 16, 2005 Section 701 was amended by inserting "either" after "and have" in the first sentence; inserting "or have been found to be an associate member pursuant to Section 704" at the end of the first sentence; and deleting ", but cannot take effect prior to July 1, 2003" and inserting "or is found to be an associate member" at the end of the second sentence. The April 16, 2005 amendments to this section were effective upon adoption.*

*(b) On April 18, 2006 Section 701 was amended by inserting "as of October 1, 2005" after "sales tax." The April 18, 2006 amendment to this section was effective upon adoption.*

**SECTION 702: APPROVAL OF INITIAL STATES (Repealed)**

*Compiler's note: (a) On April 16, 2005 this section was amended by deleting "that has adopted changes to its statutes, rules, regulations, or other authorities necessary to bring a state into compliance as provided in Section 805," after "a state" in the first sentence; inserting the second sentence; inserting "to a state's statutes, rules, regulations, or other authorities" after "changes" in the third sentence; and deleting ", but shall not be earlier than the date the relevant statutes, rules, regulations, or other authorities of the requisite number of petitioning states are effective" after "Section 701" in the second sentence in the second paragraph. The April 16, 2005 amendments to this section were effective upon adoption.*

*(b) On December 17, 2009 this section was repealed. The following is the section when it was repealed:*

*Prior to the effective date of the Agreement, a state may seek membership by forwarding a petition for membership and certificate of compliance to the Co-Chairs of the Streamlined Sales Tax*

*Implementing States. The certificate of compliance shall meet the requirements of Section 802. If some changes to a state's statutes, rules, regulations, or other authorities have been adopted, but are not yet in effect, the petition for membership shall include the date on which those changes will be effective. A petitioning state shall also provide a copy of its petition for membership and certificate of compliance to each of the Streamlined Sales Tax Implementing States. A petitioning state shall also post a copy of its petition for membership and certificate of compliance on that state's web site.*

*Upon receipt of the requisite number of petitions as provided in Section 701, the Co-Chairs shall convene and preside over a meeting of the petitioning states for the purpose of determining if the petitioning states are in compliance with the Agreement. The meeting shall be convened as soon as practicable after receipt of the requisite number of petitions provided in Section 701. An affirmative vote of three-fourths of the other petitioning states is necessary for a petitioning state to be found in compliance with the Agreement. A petitioning state shall not vote on its own petition for membership.*

*The Co-Chairs shall provide the public with an opportunity to comment prior to any vote on a state's petition for membership.*

**SECTION 703: STREAMLINED SALES TAX IMPLEMENTING STATES (Repealed)**

*Compiler's note: (a) On April 16, 2005 Section 703 was amended by inserting the second sentence in 703 (A) and inserting "without the use of associate members" after "are met" in 703 (C). The April 16, 2005 amendments to this section were effective upon adoption.*

*(b) On August 29, 2006 Section 703 was amended by inserting subsection (D). The August 29, 2006 amendment to this section was effective upon adoption.*

*(c) On December 17, 2009 this section was repealed. The following is the section when it was repealed:*

*A. From the time of ratification of this Agreement until the provisions of Section 701 have been met, the Streamlined Sales Tax Implementing States shall maintain responsibility for the Agreement, including the disposition of all proposed amendments to the Agreement. If the provisions of Section 701 have been met with the use of associate members as defined in Section 704, the Streamlined Sales Tax Implementing States shall be responsible for the disposition of all proposed amendments*

*to and interpretations of the Agreement until such time as the provisions of Section 701 have been met without the use of associate members.*

*B. Amendments to the Agreement considered by the Streamlined Sales Tax Implementing States shall follow the provisions as set forth in Article IX, Section 901.*

*C. For a period of not less than six months nor longer than one year after the provisions of Section 701 are met without the use of associate members, the Streamlined Sales Tax Implementing States shall provide advice to the Governing Board of the Agreement and shall be consulted by the Governing Board before amending the Agreement.*

*D. Upon the expiration of the duties of the Streamlined Sales Tax Implementing States as set forth in subsection (C), any state that previously held Implementing State status shall become an advisor state to the Governing Board.*

1. *Advisor states shall serve in an ex officio capacity on the Governing Board, with non-voting status, but may speak to any matter presented to the Governing Board for consideration.*
2. *Each state's delegation to the Streamlined Sales Tax Implementing States may serve as the state's delegation to the Governing Board as established herein or the state may appoint a new delegation, of up to four representatives, who shall be members of state or local government.*
3. *Representatives of advisor states may serve on standing committees of the Governing Board except they may not serve as officers or directors on the executive committee or as members on the finance committee or the compliance review and interpretations committee.*
4. *A state that was not previously an implementing state may become an advisor state by:*
    a. *Enacting legislation authorizing the state's participation in interstate discussions to develop a simplified sales and use tax system; or*
    b. *Executing a memorandum of understanding or similar written document by the governor and legislative leaders expressing the intent of the state to participate in interstate discussions to develop a simplified sales and use tax system.*

    *Any question over whether or not a state qualifies as an advisor state shall be resolved by a majority vote of the Governing Board.*

*E. Neither the Governing Board nor a member state may share or grant any advisor state access to any seller information from the seller's registration pursuant to Section 401. Neither the Governing Board nor a member state may share or grant any advisor state access to any seller information from an audit conducted by the Governing Board or a member state on behalf of the Governing Board.*

*F. An advisor state may not participate in a closed session of the Governing Board or a Governing Board committee.*

**SECTION 704: CONSIDERATION OF PETITIONS (Repealed)**

*Compiler's note: (a) On April 16, 2005 Section 704 was added and was effective upon adoption. (b) On December 17, 2009 this section was repealed. The following is the section when it was repealed:*

*A. A petitioning state that is found to be in compliance pursuant to Section 805 of the Agreement and the changes to their statutes, rules, regulations or other authorities necessary to bring them into compliance are in effect shall be designated a member state.*

*B. A petitioning state that is found to be in compliance pursuant to Section 805 of the Agreement and the changes to their statutes, rules, regulations or other authorities necessary to bring them into compliance are not in effect, but are scheduled to take effect on or before January 1, 2008, shall be designated an associate member. Provided the statutes, rules, regulations or other authorities remain in effect, the state shall automatically become a member state upon the effective date of the conforming legislation.*

*C. A petitioning state that fails to receive an affirmative vote of three-fourths of the petitioning states as required under Section 702 may request associate membership. If such a request is made, the petitioning states may grant such membership by majority vote upon a finding that the state has achieved substantial compliance with the terms of the Agreement taken as a whole, but not necessarily each provision as required by Section 805, measured qualitatively, and there is a reasonable expectation that the state will achieve compliance by January 1, 2008. A state that is granted associate membership by this section shall be required to re-petition for full membership under the requirements of the Agreement.*

**SECTION 705: ASSOCIATE MEMBERSHIP (Repealed)**

*Compiler's note: (a) On April 16, 2005 Section 705 was added and was effective upon adoption. (b) On June 23, 2007 Section 705 was amended as follows:*

*"A. An associate member shall have all the rights and privileges of a member state except that:*

*1. An associate member may not vote on amendments to or interpretations of the Agreement when the provisions of Section 701 have been met without the use of associate members; and*

*2. An associate member may not vote to determine if a petitioning state is in compliance with the Agreement pursuant to Section 804 of the Agreement. ~~Associate members may vote on amendments to or interpretations of the Agreement as an Implementing State under Section 703 (A).~~*

*3. A representative of an associate member state shall not be eligible to serve on the compliance review and interpretations committee.*

*B. ~~An associate member~~ A state which is an associate member on January 1, 2007, shall retain such status until the Governing Board finds such state to be in compliance pursuant to Section 805 or December 31, 2007, whichever is earlier, without regard to whether the population requirement of Section 701 has been met. Any such associate member that has not been found in compliance by December 31, 2007 shall forfeit its status as an associate member. ~~No state may be an associate member after December 31, 2007.~~ The ~~Co-Chairs of the Streamlined Sales Tax Implementing States~~ president of the Governing Board shall provide an associate member state with the reasons why such state is not in compliance with the Agreement. Forfeiture of its status as an associate member does not preclude a state from re-petitioning for membership pursuant to Section 801.*

*F. An associate member state shall provide amnesty pursuant to the provisions of Section 402, provided, the amnesty shall be in effect from the date the associate member status is attained until 12 months after the associate member state ~~has been found to be in compliance with the Agreement~~ becomes a full member state."*

*The June 23, 2007 amendments became effective upon their adoption.*

*(c) On December 12, 2007 Section 705 B was amended by changing the dates from "December 31, 2007" to "July 1, 2009" and deleting ", without regard to whether the population requirement of Section 701 has been met" at the end of the first sentence.*

*(d) On September 30, 2009 Section 705 B was amended as follows:*

*"B. A state which is an associate member on January 1, 2007, shall retain such status until: 1) the state rescinds its election under Section 310.1 and the Governing Board finds such state to be in compliance pursuant to Section 805, at which time the state shall become a full member state; 2) the state has become a full member state pursuant to Section 310.1 D. 2; or 3) the Governing Board*

*determines that the state is not in substantial compliance with the Agreement, as amended by Section 310.1 at which time the state* ~~*or July 1, 2009, whichever is earlier. Any such associate member that has not been found in compliance by July 1, 2009*~~ *shall forfeit its status as an associate member. The president of the Governing Board shall provide an associate member state with the reasons why such state is not in compliance with the Agreement. Forfeiture of its status as an associate member does not preclude a state from re-petitioning for membership pursuant to Section 801." The amendment was effective upon its adoption.*

*(e) On December 17, 2009 this section was repealed. The following is the section when it was repealed:*

*A. An associate member shall have all the rights and privileges of a member state except that:*

*1. An associate member may not vote on amendments to or interpretations of the Agreement when the provisions of Section 701 have been met without the use of associate members; and*

*2. An associate member may not vote to determine if a petitioning state is in compliance with the Agreement pursuant to Section 804 of the Agreement.*

*3. A representative of an associate member state shall not be eligible to serve on the compliance review and interpretations committee.*

*B. A state which is an associate member on January 1, 2007, shall retain such status until: 1) the state rescinds its election under Section 310.1 and the Governing Board finds such state to be in compliance pursuant to Section 805, at which time the state shall become a full member state; 2) the state has become a full member state pursuant to Section 310.1 D. 2; or 3) the Governing Board determines that the state is not in substantial compliance with the Agreement, as amended by Section 310.1 at which time the state shall forfeit its status as an associate member. The president of the Governing Board shall provide an associate member state with the reasons why such state is not in compliance with the Agreement. Forfeiture of its status as an associate member does not preclude a state from re-petitioning for membership pursuant to Section 801.*

*C. Notwithstanding any provision of this Agreement to the contrary, a seller may, but is not required to collect sales or use tax on sales into an associate member state unless the seller is otherwise required to collect such taxes under applicable law. Notwithstanding the provisions of Section 401 (B), a seller that volunteers to collect tax in an associate member state is not required to collect tax in any other associate member state. An associate member shall be responsible for payment of costs as provided in Article VI for those sellers that volunteer to collect tax in an associate member state.*

*D. Neither the Governing Board nor a member state may share or grant access to an associate member state any seller information from the seller's registration pursuant to Section 401. Neither the Governing Board nor a member state may share or grant access to an associate member state any seller information from an audit conducted by the Governing Board or a member state on behalf of the Governing Board unless the associate member state is a party to the audit.*

*E. An associate member shall be responsible for the payment of the petition fee and the annual cost allocation as determined by the Streamlined Sales Tax Implementing States or Governing Board.*

*F. An associate member state shall provide amnesty pursuant to the provisions of Section 402, provided, the amnesty shall be in effect from the date the associate member status is attained until 12 months after the associate member state becomes a full member state.*

**SECTION 801: ENTRY INTO AGREEMENT**

*Compiler's note: (a) On June 23, 2007 subsections (A) and (B) were numbered and subsections (C) and (D) were added. These changes became effective upon their adoption.*

*(b) On December 17, 2009 this section was amended as follows:*

*A. ~~After the effective date of the Agreement, a~~ A state may apply to become a ~~party to~~ full member, a contingent member, or an associate member of the ~~Agreement~~ Governing Board by submitting a petition for membership and certificate of compliance to the Governing Board. ~~The petition for membership shall include such state's proposed date of entry. The petitioning state's proposed date of entry shall be on the first day of a calendar quarter. The proposed date of entry shall be a date on which all provisions necessary for the state to be in compliance with the Agreement are in place and effective.~~ The president shall provide the public with an opportunity to comment prior to any vote on a state's petition for membership.*

*B. The ~~petitioning state~~ Governing Board shall provide a copy of ~~it's~~ petitioning state's petition for membership and ~~the~~ certificate of compliance to ~~each~~ all member ~~state~~ states when the petitioning state submits its petition for membership to the Governing Board. A petitioning state shall ~~also~~ post a copy of its petition for membership and certificate of compliance on that state's web site. The Governing Board shall post a copy of the state's petition for membership and certificate of compliance on the Governing Board's web site.*

*~~C. A state that petitions for membership after January 1, 2007, that is found to be in compliance pursuant to Sections 804 and 805 of the Agreement except that the changes to their statutes, rules, regulations or other authorities necessary to bring them into~~*

~~*compliance are not yet in effect, shall be designated an associate member effective on the first day of the calendar quarter that is not more than twelve months before its proposed date of entry as a member state. Such twelve month period may be extended to eighteen months if the Governing Board, by unanimous vote approves such extension. Such extension shall be granted only if the petitioning state can present adequate justification of the necessity for the future effective date and that the application of the future effective date beyond twelve months is limited to the provisions of the law for which such necessity is demonstrated. Such states shall be subject to the annual recertification requirement set forth in Section 803 of this Agreement for all issues other than the delayed effective date issues identified at the time the state becomes an associate member. Extensions of effective date delays beyond those identified at the time the state becomes an associate member shall require the state to submit a statement of non-compliance pursuant to Section 803. Provided the statues, rules, regulations or other authorities remain in effect, the state shall automatically become a member state on the state's proposed date of entry.*~~

~~*D. A state which becomes an associate member after January 1, 2007 shall forfeit its status as an associate member on the date provided for compliance pursuant to subsection C of this section, if the state's laws are not in compliance at that time. A state that forfeits its status as an associate member because it has extended its effective date for required law changes beyond the date set forth in its petition for membership may not file another petition for membership for a period of twelve months after such state forfeits its status as an associate member.*~~

*This amendment became effective upon its adoption.*

**SECTION 801.1: FULL MEMBERSHIP**

*Compiler's note: Section 801.1 was adopted on December 17, 2009 and became effective upon its adoption.*

**SECTION 801.2: CONTINGENT MEMBERSHIP**

*Compiler's note: (a) Section 801.2 was adopted on December 17, 2009 and became effective upon its adoption.*

*(b) On December 18, 2020 the Governing Board adopted AM20005 which changed the phrase "sellers that volunteer to collect tax" to "qualifying sellers that collect the tax". This was*

*changed to make the language more consistent with the language contained in the CSP contract since the phrase "volunteer seller" was changed to "CSP-compensated seller".*

**SECTION 801.3: ASSOCIATE MEMBERSHIP**

*Compiler's note: (a) Section 801.3 was adopted on December 17, 2009 and became effective upon its adoption.*

*(b) On December 18, 2020 the Governing Board adopted AM20005 which changed the phrase "sellers that volunteer to collect tax" to "qualifying sellers that collect the tax". This was changed to make the language more consistent with the language contained in the CSP contract since the phrase "volunteer seller" was changed to "CSP-compensated seller". (c) Section 801.3 was amended on May 24, 2023 by AM23001A01 to clarify the voting procedures and became effective upon its adoption.*

**SECTION 801.5: VOTING RIGHTS OF GOVERNING BOARD STATES**

*Compiler's note: On May 23, 2023 Section 801.5 was adopted as part of AM23002 and became effective upon its adoption.*

**SECTION 802: CERTIFICATE OF COMPLIANCE**

*Compiler's note: Section 802 was amended on May 2, 2018 by AM18003 to allow the designee of the chief executive of the state's tax agency to sign the state's certificate of compliance and became effective upon its approval.*

**SECTION 803: ANNUAL RE-CERTIFICATION OF MEMBER STATES**

*Compiler's note: (a) Section 803 was amended on September 16, 2015 by AM15003 to change the reference from Section 809 to Section 805.1.*

*(b) Section 803 was amended on May 2, 2018 by AM18003 to allow the designee of the chief executive of the state's tax agency to sign the state's annual re-certification and became effective upon its approval .*

*(c) Section 803 was amended on May 2, 2018 by AM18004 to clarify that the annual re-certification documents are to be prepared based on the state's laws as of July 1 of the current year and became effective upon its approval.*

**SECTION 804: REQUIREMENTS FOR MEMBERSHIP APPROVAL**

*Compiler's note: On May 23, 2023 Section 804 was amended as part of AM23002 to clarify the voting procedures and became effective upon its adoption.*

**SECTION 805: COMPLIANCE**

*Compiler's note: (a) Section 805 was amended on September 16, 2015 by AM14008A03 to move some and revise some of the language previously contained in Section 809 to Section 805. (b) On December 19, 2017, the second vote approving the amendment to Section 805 (AM17003A02) was completed. The amendment to Section 805 added the following language to subsection A "…even though the state uses different words than those contained in the Agreement. These requirements shall include the rules, interpretive opinions, and appendices adopted by the Governing Board." Member States must comply with this amendment no later than January 1, 2020.*

**SECTION 805.1: FINDING A MEMBER STATE OUT OF COMPLIANCE WITH THE AGREEMENT**

*Compiler's note: (a) Section 805.1 was adopted on September 16, 2015 by AM14008A03 and became effective upon its adoption. (b) On May 23, 2023 Section 805.1 was amended as part of AM23002 to clarify the voting procedures and became effective upon its adoption. (c) Section 805.1 was amended on October 8, 2024 by AM24017 to update the reference to the Agreement rather than the Rules and became effective upon its adoption.*

**SECTION 806: AGREEMENT ADMINISTRATION**

*Compiler's note: (a) On August 29, 2006 the second paragraph of Section 806 was amended as follows and became effective upon its approval.*

> *"The Governing Board is responsible for the administration and operation of the Agreement, including the appointment of all manner of committees. The Governing Board may employ staff, advisors, consultants or agents. The Governing Board may <u>issue interpretive opinions and</u> promulgate <u>such</u> rules ~~and procedures~~ it deems necessary to carry out its responsibilities. <u>Rules may take one of two forms: procedural rules, which shall require an affirmative vote of a majority of the Governing Board present and voting to adopt; and interpretative rules which shall require an affirmative vote of three-fourths of the entire Governing Board to adopt</u>. The Governing Board may take any action that is necessary and proper to fulfill the purposes of the*

*Agreement. The Governing Board may allocate the cost of administration of the Agreement among the member states."*

*(b) On May 12, 2009 the phrase "or of a local government in that state" was added at the end of the third sentence and became effective upon its approval.*

*(c) On May 3, 2018, AM18001A01 was adopted adding language to indicate that the Governing Board could enter into contracts with others and allocate the cost of administration amongst the member states and others with whom it contracts. The amendment also added (G) which provides examples of the purposes for which contracts could be entered into with others. The amendment became effective upon its adoption.*

*(d) On May 23, 2023 Section 806 was amended as part of AM23002 to clarify the voting procedures and became effective upon its adoption.*

**SECTION 807: OPEN MEETINGS**

*Compiler's note: Compiler's note: (a) On April 16, 2005, Section 807 (F) was added and became effective upon its adoption. (b) On May 25, 2022, AM22002A01 was adopted adding section G language regarding information technology that is confidential. (c) On May 23, 2023 Section 807 was amended as part of AM23002 to clarify the voting procedures and became effective upon its adoption.*

**SECTION 809: SANCTION OF MEMBER STATES**

*Compiler's note: (a) On December 14, 2006 Section 809 was amended by adding subsections (B) and (C) and became effective upon its adoption.*

*(b) On September 16, 2015, AM1009A01 was adopted along with AM15003 and AM14008A03 which moved some of the language in Section 809 to Section 805 and then revised the language to make it fit properly in that section. (c) On May 23, 2023 Section 809 was amended as part of AM23002 to clarify the voting procedures and became effective upon its adoption.*

**SECTION 810: STATE AND LOCAL ADVISORY COUNCIL**

*Compiler's note: On April 16, 2005 Section 810 was amended by deleting "and Taxpayer" after "Business" in the last sentence and was effective upon its adoption.*

**SECTION 811: BUSINESS ADVISORY COUNCIL**

*Compiler's note: On April 16, 2005, Section 811 was amended by deleting "AND TAXPAYER" from the title line; deleting "create" and inserting "recognize" after "shall" in the first sentence*

*and deleting "and Taxpayer" after "Business" from the first and third sentences. These amendments were effective upon their adoption.*

**SECTION 812: LOCAL ADVISORY COUNCIL**

*Compiler's note: On May 23, 2012, Section 812 was created by AM12003. This amendment became effective upon its adoption.*

**SECTION 901: AMENDMENTS TO AGREEMENT**

*Compiler's note: (a) On June 18, 2008 Section 901 was amended by deleting "sixty" in the second and third sentences and inserting "thirty." This amendment was effective upon its adoption. (b) On May 23, 2023 Section 901 was amended as part of AM23002 to clarify the voting procedures and became effective upon its adoption.*

**SECTION 902: INTERPRETATIONS OF AGREEMENT**

*Compiler's note: (a) On August 29, 2006 Section 902 was amended by adding the second, third, fourth, and last sentences. The fifth sentence was amended as follows: "~~All~~ Both forms of". The August 29, 2006 amendment to this section became effective upon its adoption.*

*(b) On September 5, 2008 Section 902 was amended by adding ", including all definitions in the Library of Definitions," after "Agreement" in the first line. The amendment to this section was effective upon its adoption.*

*(c) On May 23, 2023 Section 902 was amended as part of AM23002 to clarify the voting procedures and became effective upon its adoption.*

**SECTION 903: DEFINITION REQUESTS**

*Compiler's note: On September 5, 2008 Section 903 was amended by adding "In addition to the requests for interpretations authorized under Section 902 of this Agreement, any" at the beginning and "Part II or Part III(B)" before "definition" at the end of the first sentence. The amendment to this section was effective upon its adoption.*

*SECTION 1002: PETITIONS FOR RECONSIDERATION AND RESOLUTION*

*Compiler's note: On October 8, 2024, Section 1002 was amended by AM23008A03 to clarify the issue resolution process and became effective upon its adoption.*

**SECTION 1003: FINAL DECISION OF GOVERNING BOARD**

*Compiler's note: On October 8, 2024, Section 1003 was amended by AM23008A03 to clarify the issue resolution process, vote requirements on petitions and that vote on recommendation is final. The amendment became effective upon its adoption.*

*SECTION 1103: LIMITED BINDING AND BENEFICIAL EFFECT*

Compiler's note: *On May 3, 2018, AM18001A01 was adopted adding language to indicate that the Governing Board could enter into contracts with others and that the intended beneficiaries are only the member states and others with whom it contracts.*

**SECTION 1104: FINAL DETERMINATIONS**

*Compiler's note: On October 8, 2024, Section 1104 was amended by AM23008A03 to provide an exception to votes being final for the Issue Resolution Process and became effective upon its adoption.*

*Appendix C: LIBRARY OF DEFINITIONS – Part II*

*Compiler's Note: On September 5, 2008 the description of Part II was amended to add "impose sales and use taxes" before the comma. The amendment became effective upon its adoption.*

**PART I – ADMINISTRATIVE DEFINITIONS – COMPILER'S NOTES**

**BUNDLED TRANSACTION - DEFINITION**

*Compilers note: On April 16, 2005 the definition of a" bundled transaction" was added. Member States were required to comply with this definition no later than January 1, 2008.*

**DELIVERY CHARGES - DEFINITION**

*Compiler's note: (a)On September 20, 2007 the definition of "delivery charges" was amended as follows: "A member state may exclude from "delivery charges" <u>any of the following,</u> ~~the charges for delivery of "direct mail"~~ if the charges are separately stated on an invoice or similar billing document given to the purchaser<u>:</u>*

> *<u>A Handling, crating, packing, preparation for mailing or delivery, and similar charges;</u>*
>
> *<u>B Transportation, shipping, postage, and similar charges, or</u>*

*C The "delivery charges" for "direct mail."*

*This amendment became effective upon its adoption.*

*(b) On December 6, 2008 the definition of "delivery charges" was amended by adding the following to subsection (C): "The exclusion of "delivery charges" for "direct mail" shall apply to any sale involving the delivery or mailing of "direct mail" or printed material that would otherwise be direct mail that results from a transaction that a state considers the sales of a service." This provision became effective upon its adoption.*

*(c) On May 12, 2009 the definition of "delivery charges" was amended as follows:*

***"Delivery charges"** means 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 ~~from "delivery charges" any of the following, if the charges are separately stated on an invoice or similar billing document given to the purchaser~~ 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:*

*~~A.~~1. Handling, crating, packing, preparation for mailing or delivery, and similar charges; or*

*~~B.~~2. Transportation, shipping, postage, and similar charges, ~~or~~*

*~~C. The "delivery charges" for "direct mail." The exclusion of "delivery charges" for "direct mail" shall apply to any sale involving the delivery or mailing of "direct mail" or printed material that would otherwise be direct mail that results from a transaction that a state considers the sales of a service.~~*

*B. In addition, a member state may treat "delivery charges" for "direct mail" differently than it treats "delivery charges" for other personal property or services. A member state may exclude all "delivery charges" from the "sales price" for "direct mail" or choose to exclude from the "sales price" of "direct mail" one or more of the following components, an may amend the definition of "delivery charges" accordingly:*

*1. Handling, crating, packing, preparation for mailing or delivery, and similar charges;*

*2. Transportation, shipping, and similar charges; or*

*3. Postage.*

*C. Unless a seller separately states the "delivery charges" or components of "delivery charges" on the invoice or similar billing document given to the purchaser, those non-separately stated charges will not qualify for the exclusion from "sales price." No member state may require a seller to separately state any "delivery charge" or component thereof.*

*D. The exclusion of "delivery charges" for "direct mail" shall apply to any sale involving the delivery or mailing of: "direct mail;" printed material that would otherwise be "direct mail" that results from a transaction that a state considers the sale of a service; or printed material delivered or mailed to a mass audience when the costs of the printed materials are not billed directly to the recipients and is the result of a transaction that includes the development of billing information or the provision of data processing services.*

*E. If a shipment includes exempt property and taxable property, the seller should allocate the delivery charge by using:*

*~~A.~~1. a percentage based on the total sales prices of the taxable property compared to the total sales prices of all property in the shipment; or*

*~~B.~~ 2. a percentage based on the total weight of the taxable property compared to the total weight of all property in the shipment.*

*The seller must tax the percentage of the delivery charge allocated to the taxable property but does not have to tax the percentage allocated to the exempt property."*

*This amendment became effective upon its adoption.*

*(d) The definition of "delivery charges" was revised by AM23003 on May 24, 2023 and became effective upon adoption.*

**SALES PRICE - DEFINITION**

*Compiler's note: (a) On April 16, 2005 the following amendments were made to the definition of "Sales Price".*

*Deleting "F. The value of exempt personal property given to the purchaser where taxable and exempt personal property have been bundled together and sold by the seller as a single product or piece of merchandise;" and renumbering "G" to "F".*

*Changing the cross reference to reflect the renumbering, inserting the second and third sentences in the paragraph following (F), and inserting the definition of "telecommunications nonrecurring charges".*

*Inserting all of the material starting with "Sales price" shall include consideration received by the seller from third parties".*

*Member states had to comply with the changes to this definition no later than January 1, 2008.*

*(b) The following definition was in effect through December 31, 2007.*

*"**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;*

*F. The value of exempt personal property given to the purchaser where taxable and exempt personal property have been bundled together and sold by the seller as a single product or piece of merchandise; and*

*G. 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 (G) above, if they are separately stated on the invoice, billing, or similar document given to the purchaser.*

*"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.*

*(c) On December 19, 2011 the following (AM11002A01) was added to the definition of "Sales Price".*

*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 tax exclusion from sales price shall be listed on the state's taxability matrix. The exclusion of a specific tax from sales price may not be based on the type of consumer or product sold.*

*(d) On September 16, 2015, the definition of "sales price" was amended by AM15004 to allow states to exclude certain federal excise taxes or fees that are not imposed directly on the consumer if the state lists those taxes or fees on its taxability matrix.*

*(e) On December 22, 2022, the definition of "sales price" was amended by AM22001A03 to revise numbering and to allow states to exclude certain coupons for which the retailer receives reimbursement.*

*(f) On October 14, 2026, the definition of "sales price" was amended by AM26003-04 to add subsection F which provides that the "sales price" does not change due to rounding to the nearest nickel.*

## PART II – PRODUCT DEFINITIONS – COMPILER'S NOTES

### CLOTHING – DEFINITION

*Compiler's note: (a) On October 11, 2017, the definition of "clothing" was amended by AM17010A01 to allow states to exclude "diapers" from the definition of "clothing." A state may limit the exclusion to children or adult diapers.*

*(b) On May 3, 2018, the definition of "clothing" was amended by AM18005A01 to add language to distinguish children's diapers from adult diapers. The amendment became effective upon its adoption.*

### ESSENTIAL CLOTHING – DEFINITION

*Compiler's note: On February 26, 2009 the definition of "essential clothing" was approved.*

### FUR CLOTHING – DEFINITION

*Compiler's note: On December 14, 2006 the definition of "fur clothing" was approved.*

### COMPUTER SOFTWARE – DEFINITION

*Compiler's note: On May 12, 2009 the Governing Board issued an interpretation of the definition of "computer software." That interpretation can be found in the Library of Interpretations in Appendix D.*

### OPTIONAL COMPUTER SOFTWARE MAINTENANCE CONTRACT – DEFINITION

*Compiler's note: (a) On December 6, 2008 software maintenance contract definitions were adopted. This provision became effective upon its adoption.*

*(b) On April 30, 2010 the last sentence was added. This provision became effective upon its adoption.*

### DIGITAL PRODUCTS DEFINITIONS

*Compiler's note: The Digital Product Definitions were adopted on September 20, 2007 and became effective on January 1, 2008.*

### BOTTLED WATER – DEFINITION

*Compiler's note: The bottled water definition was adopted on April 30, 2010 and became effective upon its adoption.*

### CANDY – DEFINITION

*Compiler's note: On December 18, 2020 the Governing Board adopted AM20003A02 which allows states to exclude certain products from its definition of candy. This provision became effective upon its adoption.*

**FOOD AND FOOD INGREDIENTS – DEFINITION**

*Compiler's note: On April 30, 2010 this definition was amended by adding "bottled water" in the third sentence. This change became effective upon its adoption.*

**PREPARED FOOD – DEFINITION**

*Compiler's note:*

*On April 30, 2010 this definition was amended by adding "bottled water" in the last sentence. This change became effective upon its adoption. (b) On May 14, 2014, this definition was amended by providing states the option of excluding just meat or seafood sold in an unheated state by weight or volume as a single item and allowing states the option of treating food sold that otherwise meets the definition of "prepared food" differently from other prepared food if that food ordinarily requires additional cooking or baking by the consumer prior to consumption. A second vote was required on this amendment and took place on October 7, 2014. (c) On October 5, 2021, the Governing Board approved a motion by Michigan as provided in AM21006 to amend Appendix C, Part II, Product Definitions, Food and Food Products, the definition of "prepared food" to allow states to either tax or exempt items that would become prepared food if a seller exceeds the 75% test and makes utensils available.*

**BREAST PUMP – DEFINITION**

*Compiler's note: The definition of "breast pump" and options available to states related to them was adopted on December 20, 2019 through amendment AM19003A01 and became effective upon adoption.*

**BREAST PUMP COLLECTION AND STORAGE SUPPLIES – DEFINITION**

*Compiler's note: The definition of "breast pump collection and storage supplies" and options available to states related to them was adopted on December 20, 2019 through amendment AM19003A01 and became effective upon adoption.*

**BREAST PUMP KIT – DEFINITION**

*Compiler's note: The definition of "breast pump kit" and options available to states related to them was adopted on December 20, 2019 through amendment AM19003A01 and became effective upon adoption.*

**DURABLE MEDICAL EQUIPMENT – DEFINITION**

*Compiler's note: (a) On October 1, 2005 the durable medical equipment definition was amended by deleting: "~~A member state may limit its exemption to "durable medical equipment" used for home use only. A member state may limit the application of this definition by requiring a "prescription," or limit an exemption based on Medicare or Medicaid payments or reimbursements~~" after D and inserting:*

*"A member state may limit its exemption to "durable medical equipment:"*

*A. By requiring a prescription;*

*B Based on Medicare or Medicaid payments or reimbursement; or*

*C. For home use.*

*A member state may limit the exemption using any combination of the above but in no case shall an exemption certificate be required."*

*Member states shall adopt and utilize this definition no later than January 1, 2008.*

*Compiler's note: On August 29, 2006 the durable medical equipment definition was amended by adding all the language starting with "A member state may exclude…" The August 29, 2006 amendment to this section became effective upon its approval.*

*(b) On June 23, 2007 the definition of durable medical equipment was amended by adding: "Repair and replacement parts as used in this definition include all components or attachments used in conjunction with the "durable medical equipment." A member state may exclude from repair and replacement parts items which are for single patient use only."*

*(c) The following is the definition effective through December 31, 2007.*

***"Durable medical equipment"** means 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 member state may limit its exemption to "durable medical equipment" used for home use only. A member state may limit the application of this definition by requiring a "prescription," or limit an exemption based on Medicare or Medicaid payments or reimbursements.*

*A member state may exclude from the product definition of "durable medical equipment" any of the following for purposes enacting a product-based exemption:*

1. *Oxygen delivery equipment not worn in or on the body, including repair and replacement parts;*
2. *Kidney dialysis equipment not worn in or on the body, including repair and replacement parts; or*
3. *Enteral feeding systems not worn in or on the body, including repair and replacement parts.*

*A member state choosing to enact a product-based exemption for oxygen delivery equipment, kidney dialysis equipment, or enteral feeding systems, if those items are not worn in or on the body, must also enact a product-based exemption for oxygen delivery equipment, kidney dialysis equipment, or enteral feeding systems, if those are worn in or on the body.*

*A member state may limit the product-based exemption for oxygen delivery equipment, kidney dialysis equipment, or enteral feeding systems using any combination of the following:*

a. *By requiring a prescription;*
b. *Based on Medicare or Medicaid payments or reimbursement; or*
c. *For home use.*

**FEMININE HYGIENE PRODUCTS – DEFINITION**

*Compiler's note: (a) On May 10, 2017, the definition of Feminine Hygiene products was adopted from AM17004A01. (b) On November 7, 2023, the term Feminine Hygiene products was updated to Menstrual Discharge Collection Devices by AM23010 and the definition was revised to allow states to choose whether they include or exclude certain products marketed specifically for use as menstrual discharge collection devices under that definition. The amendment became effective upon adoption.*

**ORAL HEALTHCARE PRODCUTS FOR HUMAN USE – DEFINTION**

*Compiler's note: On December 20, 2024, the definition of Oral Healthcare Products for Human Use was adopted from AM24014A02.*

**TELECOMMUNICATION SERVICES DEFINITIONS**

*Compiler's note: On April 16, 2005 the telecommunications definitions were added to the Agreement. Member states shall adopt and utilize these definitions no later than January 1, 2008.*

**PREPAID WIRELESS CALLING SERVICE – DEFINITION**

*Compiler's note: (a) On May 19, 2011 the "prepaid wireless calling service" definition was changed to correct a typographical error. The phrase "units of dollars" in the last clause was incorrect. The correct phrase is "units or dollars." The word "of" was changed to the correct word "or."*

**FIREARM SAFETY DEVICE and FIREARM STORAGE DEVICE – DEFINITION**

*Compiler's note: (a) On May 15, 2024 AM24003A01 containing the definitions of "firearm safety device" and "firearm storage device" was adopted and became effective upon adoption.*

**PART III – SALES TAX HOLIDAY DEFINITIONS**

*Compiler's note: On September 5, 2008 Part III was divided into "Administrative Definitions" and Product Definitions." The amendment became effective upon its adoption.*

**DISASTER PREPAREDNESS DEFINITIONS**

*Compiler's note: On September 30, 2009 the disaster preparedness definitions were adopted and became effective upon adoption.*

**VAPOR PRODUCT, VAPOR PRODUCT DELIVERY SYSTEM and VAPOR PRODUCT DELIVERY SYSTEM COMPONENT PART OR ACCESSORY**

*Compiler's note: On May 13, 2026 the "vapor product", "vapor product delivery system" and "vapor product delivery system component part or accessory" definitions were adopted and became effective upon adoption.*

**WATERSENSE PRODUCTS – DEFINITION**

*Compiler's note: On May 14, 2014, the definition of Water Sense products was adopted.*

**APPENDIX E – LIBRARY OF TAX ADMINISTRATION PRACTICES**

*Compiler's note: (a) On October 30, 2013 the best practices related to vouchers were adopted. (b) On May 15, 2014, the best practices related to credits were adopted. (c) On May 12, 2015, the Library of Best Practices became the Library of Tax Administration Practices, which are made up of (1) disclosed practices and (2) best practices. All best practices existing on May 11, 2015, became disclosed practices. (d) On September 16, 2015, disclosed practices 3 relating to liability relief were adopted. (e) On December 16, 2016, disclosed practices 4 relating to acceptance of the limited power of attorney/agent authorization form were adopted. (f) On May 10, 2017, disclosed practices 5 relating to post transaction issues were adopted. (g) On May 10, 2017, disclosed practices 6 relating to voluntary disclosure agreements were adopted. (h) On May 2, 2018, disclosed practices 7 relating to the classification of medical products were adopted. (i) On May 20, 2021, disclosed practices 7 was amended to change "Not defined" to "Not classified by SSTGB" and an example was added to illustrate that states may or may not include products identified in disclosed practice 7 as "Not classified by SSTGB" in the same SSUTA defined term. (j) On May 20, 2021, disclosed practices 8 (AM21005A01) relating to remote sellers, marketplace sellers and marketplace facilitators/providers were adopted.*
*(k) On December 22, 2022, disclosed practices 9 (AM22004A02) relating to administration of exemptions were adopted.*
*(l) On May 24, 2023 Introductory language was added along with the selection of a best practice related to Disclosed Practice 8.1.d.i. and was effective upon adoption.*
*(m) On November 7, 2023, AM23016 added language to 8.2 regarding marketplace sellers with no physical presence directing them to 8.1 for additional information. The amendment became effective upon adoption.*
*(n) On May 16, 2024, tax administration practices and best practices8.1.j., 8.1.c., 8.1.o. and 8.1.n. were adopted as reflected in AM23006A01, AM23012A01, AM23014A02 and AM24001. The amendment became effective upon adoption and states will provide their response as part of their annual recertification.*
*(o) On October 8, 2024, tax administration practice 8.1.was amended by AM24006A02 and also adopted Disclosed Practice 8.1.(C). related to attendance and participation at trade shows.*
*(p) On October 8, 2024, tax administration practice 8.1.q. related to consumer use tax was adopted by AM24008A01.*

*(q) On October 8, 2024, tax administration practices 8.1.p., 8.2.h., and 8.3.r. related to a requirement to be registered with the Secretary of State (or equivalent state agency) to obtain a seller's permit were adopted by AM24012.*

*(r) On October 8, 2024, tax administration practice 8.3.k.ii. was amended and 8.3.k.iii. was adopted by AM24010A01.*

*(s) On May 13, 2026, tax administration practice 10 was adopted by AM26006-01.*

*(t) On May 13, 2026, tax administration practice 8.3.o was amended by AM25003B-01.*

*(u) On May 13, 2026, tax administration practice 1 was amended by RP25001A01.*