

Section 305: LOCAL RATE AND BOUNDARY CHANGES

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

- A. 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.
- B. 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.
- C. 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.
- D. 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.
- E. 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.
- F. 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.

1. If a nine-digit zip code area includes more than one tax rate in any level of taxing jurisdiction, the state must apply assign the lowest combined tax rate imposed in the nine-digit zip code area if the area includes more than one tax rate in any level of taxing jurisdictions.

2. If the five-digit zip code area includes more than one tax rate in any level of taxing jurisdiction, the state may assign the lowest, highest or blended rate based on the rates imposed in the five-digit zip code area.

3. 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 after exercising due diligence as explained in J., the seller or CSP shall apply the rate for the five-digit zip code area.

~~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 transaction 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 in determining the five and nine digit zip code designation, as applicable, to match against the state provided database, if the seller or CSP has attempted to make this determination by using (1) the look-up application available from the United States Postal Service, (2) software certified by the Coding Accuracy Support System (CASSTM), or (3) other software approved by the Governing Board that makes this designation from the address and zip code information applicable to the transaction.~~

G. 1. Have the option of supplementing the database required in subsection (F) 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 (F) 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)).

2. A member state may require that sellers and CSPs, in order to obtain the liability relief provided under Section 306 of this Agreement, use the address-based database records provided by that member state.

3.- If a seller or CSP is unable to determine the applicable rate and jurisdiction using an address-based database record after exercising due diligence as explained in J., the seller or CSP ~~may apply~~ shall use the nine digit zip code ~~designation applicable to a transaction to determine the applicable rate and jurisdiction.~~ 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 transaction after exercising due diligence to determine the designation, the seller or CSP may apply the rate for the five digit zip code area. ~~the seller or CSP may 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 after exercising due diligence as explained in J., the seller or CSP shall apply the rate for the five-digit zip code area.

~~4. 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 transaction after exercising due diligence to determine the designation, the seller or CSP may shall 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 in standardizing the address and determining the five and nine digit zip code designation, as applicable, to match against the state provided database, if the seller or CSP has attempted to make this determination by using (1) the look-up application available from the United States Postal Service, (2) software certified by the Coding Accuracy Support System (CASSTM), or (3) other software approved by the Governing Board that makes this designation from the address and zip code information applicable to the transaction.~~

H. States that have met the requirements of subsection (F) 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 (G) 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 (F) or (G) 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.

I. Make databases provided pursuant to subsections (E), (F), (G) and (H) 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.

J. Due Diligence

1. For purposes of Section 305 (F) and (G), “due diligence” means a seller or CSP has obtained at the time of sale or previously obtained in the ordinary course of business of the seller:

(a) the complete street address and five-digit zip code and used either:

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

(ii) software certified by the Coding Accuracy Support System (CASSTM); or

(iii) other software approved by the Governing Board;

to standardize the address and determine the nine-digit zip code designation applicable to the transaction;

or

(b) the nine-digit zip code from the purchaser;

and

(c) used the result from (a) to match to address-based record as provided in Section 305(G) or (b) to match against the nine-digit zip code records as provided in Section 305(F) in the state-provided database, as applicable.

2. A seller that has not obtained the complete street address including the five-digit zip code, or the nine-digit zip code, has not exercised due diligence.

Section 306: Relief From Certain Liability

A. Each member state shall relieve sellers and CSPs using databases pursuant to subsections (F), (G) and (H) 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. If a seller demonstrates that obtaining the complete street address with the five-digit zip code, or obtaining the nine-digit zip code would create an undue hardship, a member state may allow such seller to obtain only a five-digit zip code from the purchaser.

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 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. A member state that has local jurisdictions that levy a sales or use tax, may assign an alternate combined local tax rate in the five-digit zip code area, if the area includes more than one tax rate in any level of taxing jurisdiction. Such 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.

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

A. 1. Each member state shall agree to require sellers to use due diligence as provided in Section 305.J.1. to source the retail sale of a product in accordance with Section 310 or Section 310.1.

2. a. For transactions sourced according to Sections 310 and 310.1 for which a complete street address may not be needed to transfer or deliver the product, the state may require a seller to obtain:

i. the purchaser's five-digit zip code, or

ii. the purchaser's nine-digit zip code. If a seller has demonstrated an undue hardship pursuant to Section 306, the state may allow the seller to obtain only a five-digit zip code from the purchaser.

b. For purposes of sourcing transactions to the appropriate state, an “address for the purchaser” includes a nine-digit zip code or five-digit zip code as required by the state.

3. Each member state shall agree that once a seller has sourced a transaction to the appropriate state, the seller shall collect the applicable tax pursuant to Section 305.

4. 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.

5. 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.

B. 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.