



SST State and Local Advisory Council

Annual Report to the Governing Board November 2023

The State and Local Advisory Council (SLAC) held four in-person meetings during 2023: Redondo Beach, CA, in March; Rapid City, SD, in May; Cleveland, OH, in August; and Louisville, KY in November. The in-person meetings have proven to be invaluable for productive communication and collaboration of ideas.

2023 SLAC Priorities

The 2023 SLAC Priority List was discussed at the executive planning meeting in January. The identified priorities included:

- Best Practices addressing Economic Nexus Thresholds
 - Elimination of Transaction Thresholds
 - When is the seller required to register to collect and remit tax once they have met or exceeded the state's economic nexus threshold
 - Basis for calculating the economic nexus threshold- Gross, Retail or Taxable
- Sourcing of transactions when only 5-digit zip is received or when no location information is received from purchaser

SLAC workgroups worked throughout the year to complete its priority projects.

Best Practices addressing Economic Nexus Thresholds

- Best Practice adopted under Disclosed Practice 8.1.d – The Governing Board adopted a Best Practice that there be no transactional economic nexus threshold at the May 2023 Governing Board meeting.
- Best Practice recommended under Disclosed Practice 8.1.j – Best Practice recommended that a seller is required to register and begin collecting and remitting the tax no later than the first day of the first calendar month that begins at least 60 days after meeting or exceeding the state's threshold.
- SLAC continues to work to select a Best Practice under Disclosed Practice 8.1.c -Basis for calculation of the economic nexus monetary threshold

Sourcing transactions when only 5-digit zip is received

The Governing Board accepted a request for a SLAC workgroup to review proper sales tax sourcing and providing liability relief to sellers of digital goods and other sellers when only a 5-digit zip code is obtained. While working on the request the workgroup identified other areas of concern to states, sellers and CSPs.

Steering Committee

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The digital goods workgroup continues to meet to work on the original work request. The original request for review is "Proper calculation of the tax on sales of digital goods and other products and liability relief if only a 5-digit zip code is obtained".

Delivery Charges

SLAC accepted a work request from Michigan regarding adding a toggle under the Sales Price definition for delivery charges related to sales of utilities. The workgroup developed, and the Governing Board adopted, a toggle to allow states that exclude "installation" or "delivery charges" from "sales price" to include in "sales price" installation" or "delivery" charges related to the sale of utilities.

Exemption Certificate Administration

SLAC developed, and the Governing Board adopted, an amendment to Rule 317.1 to clarify the Simplified Exemption Administration. A Disclosed Practice, DP 9, was also adopted to provide guidance on States' requirements for exemption certificates.

Menstrual Products

The SLAC accepted a work request to review and update the term "feminine hygiene products" to "menstrual discharge collection devices." The workgroup met several times and reached agreement on the updated definition.

Sales Tax Holidays

Questions arose regarding member states' ability to adopt sales tax holidays for gun safety devices and gun safes, as well as other items not defined in the agreement. Sec. 322 limits a member state's ability to adopt sales tax holidays to only items defined in the SSUTA. A question also arose as to what time period qualifies as a "temporary exemption." SLAC established a work group to address these issues. An amendment to Sec. 322 has been proposed for adoption to define "temporary exemption." The work group continues to work towards the development of definitions for "gun safety devices" and "gun safes."

Digital Codes

The SLAC accepted a work request to expand the use of the "digital codes" look-through rule beyond specified digital products. A workgroup has been formed and continues to work to develop a recommendation.

Thank you to SLAC delegates and the business community for participating in the workgroups and contributing to the development of information that helps states and businesses alike.

Respectfully submitted,

Dave Matelski
SLAC Chair
Michigan Department of Treasury