

# 95<sup>th</sup> Annual Arizona Tax Conference

SSUTA and the case for sales tax simplification

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August 30, 2012

# Remote sales: Big picture issues

- Compliance with sales tax laws complex for multi-state corporations
- Local merchants suffer from lack of level playing field
- Significant losses of revenue growing from electronic commerce
- What was needed: multi-year effort between tax authorities and retail community to develop methods of simplifying sales and use tax administration, particularly for multistate sellers

# E-retailers take share from physical retailers

- A year ago, 33% of all smart phone owners say they use their phones to check prices at other merchants while in a retail store
- The number of people visiting an online retail site from a mobile device increased 90% from March 2010 to March 2011
- Nearly 50% of all computers and 30% of all consumer electronics bought in the United States are now purchased online

*Source: Internet Retailer's Daily News Service (May 18, 2011)*

# E-retailers take share from physical retailers

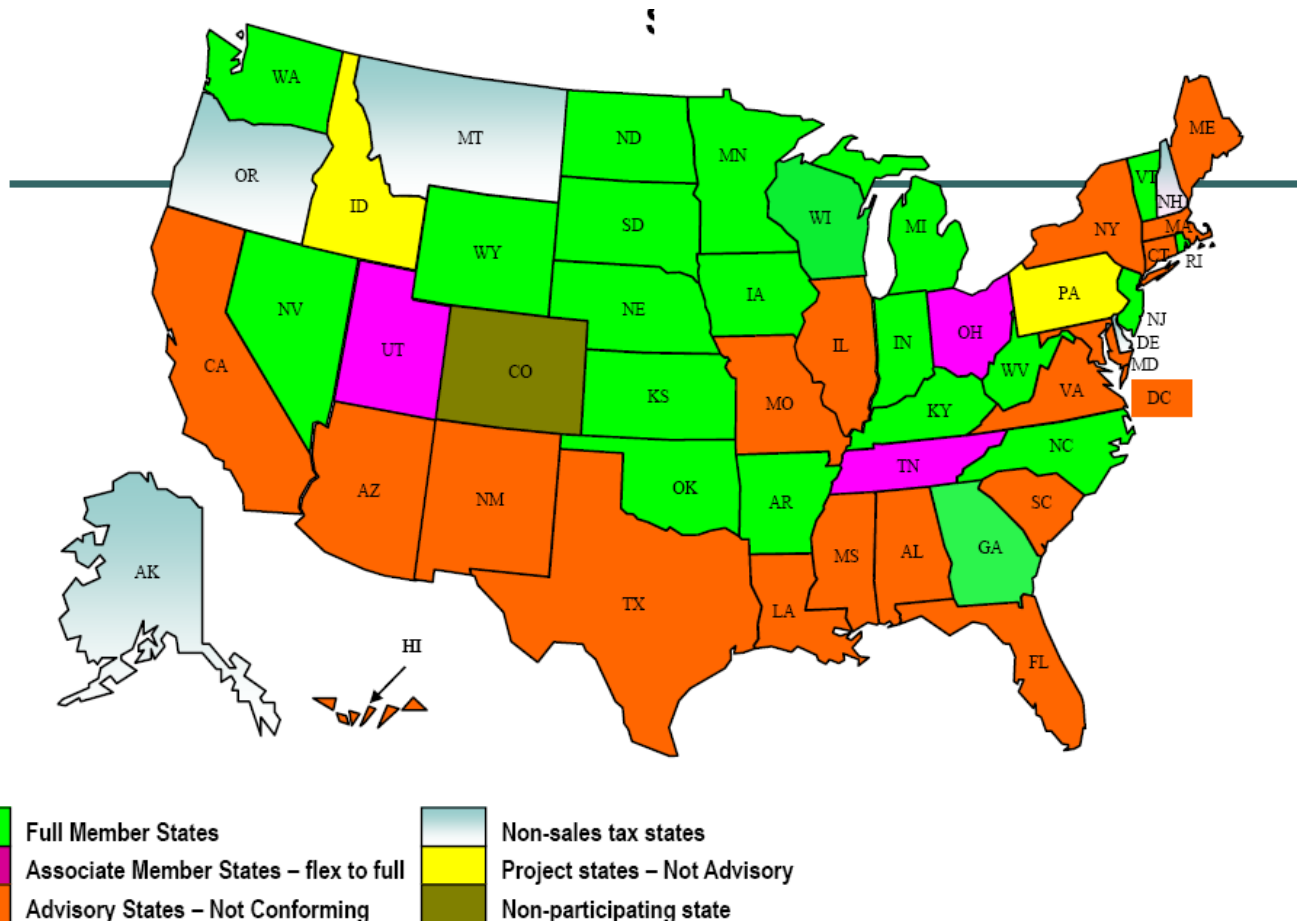
- E-commerce spending increased 16.7% year-over-year in 2011
- In 4 of the last 6 years, e-commerce spending had double digit year-over-year increases and increased during the height of the recession
- Approximately 12% of Internet users say they've bought grocery items online

*Source: US Census*

# Streamline goals

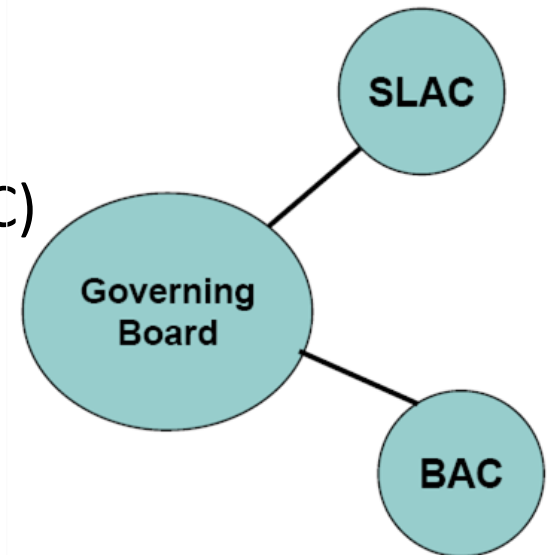
- Create a simpler system for administering the various state and local sales taxes
- Make processes uniform if they cannot be made simple
- Balance the interests of a state's sovereignty with the interests of simplicity and uniformity
- Leverage the use of technology to ease the retailer's tax collection

# Streamlined state status as of Aug 1, 2011

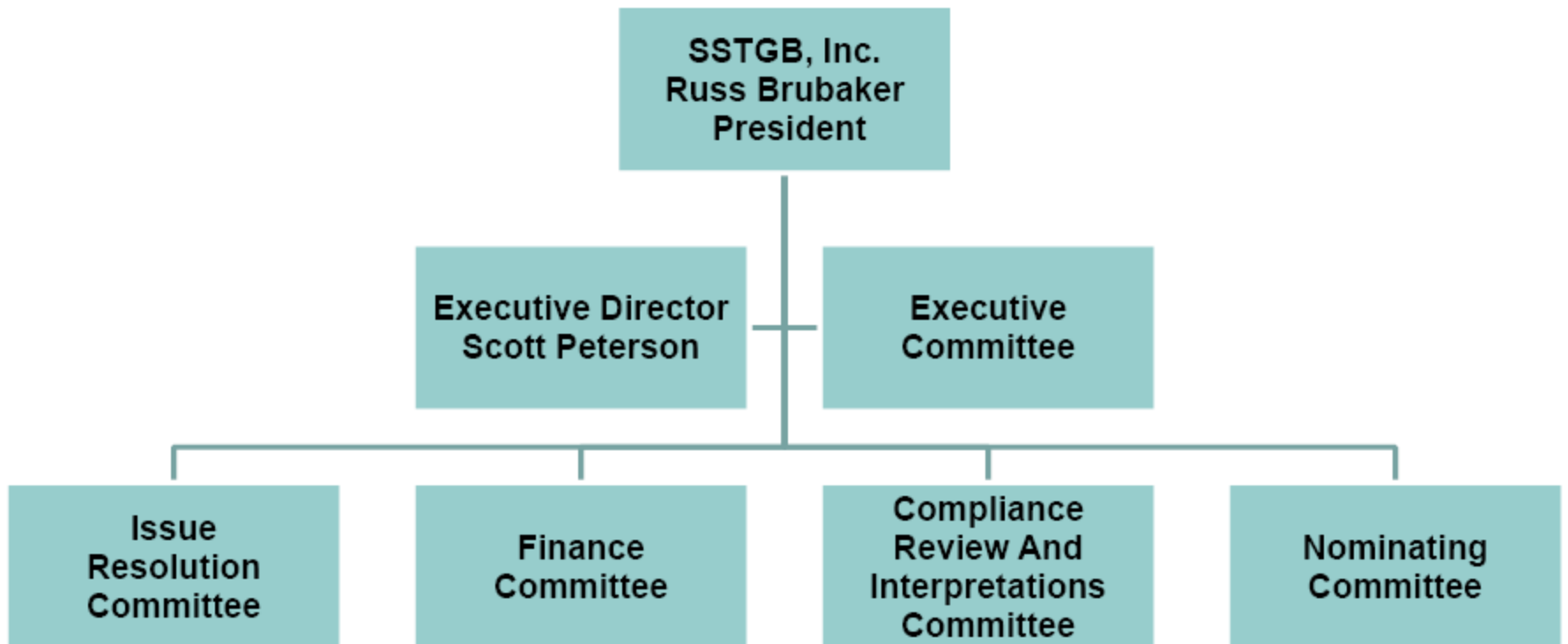


# Governance of SSUTA

- All member states have a seat on the Governing Board
- Governing Board formed non-profit entity: Streamlined Sales Tax Governing Board, Inc.
- Governing Board advised by:
  - State and local advisory council (SLAC)
  - Business advisory council (BAC)



# Governance of SSUTA





# Best practices

- Promoting greater uniformity across states. This is particularly beneficial to multistate sellers, and improves compliance in all the states with uniform provisions
- Use technology to ease the administrative burden for sellers and improve accuracy and compliance for states
- Shift responsibilities to states in areas where state is, or should be, in possession of information necessary to administration of the tax (e.g. tax rates, taxability matrix)

# Best practices: Uniform definitions

- Provides consistency across participating states
- Makes old sales tax law modern, consistent with new technologies and ways of doing business
- Provides body of law, rulings and experience in other states that can be drawn upon, not unlike income tax conformity
- Reduces challenges to participating states' interpretations

**The trade off:** Agreeing to conforming definitions on occasion may cause tax base shifts and may require compromise among states in order to reach uniformity. Seems like a good trade.

# Best practices: Uniform definitions

- Food and food ingredients
- Prepared food
- Candy
- Soft drinks
- Dietary supplements
- Clothing
- Lease or rental
- Tangible personal property
- Bundled transactions
- Drugs
- Durable medical equipment
- Computer software
- Prewritten computer software
- Delivered electronically
- Load and leave
- Sales price
- Specified digital products

# Best practices: Rates and boundary databases

- States have the information, but not always collected and provided in a systematic way
- Leaves retailer responsible for gathering and applying data, and potentially held liable for mistakes on audit – Gotcha administration
- Consistent standards for data improves retailers ability to use it, increasing accuracy and compliance
- Database is significant to in-state retailers that are required to account for sales in multiple jurisdictions
- Hold harmless/retailer protections are contingent on using the state-provided information

# Best practices: Taxability matrix

- Quick, easy reference point on state treatment of selected items
- State is in possession of information; it should be shared
- Matrix only applies to products defined under the agreement
- Hold harmless/retailer protections are contingent on using the state-provided information

# Best practices: Customer remedy/ class action procedures

- Specific process in the agreement handles how refunds are administered
- Opportunity to rectify situation prior to suit being filed
- Customer still able to get refund; simply established a process

# Best practices: Simplified electronic return and remittance rules

- Simplifies administration for both the taxpayer and the state

# Best practices: Exemption administration/ relaxation of good faith

- Seller should not be liable for policing improper practices of buyers
- Seller has limited knowledge of buyer operations
- State will have information with which to pursue buyers that use exemption inappropriately
- Uniform data requirements are advantageous to multistate sellers
- Simplified certificate requirements and seller liability relief benefit in-state, single state sellers



# Best practices: Sales tax holidays

- Consistent definitions make things simpler for sellers
- Uniform requirements make answering questions about holidays easier

# Best practices: Single point of registration

- One place where any company can register for sales tax purposes
- One place where a company can update their registration information

# Best practices: The Certified Service Provider (CSP)

- CSP is a third party that provides tax services, including liability determination, return filing and tax remittance
- CSP software must meet Agreement certification standards and be approved by the Governing Board
- Voluntary sellers use CSPs at little or no cost. States pay the CSP for services to those sellers

# Best practices: Current Certified Service Providers (CSPs)

- Six CSPs have a contract with the Governing Board:
  - Accurate Tax
  - ADP
  - Avalara
  - Exator
  - Fed-Tax
  - Speedtax

# Questions?

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