

1 not more frequently than every six months under a staggered system developed jointly by
2 the member states.

3 d. Allow any seller that is registered under this Agreement, which does not have a legal
4 requirement to register in the member state, and is not a Model 1, 2, or 3 seller, to submit
5 its sales and use tax returns as follows:

6 1. Upon registration, the State must provide to the seller the returns required by that
7 State.

8 2. A member state may require a seller to file a return anytime within one (1) year of
9 the month of initial registration, and future returns may be required on an annual
10 basis in succeeding years.

11 3. In addition to the returns required in paragraph (d)(2) of this section, a State may
12 require sellers to submit returns in the month following any month in which they
13 have accumulated state and local tax funds for a State of \$1,000 or more.
14

15 e. Participate with other member states in developing a more uniform sales and use tax
16 return that, when completed, would be available to all sellers.

17 f. Require, at each member state's discretion, all Model 1, 2, and 3 sellers to file returns
18 electronically. It is the intent of the member states that all member states have the
19 capability of receiving electronically filed returns by January 1, 2003.

20 **316 UNIFORM RULES FOR REMITTANCES OF FUNDS**

21 To reduce the complexity and administrative burden of remitting funds to the states, the member
22 states agree to:

23 a. Require only one remittance per return except as provided in this paragraph. If any
24 additional remittance is required, it may only be required from sellers that collect more
25 than \$30,000 in sales and use taxes in the State during the preceding calendar year as
26 provided herein. The amount of the additional remittance must be determined through a

1 calculation method rather than actual collections and must not require the filing of an
2 additional return.

3 b. Require, at each member state's discretion, all remittances from sellers under Models 1,
4 2, and 3 to be remitted electronically.

5 c. Allow for electronic payments by both ACH Credit and ACH Debit.

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

8 e. Provide that if a due date falls on a legal banking holiday in a member state, the taxes are
9 due to that state on the succeeding business day.

10 f. Require that any data that accompanies a remittance be formatted using uniform tax type
11 and payment type codes approved by the member states acting jointly.

12 **318 CONFIDENTIALITY AND PRIVACY PROTECTIONS**

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

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

20 c. The member states agree that a fundamental precept in Model 1 is to preserve the privacy
21 of consumers by protecting their anonymity. With very limited exceptions, a Certified
22 Service Provider must perform its tax calculation, remittance, and reporting functions
23 without retaining the personally identifiable information of consumers. To preserve the
24 privacy of consumers, member states agree that, with respect to Model 1:

25 1. A Certified Service Provider's system must be designed and tested to ensure that

1 the fundamental precept of anonymity is respected, and that personally
2 identifiable information is only used when necessary for the administration of
3 Model 1 and only when the Certified Service Provider has clear and conspicuous
4 notice of its use.

5 2. Certified Service Providers must provide consumers clear and conspicuous notice
6 of their information practice, including what information they collect, how they
7 collect the information, how they use the information, and whether they disclose
8 the information to member states.

9 3. Certified Service Providers' retention of personally identifiable information will
10 be limited to exemption claims by reason of a consumer's status or intended use
11 of the goods or services purchased, to investigations of fraud, and to the extent
12 necessary, to ensure the reliability of the Certified Service Providers' technology
13 in Model 1.

14 4. Certified Service Providers must provide such technical, physical, and
15 administrative safeguards so as to protect personally identifiable information from
16 unauthorized access and disclosure.

17 5. This privacy policy is subject to enforcement by member states' attorneys general
18 or other appropriate authorities.

19 6. When personally identifiable information is retained for limited purposes by or on
20 behalf of the member states, in the absence of exigent circumstances, individuals
21 should be provided with reasonable notification of such retention and should be
22 afforded reasonable access to their own data and a right to correct inaccurately
23 recorded data.

24 7. If anyone other than a member state seeks to discover personally identifiable
25 information, then, in the absence of exigent circumstances, a reasonable and
26 timely effort should be made to notify the individual of such request.

27 d. The member states' laws and regulations regarding the collection, use, and maintenance

1 of confidential taxpayer information remain fully applicable and binding. Without
2 limitation, this Agreement does not enlarge or limit the member states' authority to:

3 1. Conduct audits or other review as provided under this agreement and state law.

4 2. Provide records pursuant to a member state's Freedom of Information Act,
5 disclosure laws with governmental agencies, or other regulations.

6 3. Prevent, consistent with state law, disclosures of confidential taxpayer
7 information.

8 4. Prevent, consistent with federal law, disclosures or misuse of federal return
9 information obtained under a disclosure agreement with the Internal Revenue
10 Service.

11 5. Collect, disclose, disseminate, or otherwise use anonymous data for governmental
12 purposes.

13 e. Without limitation, this privacy policy does not enlarge or limit any existing or future
14 privacy policies of sellers in Model 1.

1 **ARTICLE IV**

2 **SELLER REGISTRATION**

3 **400 SELLER PARTICIPATION**

- 4 a. In order to simplify the seller registration process, the member states will provide an
5 online registration system that will allow sellers to register in all the member states.
- 6 b. By registering, the seller agrees to collect and remit sales and use taxes for all taxable
7 sales into the member states, including member states joining after the seller's
8 registration. Withdrawal or revocation of a member state shall not relieve a seller of its
9 responsibility to remit taxes previously collected on behalf of the State.
- 10 c. In member states where the seller has a requirement to register prior to registering under
11 this Agreement, the seller may be required to provide additional information to complete
12 the registration process or the seller may choose to register directly with those states.
- 13 d. Registration with the central registration system and the collection of sales and use taxes in
14 the member states will not be used as a factor in determining whether the seller has nexus
15 with a State for any tax.

16 **402 AMNESTY FOR REGISTRATIONS**

- 17 a. Subject to the limitations stated below in this section and the following sections:
- 18 1. A State participating in the Streamlined Sales and Use Tax Agreement will provide
19 amnesty for uncollected or unpaid sales and/or use tax to a seller who registers to pay
20 and/or to collect and remit applicable sales and/or use tax on sales made to purchasers in
21 the State in accordance with the terms of the Agreement, provided that the seller was not
22 so registered in that State in the twelve-month period preceding the commencement of
23 the State's participation in the Agreement.
- 24 2. The amnesty will preclude assessment for uncollected or unpaid sales and/or use tax
25 together with penalty or interest for sales made during the period the seller was not

1 registered in the State, provided registration occurs within twelve months of the effective
2 date of the State's participation in the Agreement.

3 3. Amnesty similarly will be provided by any additional State that joins the Agreement
4 after the seller has registered.

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

8 c. The amnesty is not available for sales and/or use taxes already paid or remitted to the State
9 or to taxes collected by the seller.

10 d. The amnesty is fully effective absent the seller's fraud or intentional misrepresentation of a
11 material fact as long as the seller continues registration and continues payment and/or
12 collection and remittance of applicable sales and/or use taxes for a period of at least thirty-six
13 months. The statute of limitations applicable to asserting a tax liability is tolled during this
14 thirty-six month period.

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

17 f. A State participating in the Agreement may allow amnesty on terms and conditions more
18 favorable to a seller.

19 **404 METHOD OF REMITTANCE**

20 When registering, the seller may select one of the following methods of remittances or other
21 method allowed by state law to remit the taxes collected:

22 a. MODEL 1 Seller selects a Certified Service Provider (CSP) as an agent to perform all the
23 seller's sales or use tax functions, other than the seller's obligation to remit tax on its own
24 purchases.

25 b. MODEL 2 Seller selects a Certified Automated System (CAS) to use which calculates

1 the amount of tax due on a transaction.

2 c. MODEL 3 Seller utilizes its own proprietary automated sales tax system that has been
3 certified as a CAS.

4 **406 REGISTRATION BY AN AGENT**

5 A seller may be registered by an agent. Such appointment must be in writing and submitted to a
6 member state if requested by the member state.

1 **ARTICLE V**

2 **PROVIDER AND SYSTEM CERTIFICATION**

3
4 **500 CERTIFICATION OF SERVICE PROVIDERS AND AUTOMATED SYSTEMS**

5 a. In order to facilitate the provisions of this Agreement, the member states acting jointly
6 will certify automated systems and service providers to aid in the administration of sale
7 and use tax collections.

8
9 b. The member states acting jointly may certify a person as a Certified Service Provider if
10 the person meets all of the following requirements:

11 1. The person uses a Certified Automated System

12 2. The person integrates its Certified Automated System with the system of a seller
13 for whom the person collects tax so that the tax due on a sale is determined at the
14 time of the sale.

15 3. The person agrees to remit the taxes it collects at the time and in the manner
16 specified by the member states.

17 4. The person agrees to file returns on behalf of the sellers for whom it collects tax.

18 5. The person agrees to protect the privacy of tax information it obtains.

19 6. The person enters into a contract with the member states and agrees to comply
20 with the terms of the contract.

21 c. The member states acting jointly may certify a software program as a Certified
22 Automated System if the member states determine that the program meets all of the
23 following requirements:

- 1 1. It determines the applicable state and local sales and use tax rate for a transaction,
2 based on the uniform sourcing provision established under the Agreement.
- 3 2. It determines whether or not an item is exempt from tax.
- 4 3. It determines the amount of tax to be remitted for each taxpayer for a reporting
5 period.
- 6 4. It can generate reports and returns as required by the member states.
- 7 5. It can meet any other requirement set by the member states.
- 8 d. The member states acting jointly may establish one or more sales tax performance
9 standards for multistate sellers that meet the eligibility criteria set by the member states
10 and that developed a proprietary system to determine the amount of sales and use tax due
11 on transactions.

1 **ARTICLE VI**

2 **MONETARY ALLOWANCES FOR NEW TECHNOLOGICAL MODELS FOR SALES**
3 **TAX COLLECTION**

4 **600 MONETARY ALLOWANCES FOR CSPs AND SELLERS**

5 This Article addresses the monetary allowances to be provided by a member state to a CSP and
6 all sellers for implementing new technological models. These allowances shall be subject to
7 review by the member states upon the completion of a joint public and private sector study of the
8 compliance cost on sellers to collect sales and use taxes for state and local governments under
9 various levels of complexity. Such study shall be completed no later than July 1, 2002.
10 Allowances may also be reviewed as the efficiency of technology improves and economies of
11 scale arise from increasing transaction volumes processed through these systems. The non-
12 monetary benefits that accrue to all sellers that participate in the Agreement are addressed in
13 other sections. These non-monetary benefits include limitations on the assessment of back taxes,
14 reduced audit scope, uniform returns, and other methods of tax compliance simplification.

15 **602 MONETARY ALLOWANCE UNDER MODEL 1**

16 a. The member states agree to provide a monetary allowance to a CSP in Model 1 in accordance
17 with the terms of the contract the member states sign with the CSP. The details of the monetary
18 allowance are provided through the contract process. The allowance will be funded entirely from
19 money collected in Model 1.

20 b. The member states anticipate a monetary allowance to a CSP to be one or more of the
21 following incentives:

- 22 1. A base rate that applies to taxable transactions processed by the CSP.
- 23 2. For a period not to exceed twenty-four (24) months following a voluntary seller's
24 registration through the Agreement's central registration process, a percentage of
25 tax revenue generated for a member state by the voluntary seller. "Voluntary
26 seller" means a seller that does not have a requirement to register to collect the tax

1 for a member state.

2 **604 MONETARY ALLOWANCE FOR MODEL 2 SELLERS**

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

5 a. All sellers shall receive a base rate for a period not to exceed twenty-four (24) months
6 following the commencement of participation by a seller. The base rate will be set after the base
7 rate has been established for Model 1. This allowance will be in addition to any discount
8 afforded by each member state at the time.

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

11 1. For a period not to exceed twenty-four (24) months following a voluntary seller's
12 registration through the Agreement's central registration process, a percentage of
13 tax revenue generated for a member state by the voluntary seller. "Voluntary
14 seller" means a seller that does not have a requirement to register to collect the tax
15 for a member state.

16 2. Following the conclusion of the twenty-four (24) month period, a seller will only
17 be entitled to a vendor discount afforded under each member state's law at the
18 time the base rate expires.

19 **606 MONETARY ALLOWANCE FOR MODEL 3 SELLERS AND ALL OTHER**
20 **SELLERS THAT ARE NOT UNDER MODELS 1 OR 2**

21 The member states anticipate that they will provide a monetary allowance to sellers under Model
22 3 and to all other sellers that are not under Models 1 or 2 based on the following:

23 1. For a period not to exceed twenty-four (24) months following a voluntary seller's
24 registration through the Agreement's central registration process, a percentage of
25 tax revenue generated for a member state by the voluntary seller. "Voluntary
26 seller" means a seller that does not have a requirement to register to collect the tax

- 1 for a member state.
- 2 2. Vendor discounts afforded under each member state's law.

1 **ARTICLE VII**

2 **INTERIM GOVERNANCE**

3
4 **700 PARTICIPATING STATES**

5 Until July 1, 2003 all states which enact the Simplified Sales and Use Tax Administration
6 Act, Sections 1-10, shall be entitled to participate in multistate discussions to review and
7 amend the Streamlined Sales and Use Tax Agreement. For purposes of these discussions
8 each state that enacts the above mentioned act shall have no more than four
9 representatives with each state having only one vote. After July 1, 2003 only those states
10 having enacted the Simplified Sales and Use Tax Administration Act and have complied
11 with the Agreement will have the authority to amend the Agreement. Only states
12 complying with the terms of this Agreement pursuant to Article VIII shall have the
13 authority to decide matters with regard to joint contracts between complying states and
14 vendors.

15
16 **702 AMENDING THE AGREEMENT**

17 Until July 1, 2003 the Agreement as adopted on January 27, 2001, may be amended by a
18 simple majority of the participating states referenced in Section 700. After July 1, 2003
19 the states complying with the Agreement shall decide the procedures for amending the
20 Agreement .

21
22 **704 CONTRACTS**

23 Until July 1, 2003, contracts between complying states and vendors may not exceed one
24 year in duration.

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ARTICLE VIII STATE ENTRY AND WITHDRAWAL

800 ENTRY INTO AGREEMENT

Any State may apply to become a party to this Agreement by executing an adopting resolution and specifying the proposed date of entry. The applying State shall agree to abide by all terms, conditions, and requirements of the Agreement, adopt the Simplified Sales and Use Tax Administration Act, and provide certification of compliance with the terms of the Agreement along with its adopting resolution. A copy of the adopting resolution and the certification of compliance shall be provided to each member state for the purpose of obtaining the required endorsement.

802 CERTIFICATION OF COMPLIANCE

The certification of compliance shall document compliance with the provisions of this Agreement and cite applicable statutes, regulations, or other authorities supporting such compliance. Each member state shall maintain and make the instrument available for public inspection.

804 INITIAL ADOPTING STATES

This Agreement shall become effective when five (5) states have completed the prescribed adopting resolution. An initial state shall be approved by being found in compliance with the requirements of this Agreement by a vote of three-fourths majority of the other initial states.

806 CONDITIONS FOR MEMBERSHIP

The member states shall vote whether the petitioning state is in compliance to accept its petition for membership. A three-fourths vote of all the member states is required. A State is in compliance if its laws, rules or regulations, and policies are consistent with this Agreement and do not substantially deviate from the requirements set forth in this Agreement. Public notice and opportunity for comment will be given before a State is allowed to participate in the Agreement.

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808 AGREEMENT ADMINISTRATION

The member states must organize to govern compliance of each State participating in the Agreement and take other actions as may be necessary to administer and implement the provisions contained herein. The member states acting jointly must appoint an advisory council to consult with in the administration of the Agreement and on issues of individual state compliance. Members of the advisory council shall include representatives from business and any other interested persons.

810 WITHDRAWAL OF MEMBERSHIP

This Agreement shall continue in full force and effect, after its original adoption, as to each State until withdrawn by the proper officials of a State. Such withdrawal shall not be effective until the first day of a calendar quarter after a minimum of sixty (60) days' notice. Such notification shall immediately be sent to the officials of the other member states of the Agreement. However, withdrawal by one State shall not effect the Agreement among other states. Notwithstanding the withdrawal, the obligations incurred by the withdrawing State shall survive the withdrawal during its membership.

812 EXPULSION OF MEMBER STATES

Any member state may request a resolution before the member states acting jointly to expel another member state which is not in compliance with the terms of this Agreement. A resolution expelling a member state from the Agreement shall require the affirmative vote of three-fourths of the total member states, excluding the State that is the subject of the resolution. The member state that is the subject of the resolution will not be allowed to vote. Failure of a member state to vote shall be deemed a vote against the resolution of expulsion.

814 CONTINUED ROLE OF STREAMLINED SALES TAX PROJECT AND STATE ADVISORY COMMITTEE

1 All states that are participating members of the Streamlined Sales Tax Project pursuant to the
2 Operating Rules of the Project shall become the State Advisory Committee to the states enacting
3 the Simplified Sales and Use Tax Administration Act. This Committee shall continue the work
4 of the Streamlined Sales Tax Project and shall provide input to such states.

5 **816 EFFECTIVE DATE**

6 This Agreement shall become binding and take effect upon the signing by five (5) states and
7 their respective filing of a Certificate of Compliance reflecting compliance with the provisions
8 hereof, including citations to applicable statutes, regulations or other authorities supporting such
9 compliance.

1 **ARTICLE IX**

2 **AMENDMENTS AND INTERPRETATIONS**

3 **900 AMENDMENTS TO AGREEMENT**

4 This Agreement may be amended, pursuant to Article VII Section 702. Prior to amending the
5 Agreement, the states acting jointly shall give public notice of the proposed amendment and
6 opportunity for public comment.

7 **902 INTERPRETATIONS OF AGREEMENT**

8 Matters involving interpretation of the Agreement may be brought before the member states
9 acting jointly by any member state or any other person. The member states acting jointly are
10 empowered to issue an interpretation of the Agreement, subject to approval by a majority of the
11 voting states. All interpretations issued under this section shall be published in an appendix to the
12 Agreement with footnotes under the appropriate sections of the Agreement.

1 **ARTICLE X**

2 **RELATIONSHIP OF AGREEMENT TO MEMBER STATES AND PERSONS**

3 **1000 COOPERATING SOVEREIGNS**

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

8 **1002 RELATIONSHIP TO STATE LAW**

9 No provision of this Agreement in whole or part invalidates or amends any provision of the law
10 of a member state. Adoption of the Agreement by a member state does not amend or modify any
11 law of the State. Implementation of any condition of this Agreement in a member state, whether
12 adopted before, at, or after membership of a State, must be by the action of the member state. All
13 member states remain subject to Article VI, State Entry and Withdrawal.

14 **1004 LIMITED BINDING AND BENEFICIAL EFFECT**

15 a. This Agreement binds and inures only to the benefit of the member states. No person, other
16 than a member state, is an intended beneficiary of this Agreement. Any benefit to a person other
17 than a State is established by the laws of the member states and not by the terms of this
18 Agreement.

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

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

1 Agreement.

2 **1006 FINAL DETERMINATIONS**

3 The determinations pertaining to this Agreement that are made by the member states are final
4 when rendered and are not subject to any protest, appeal, or review.

5

1 **ARTICLE XI**

2 **REVIEW OF COSTS AND BENEFITS ASSOCIATED WITH THE AGREEMENT**

3

4 **1100 REVIEW OF COSTS AND BENEFITS**

5 Representatives of the member states will review costs and benefits of administration and
6 collection of sales and use taxes incurred by states and sellers under the existing sales and use tax
7 laws at the time of adoption of this Agreement and the proposed Streamlined Sales Tax System.

8

1 APPENDIX A

2 STREAMLINED SALES AND USE TAX AGREEMENT

3 LETTER OF INTENT

4
5 WHEREAS, it is in the interest of the private sector and of state and local governments to
6 simplify and modernize sales and use tax administration;

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

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

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

14 NOW, the undersigned representative hereby executes this intent to sign the attached draft of
15 the Streamlined Sales and Use Tax Agreement upon enactment of the Simplified Sales and Use
16 Tax Administration Act.

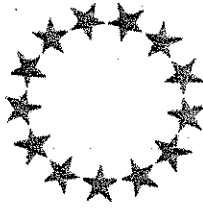
17
18 _____

19 NAME

20 _____

21 TITLE

22 STATE OF _____



February 2, 2001

Ms. Diane Hardt
Co-Chair, Streamlined Sales Tax Project
Administrator of Income, Sales, and Excise Taxes
P.O. Box 9833
Madison, Wisconsin 53708-8933

Mr. Charles Collins
Co-Chair, Streamlined Sales Tax Project
Director of Sales and Use Tax Division
P.O. Box 871
Raleigh, North Carolina 27602-0871

Dear Diane and Charles:

We are writing to express the continued support of the nation's Governors for the Uniform Sales and Use Tax Administration Act and Streamlined Sales and Use Tax Agreement as adopted by the participating states. These two products demonstrate significant progress towards achieving a more simple, uniform, and fair system of state sales and use taxation. The unanimous vote of the participating states is testimony to your constructive efforts to bring our sales and use tax systems into the 21st century and towards achieving critical savings and efficiencies in the new economy. While we recognize that there will be opposition to streamlining, we urge the project states to press ahead given the huge potential benefits to the national economy of developing an efficient tax simplification system for the 21st century. We look forward to positive and constructive actions by the states, and remain committed to support such efforts.

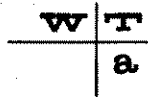
We commend you for the openness and responsiveness of the project to comments from the business sector. It is clear to us that enacting a streamlined system in our states will require not just the strong support of the business community, but also their continued input to create a system that works far more efficiently and fairly than the one we currently have.

We appreciate your efforts and leadership on this critical project.

Sincerely,

Governor Parris N. Glendening

Governor John Engler



News

Wisconsin Taxpayers Alliance
335 W. Wilson Street
Madison, Wisconsin 53703

Bob - FYI
A Jim

February 5, 2001

Contact: Richard G. Sheil or Todd A. Berry
(608) 255-4581 or wtataxes@itis.com

STATE-LOCAL TAX BURDEN RISES FROM 12.8% TO 13.0% OF INCOME

Total State-Local Tax Increase Greatest Since 1984, WTA Says

MADISON—Wisconsin's state-local tax burden in fiscal year 2000 stood at 13.0% of personal income, according to a new report from the Wisconsin Taxpayers Alliance (WTA).

The 13.0% level was higher than the level between 1997 and 1999, when the state-local tax burden ranged between 12.8% and 12.9%. But it remained below the level between 1992 and 1996, when state-local taxes claimed between 13.1% and 13.5% of income. [Note to Editor: See chart on page 2 of this release.]

"Expressing the state-local tax burden as a share of income is the fairest way of comparing these taxes over time," said WTA President Todd A. Berry. "It provides the clearest demonstration of taxpayers' ability to pay." In addition, because Wisconsin has an unusual system of state-local finance, involving transfers of significant amounts of state revenue to local governments, interstate comparisons of state-local taxes can be misleading, Berry said.

According to the WTA, a nonprofit, nonpartisan government-research organization, in fiscal 2000, state and local taxes totalled \$18.8 billion, up 7.3% from \$17.5 billion in fiscal 1999. This was the largest percentage increase since 1984.

State individual income tax collections accounted for most of the rise in state-local taxes. State individual income taxes rose 15.5%, from \$5.2 billion in 1999 to nearly \$6.0 billion in 2000. One of the leading reasons for the growth in state individual income tax collections was the repeal of the property tax/rent credit for 1999 only. The popular income tax credit was restored for 2000 and subsequent years.

The one-time state sales tax rebate enacted in 1999 was paid from a sum-sufficient appropriation and is not reflected in total state tax collections, the WTA noted.

Adding federal taxes to the picture boosts total taxes and fees paid in Wisconsin to \$52.9 billion in 2000, or 6.9% more than in 1999. Total taxes increased from 36.1% of personal income in 1999 to 36.8% in 2000. Total taxes were 33.4% of income in 1990 and 34.9% in 1980.

The federal government collected \$34.2 billion in taxes from Wisconsin, or 64.6% of total taxes. And of this, 82.9% came from U.S. individual income and social security taxes. The state collected \$12.8 billion, or 24.1%, of the \$52.9-billion total. Local governments levied \$6.0 billion in taxes in 2000, or 11.3% of all collections.

The WTA report also includes trends in federal, state and local tax collections over the past two decades. In 1980, Wisconsinites paid 34.9% of their incomes in taxes. Between 1980 and 1990, the average

(more)

The Wisconsin Taxpayers Alliance, founded in 1932, is the state's oldest and most respected private government-research organization. Through its publications, civic lectures and school talks, the WTA aims to improve Wisconsin government through citizen education. Nonprofit, nonpartisan and independently funded, the WTA is not affiliated with any group—national, state or local—and receives no government support.

annual growth in tax collections was 6.4%, but personal incomes grew even faster, 6.9% annually. Consequently, total taxes fell as a percentage of personal income to 33.4% in 1990.

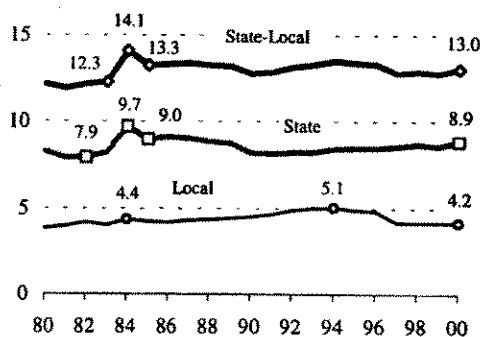
Local taxes grew fastest in the 1980's, with annual increases averaging 8.6%. Local collections, virtually all property taxes, rose from \$1.7 billion in 1980 to \$3.8 billion in 1990. Only local taxes rose relative to personal income from 1980 to 1990.

During the 1990's, total tax collections grew 6.5% annually, while personal income rose 5.5% per year. Consequently, total taxes as a percentage of personal income increased from 33.4% to 36.8%, or 3.4 percentage points. Federal taxes grew fastest during the decade, rising from \$17.4 billion to \$34.2 billion, or 7.0% annually. Federal taxes as a percentage of income rose from 20.7% in 1990 to 23.8% in 2000. State taxes rose 6.3% per year, from \$6.9 billion to \$12.8 billion. As a share of income, state taxes rose from 8.2% to 8.9%. Local taxes went up an average of 4.6% per year, from \$3.8 billion in 1990 to \$6.0 billion in 2000. As a percentage of personal income, they fell from 4.5% in 1990 to 4.2% in 2000. Only local taxes increased at a rate lower than that for personal income during the decade, according to the WTA.

Starting in 1999, state income tax brackets and the standard deduction have been indexed for inflation. For 2000, a fourth tax bracket was added for joint filers with incomes over \$155,850 (\$116,890, singles). The tax rates range from 4.73% to 6.75% of taxable income. For 2001, the rates range from 4.60% to 6.75%.

For a free copy of the report, "Wisconsin's Total Taxes in 2000," write the Wisconsin Taxpayers Alliance, 335 West Wilson St., Madison, WI 53703-3694, or send an e-mail request to wtataxes@itis.com. □

State and Local Tax Collections
As % of Personal Income





INTERNATIONAL MASS
RETAIL ASSOCIATION

1700 North Moore Street

Suite 2250

Arlington, VA 22209

TESTIMONY OF
KATHRYN M. LAVRIHA
SENIOR VICE PRESIDENT, STATE GOVERNMENT AFFAIRS
INTERNATIONAL MASS RETAIL ASSOCIATION
BEFORE THE
JOINT COMMITTEE ON INFORMATION
POLICY AND TECHNOLOGY
ON
STREAMLINED SALES TAX COLLECTION

FEBRUARY 8, 2001

THE INTERNATIONAL MASS RETAIL ASSOCIATION SUPPORTS
SALES TAX SIMPLIFICATION AND A "LEVEL PLAYING FIELD"
FOR SALES TAX COLLECTION RESPONSIBILITIES

On behalf of its member companies, the International Mass Retail Association (IMRA) would like to take the opportunity at this hearing to express support for the goals of the Streamlined Sales Tax Project (SSTP) and to thank Diane Hardt of the Wisconsin Department of Revenue for the countless hours she has devoted to the simplification effort.

IMRA is the world's leading alliance of retailers and their product and service suppliers committed to bringing price-competitive value to the world's consumers. IMRA represents many of the best-known and most successful retailers in the world, who operate thousands of stores worldwide.

IMRA's Board of Directors, in 1999, determined that one of IMRA's highest legislative priorities is federal legislation implementing a "level playing field," under which all retailers—regardless of the form of distribution—have the same duty to collect applicable sales or use taxes. IMRA's policy position also calls for dramatic simplification of state sales and use taxes. We believe that it is a political and practical reality that Congress will require meaningful simplification before it will give the states the necessary authority to compel collection of taxes on remote sales.

The Congressionally-established "Advisory Commission on Electronic Commerce" (ACEC) reported to Congress last year that sales tax collection by Internet and other remote retailers should not be compelled until significant simplification of state sales and use tax laws is undertaken. Congressional proponents of a "level playing field" have also called for simplification. In fact, on May 10, 2000, the U.S. House of Representatives approved an amendment by a vote of 289 to 138 that expressed the

sense of Congress that the states should develop a streamlined, non-multiple and non-discriminatory tax system.

In addition to our ultimate goal of a "level playing field," IMRA also supports simplification because we believe it will benefit all retailers if states and localities can simplify the extremely difficult and burdensome systems under which brick-and-mortar retailers currently operate.

As we all know, sales or use taxes are due on most purchases of tangible personal property in states with a sales tax. Most Internet retailers are not required to collect that tax, however, as a result of a 1992 Supreme Court decision. Rather, consumers are responsible for self-assessing and remitting the appropriate use tax to the state, usually when they file their income taxes. The U.S. Supreme Court's 1992 decision in *Quill Corporation v. North Dakota* held that the Commerce Clause of the Constitution prevents states from requiring sales and use tax collection by out-of-state sellers without a physical connection (or "nexus") to the state, but that Congress has the power to require out-of-state sellers to collect the taxes.

IMRA is asking Congress to require remote sellers collect sales and use taxes, just as brick-and-mortar retailers already must do. Traditional brick-and-mortar retailers are presently at a competitive disadvantage because, unlike many of their Internet and other remote selling counterparts, under most circumstances they must collect sales taxes on both in-store and on-line sales. Most Internet retailers, on the other hand, need not collect the applicable sales taxes. Clearly, this creates a pricing disadvantage for the retailer that must collect sales taxes—what we call an "un-level playing field."

This disparity is unfair and has caused some retailers to alter their corporate structure in order to remain competitive. For example, some retailers have concluded that they need not collect the taxes on remote sales made through separate subsidiaries.

IMRA believes that—rather than push retailers to reorganize their businesses, as does the current unfair tax system—a more reasonable approach would be to treat all retail sales of tangible personal property in the same manner, whether made in a store or via a store's Internet site, by a non-store Internet seller or by some other type of remote seller.

To achieve a level playing field, IMRA supports federal legislation such as that introduced by Senator Byron Dorgan (D-ND) during the 106th Congress (S. 2775). That legislation, which we expect to be reintroduced in the coming weeks, calls on the states to enter into an interstate compact through which the states would simplify and harmonize their sales and use tax systems according to certain guidelines contained in the legislation.

IMRA believes that we have a good opportunity to see such legislation enacted this year. We are working to attach it to an extension of the Internet tax moratorium—the moratorium on new, multiple and discriminatory taxes on Internet access. Without a doubt, the extension of the moratorium will pass Congress this year (sometime before October, when the current moratorium expires). We believe it is essential that legislation addressing the “level playing field” be considered along with the moratorium. We believe that real progress in the states on simplification—an important element of the Dorgan legislation—will improve our chances in Congress.

We encourage the Wisconsin state legislature and all organizations representing state and local governments to continue to work with retailers and all other interested parties to achieve true sales tax simplification. We also urge you to work in concert with retailers, the retail real estate industry and other interested parties to have federal legislation enacted that will level the playing field for sales tax collection.

Joint Committee on Information Policy
Testimony of Diane L. Hardt
Wisconsin Department of Revenue
February 8, 2001

Senator Jauch, Representative Pettis and Committee Members:

Thank you for inviting me to testify about the Streamlined Sales Tax Project (SSTP). The SSTP is a nationwide effort to bring the sales tax into the 21st century by making it easier for sellers to administer and consumers to understand. This is especially important in this age of multi-state businesses where goods cross state lines via internet commerce. I will share with you some of the background behind the SSTP, what we have accomplished, and what will happen in the future.

Sales and Use Tax Law

The Wisconsin sales and use tax law was enacted in 1969. The current state sales tax rate is 5% and it applies to all sales, leases and rentals of tangible personal property, unless specifically exempt, and specified services. Where sales tax is not paid, a 5% use tax is imposed. The seller normally collects the sales tax from the consumer. If a sales tax is not collected, then the consumer owes a use tax. The Department provides a line on the income tax form for consumers to report their use tax obligations.

As of April 1, 2001, 54 counties will collect a 0.5% sales and use tax. The state and counties have the same tax base and the state collects the county sales tax, remitting the taxes to the counties on a monthly basis.

The Department of Revenue (and Wisconsin sellers) collect about \$3.5 billion per year in state sales and use taxes. This represents about one-third of state tax revenues. The Department (and Wisconsin sellers) also collect about \$200 million per year in county sales taxes that are remitted to the 54 counties with a sales and use tax.

1992 Supreme Court Decision

A 1992 U.S. Supreme Court decision on taxing mail order sales, known as *Quill Corporation vs. North Dakota*, (and an earlier ruling in Illinois), said that states could not require catalog companies to collect sales taxes unless the seller had a physical presence, or "nexus" in the state. In other words, L.L. Bean, a Maine catalog company, is not required to collect sales taxes on sales to Wisconsin consumers while Lands End, a Wisconsin company, is required to collect sales taxes from Wisconsin consumers. The U.S. Supreme Court said there would be too much burden on companies not having a connection with a state to keep track of that state's tax laws, rates, exemptions, and administrative procedures.

The Court in no way prohibited the collection of the taxes from the consumers when the seller does not collect the taxes. So the burden is on the consumers to keep track of their purchases from mail order. The same legal principles apply to commerce over the internet; consumers are expected to keep track of their internet purchases and then report and remit the tax on their income tax returns.

Fiscal Effects in Wisconsin

Between mail order sales and e-commerce sales, the Department estimates a state tax revenue loss of \$116-\$127 million in calendar 2000 and a local government revenue loss of \$7.3-\$8 million in calendar 2000. These numbers will most certainly grow in the future as consumers expand their use of mail order and e-commerce. In addition, due to digitized products and technological convergence, an unknown amount of additional state and local government revenues will be lost.

Streamlined Sales Tax Project

The Streamlined Sales Tax Project was begun in March of 2000. At that time 12 revenue departments, supported by the National Governors' Association and the National Conference of State Legislatures, organized around a mission of simplifying state and local sales tax laws and administration. The objectives were to dramatically simplify for all sellers, regardless of the type of commerce.

By the time the project completed its first Phase in December, 40 states were participating in the project. In addition, numerous local governments and their associations participated. The project was very open to involving businesses and addressing their concerns about the complexities in conducting business across state lines. The project conducted numerous public hearings.

The Project has focused on several major areas of simplification including: reducing the burdens on sellers for exemption processing; providing for uniform sourcing rules in all states; using uniform definitions, particularly for food and clothing; simplifying audit and administrative procedures; and using emerging technologies to substantially reduce the administrative burden on sellers.

Some issues remain and will continue to be worked on in 2001. The project intends to develop additional uniform definitions; a uniform tax return to the extent possible; simplified audit procedures for businesses that use the project's technology models; a central registration system; and common rate and jurisdiction databases.

Model Legislation

The project has developed model legislation and an interstate agreement to accomplish the simplification goals. I am happy to report that states are already moving forward to adopt the model legislation. The states of Kansas, Indiana, Nebraska and Wyoming have already introduced the model legislation. Minnesota is expected to introduce the

legislation next week. Additional states expected to move the legislation this year are: Iowa, Kentucky, Michigan, Missouri, North Carolina, North Dakota, Ohio, Oklahoma, Rhode Island, South Carolina, Texas, Utah, and Vermont. That's at least 18 states that I know of and I'm hoping to add Wisconsin to that group.

Leveling the Playing Field for All Types of Commerce

The SSTEP has and will continue to work on simplifications to reduce the burdens on all sellers, but especially the sellers engaged in interstate commerce. The states cannot require sellers to collect sales taxes related to mail order and e-commerce. Only Congress can mandate that collection. And Congress could only do it after states eliminate the burdens of collection on multi-state sellers.

Therefore, the simplifications make the system voluntary to those businesses that do not have a connection, or "nexus," with a state at this time. Keep in mind though that the simplifications apply to all sellers, including the brick-and-mortar stores here in Wisconsin.

Additional Information

I have provided additional information in your packets about the SSTEP. The Department is in the process of drafting the legislation at this time. We should have the bill ready to go in the near future.

STATE OF WISCONSIN
JOINT COMMITTEE ON INFORMATION POLICY AND TECHNOLOGY

Comments on the Streamlined Sales Tax Project

Submitted by Steven N. Scalera on behalf of AT&T
February 8, 2001

Co-chairmen Senator Bob Jauch and Representative Mark Pettis and members of the Committee:

On behalf of AT&T I would like to thank you for the opportunity to submit comments on the Streamlined Sales Tax Project ("SSTP"). AT&T applauds the efforts of the SSTP, the National Conference of State Legislatures ("NCSL"), and all participating States to simplify sales and use tax compliance and administrative burdens through increased uniformity and more efficient compliance processes. Accordingly, we encourage the SSTP and NCSL to continue to work with the telecommunications industry to help reconcile differences between their respective simplification proposals.

Recent studies and reports have documented the excessive burdens of complying with state and local taxes imposed on telecommunications services.¹ AT&T files over 100,000 state and local transaction tax returns a year, which equates to almost one return being filed every minute during an average work week.

The difficulty in complying with these taxes is compounded due to a lack of information from the taxing jurisdictions. Both the SSTP and NCSL proposals have included provisions, which we emphatically support, that will ensure that businesses have the information they need to properly meet their compliance obligations. Provisions that place certain restrictions on state and local governments and require uniformity in the administration of their tax laws will go a long way to alleviate the compliance burdens and potential tax exposures faced by sellers.

In particular, we stress the importance of recommended provisions in the proposals that: require state administration of local taxes; limit the frequency of tax rate and boundary changes; hold sellers harmless when using a prescribed database for determining tax liability; require state certification of rate assignment systems; require local reporting of changes to the states; require the use of technology to assist with registration; encourage development of a more uniform return; and that limit the frequency of remittances.

Recommended provisions to implement uniform rules for sourcing of receipts will also help alleviate the risk sellers face of multiple jurisdictions claiming the right to tax the same transaction. At the request of the telecommunications industry, the proposals contain a "place saver" for special rules affecting telecommunications and provide that in the meantime existing state law will remain in effect. We look forward to continuing discussions to refine those rules and appreciate the willingness of the States to solicit the industry's input.

¹ See Committee on State Taxation, 50-State Study and Report on Telecommunications Taxation, Washington D.C., November 29, 2000 (www.statetax.org); and also see Cordes, Joseph J., THE TANGLED WEB OF TAXING TALK: Telecommunications Taxes in the New Millennium, Progress and Freedom Foundation (www.pff.org), September 2000.

STATE OF WISCONSIN
JOINT COMMITTEE ON INFORMATION POLICY AND TECHNOLOGY
Comments on the Streamlined Sales Tax Project
Submitted by Steven N. Scalera on behalf of AT&T
February 8, 2001
Page 2 of 2

The current state and local tax structures are seriously in need of modernization, and hope that you will support these efforts in the State of Wisconsin. Thank you once again for the opportunity to provide comments on this important topic, and we look forward to working with you on all simplification efforts within this State.

Contact:

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AT&T
Tax Director, External Tax Policy
Room S278
412 Mt. Kemble Avenue
Morristown, NJ 07962-1995
phone (973) 644-6917
fax (973) 644-8430
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**GENERAL ELECTRIC COMPANY COMMENTS
ON THE STREAMLINED SALES TAX PROJECT**

SUBMITTED TO

THE WISCONSIN JOINT COMMITTEE ON INFORMATION POLICY

FEBRUARY 8, 2001

General Electric Company appreciates the opportunity to submit comments, for information purposes only, on the Streamlined Sales Tax Project ("SSTP"). GE has been closely involved in the SSTP and would like to commend Diane Hardt of the Wisconsin Department of Revenue for her hard work and leadership in promoting this important effort. GE also has a special interest in Wisconsin's legislative effort to simplify sales tax administration because its Medical Systems business is headquartered in the State and employs approximately 5,000 people statewide. GE sells goods throughout the United States and is impacted by the costs of attempting to comply with the varying administrative requirements of the over 7,000 U.S. jurisdictions imposing sales and use taxes. It also bears the costs on audit when, as is inevitable under the current system, mistakes are made.

For these reasons, GE supports the efforts of the National Conference of State Legislators ("NCSL"), National Governors Association ("NGA"), and the state tax administrators that have worked so hard in developing simplification proposals. Administrative simplification will encourage remote vendors to voluntarily collect tax; reduce the costs of multistate sellers in collecting this tax on behalf of the states; reduce audit expenses;

and reduce the costs to the state in auditing taxpayers and collecting unremitted taxes.

Both the private and public sectors can be winners if this effort succeeds.

Although GE supports the SSTP's principles of tax simplification, the Company strongly believes that the Agreement recommended by the SSTP includes provisions that require technical correction as well as provisions that go beyond the scope of the goals of this project. These provisions need to be changed before GE can offer its unqualified support.

However, most of the provisions included in the SSTP's Agreement go to the heart of the issue of administrative simplification and will go far in reaching the goal of a no burden sales tax system. Such provisions, which GE wholeheartedly supports, include:

- Simplified seller registration;
- Uniformity in effective dates;
- Development of a state monitored database of rates and jurisdictions;
- Uniform sourcing rules; and
- Uniform rules for tax returns and tax remittance.

Therefore, while GE reserves comment on any specific legislation that may be introduced in the future, GE fully supports the development of a simplified sales tax administration regime that restricts its focus to those administrative provisions that directly impact the ability of multistate sellers to accurately and efficiently comply with state sales tax requirements. Thank you for your consideration.

For more information, contact:

Scott Roberti, State Tax Policy Director

General Electric Company

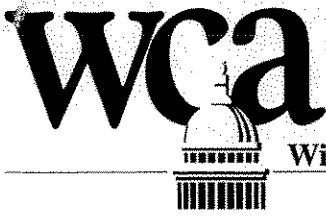
(203) 373-3413

or

Suzanne Kelley, Manager

GE Government Relations

(262) 548-5035 – WI Office



MEMORANDUM

TO: The Honorable Joint Committee on Information Policy and Technology

FROM: Allison Kujawa, Legislative Associate

DATE: February 8, 2001

RE: Streamlined Sales Tax Project

The Wisconsin Counties Association (WCA) supports the Wisconsin Department of Revenue's efforts to streamline the sales tax in Wisconsin and across the United States. Without the simplification of the sales tax collection, WCA has serious concerns regarding the future of the sales tax as a viable revenue source for state and county government in Wisconsin.

Consumer purchasing of goods by way of the Internet, phone and mail order has literally brought the goods and services of the world to the homes of consumers. Americans are taking advantage of these convenient ways of shopping in record numbers. According to the U.S. Department of Commerce, Internet traffic alone is doubling every one hundred days. This tremendous shift in purchasing from traditional brick and mortar retailers to remote sales creates serious problems for state and local governments.

Wisconsin counties rely heavily on the optional sales tax to provide property tax relief to county taxpayers. To date, 54 Wisconsin counties have elected to impose a one-half percent sales tax, which reduces reliance on the property tax by \$200 million per year.

Dane County's budget illustrates the direct importance of the county sales tax. According to the Wisconsin Department of Revenue, Dane County would have to raise property taxes by over 40 percent or make almost \$36 million in cuts, mostly in law enforcement or human services, if the county lost the sales tax.

The sales tax comprises about one-third of the State of Wisconsin's General fund. Past history has indicated that when the state has experienced significant strains on its budget, the result has been a reduced commitment to county government funding. If sales tax collection is hampered, it is likely that all local governments in Wisconsin will experience reduced state aid.

Page 2
WCA Memorandum
February 8, 2001

The current system of state and local tax administration is complex and burdensome. Differences in tax law among the states, coupled with the extensive use of the tax by local governments in many states, impose a significant compliance burden on multistate sellers, a burden for which they are not compensated in many instances.

Various federal legislative proposals affecting Internet sales could significantly reduce state and local government ability to collect sales taxes. Substantial changes are necessary if the sales tax is to continue as an integral part of the state and local revenue system. Sales tax laws must be made significantly more uniform across the states, and the administration of the tax must be substantially overhauled and simplified.

WCA urges the State of Wisconsin to cooperate with other states and adopt a simplified, more uniform sales tax structure in an effort to better prepare for possible implementation of a nation-wide system for sales tax collection that also preserves state and local sovereignty.

If you have any questions, please do not hesitate to contact me at 1-608-224-5330.



Memo

TO: Members of the Joint Committee on Information Policy and Technology

FROM: Joan Hansen, Director of Tax & Corporate Policy

DATE: February 8, 2001

RE: Streamlined Sales Tax Project

Wisconsin Manufacturers & Commerce (WMC) is currently taking a neutral position on the Department of Revenue's Streamlined Sales Tax Project, although we have been closely following the deliberations for the past several months. Because the proposal is not drafted as legislation, it is difficult to know exactly how the proposal will affect businesses. Theoretically, many of the administrative proposals put forward seem to move in a positive direction, while some of the policy items do not.

On the positive side, simplification of the current sales and use tax system will ease the extraordinarily high compliance burden. These proposals include the administration of sales and use tax collections; seller registration; simplified administration of exemptions; and uniform tax returns and remittances. These are all included in Article III of the proposal.

WMC is, however, concerned that the Task Force has not proposed true model legislation. In other words, state executive branches would have to enter into multi-state agreements to adopt the streamlined sales tax agreement, which is not drafted as uniform legislation. Because of this, states could interpret and craft language differently than other states that have also entered into this agreement. This will have the effect of devolving back to the non-uniform, complex system that we currently have.

With regard to specific items in the proposal, references to digital goods and services should be eliminated because they have not been defined by the Task Force. Furthermore, technology will constantly change and expand making it increasingly difficult to define these terms in the future. Overall, most of the other definitions seem acceptable as they stand alone, however, again, a better approach would be to have model legislation in order to evaluate these definitions in the context of the entire proposal.

Another concern is that the uniform rules for deductions of bad debts does not treat debt in the same manner as it is held by the original vendor and this should be modified to make the proposal consistent.

Finally, in the absence of true model legislation proposed by either the National Conference of State Legislatures or the Uniform Commission on State Laws, WMC supports only enacting the proposals that have true consensus at this time.

Comparison of Sales and Use Tax Treatment of Food Products

(This list is not all-inclusive)

Food Item	Current Treatment	Streamlined Treatment
Soda, pop	Taxable	Taxable
Bottled water, carbonated, sweetened	Taxable	Taxable
Bottled water, non-carbonated, sweetened	Taxable	Taxable
Bottled water, carbonated, non-sweetened	Taxable	Exempt
Bottled water, non-carbonated, non-sweetened	Exempt	Exempt
YoJo and other milk/fruit drink combos	Taxable	Exempt
Powdered fruit drinks	Taxable	Exempt
Liquid 100% fruit juice	Exempt	Exempt
Liquid 51% - 99% fruit juice	Taxable	Exempt
Liquid 1%-50% fruit juice	Taxable	Taxable
Frozen fruit juice	Exempt, except if less than 100% juice	Exempt
Slimfast, Ensure, and other meal replacements (nutrition facts on label)	Exempt	Exempt
Dietary supplements, vitamins (supplements facts on label)	Taxable	Taxable
Alcoholic beverages (0.5% or more alcohol by volume) – beer, drinking wine, etc.	Taxable	Taxable
Cooking wine	Exempt	Exempt (although may be more than 0.5% alcohol by volume, it is not intended as a beverage)
Toothpaste	Taxable	Taxable (not sold for ingestion)
Nonalcoholic beer	Taxable	Exempt, unless sweetened
Nonalcoholic champagne	Taxable (fruit drink not 100% juice)	Exempt, unless sweetened
Cookies	Exempt	Exempt
Candy containing flour (e.g., KitKat, Twix)	Taxable	Exempt
Chewing gum	Taxable	Taxable
Popcorn, unpopped	Taxable	Exempt
Popcorn, popped	Taxable	Exempt, unless prepared by retailer and retailer is not primarily a manufacturer
Ice cream novelties (e.g., ice cream cone, Popsicle)	Taxable	Exempt, unless prepared by retailer and retailer is not primarily a manufacturer
Restaurant meals	Taxable	Taxable
Bakery products sold by bakeries and grocery stores	Exempt, unless for consumption on seller's premises	Exempt, unless provided with utensils (plates, forks, knives, etc.)

Food Item	Current Treatment	Streamlined Treatment
Deli combination platters prepared by seller	Exempt, unless a meal or sandwich	Taxable, if seller is not primarily a manufacturer and not sold by weight or volume
Take home deli meals made by the deli that require heating by the customer before consumption	Exempt, unless a sandwich	Exempt
Deli food sold by weight (e.g., potato salad, fruit salad, sliced deli meat)	Exempt, unless for consumption on the seller's premises	Exempt unless provided with utensils (plates, forks, knives, etc.)
Deli salad bar (utensils provided)	Taxable	Taxable
Manufactured food sold at manufacturer's (seller's) outlet (for consumption off the premises)	Exempt, unless sandwich, ready to eat meal, candy, soft drink, dietary supplement, popcorn, or alcohol beverage	Exempt, unless utensils provided, candy, soft drink, dietary supplement, or alcoholic* beverage

Prepared by: Vicki Gibbons
Wisconsin Department of Revenue
February 5, 2001

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Food Demonstration – Current Law

Assumes all are sold by grocers for off-premises consumption

Water

Springtime Natural Artesian	Exempt
Canada Dry Tonic Water	Taxable, because carbonated
Klarbrunn Citrus Blend	Taxable, because flavored

Fruit Juices and Other Beverages

Minute Maid Orange Juice	Exempt
Minute Maid All Natural Fruit Punch	Taxable, only 10% juice
Snapple Kiwi Juice Drink	Taxable, only 5% juice
Diet Snapple Lemon Iced Tea	Exempt, because tea
Frappuccino Vanilla Flavored Coffee And Milk	Exempt, because coffee

Snacks

Potato Chips	Exempt
Popped Popcorn	Taxable, because popcorn specifically stated
Dry Roasted Peanuts	Exempt
Chocolate Covered Peanuts	Taxable, candy or confection
Honey Roasted Peanuts	Taxable, candy or confection
Unpopped Popcorn	Taxable, because popcorn specifically stated

Streamlined Sales Tax Project
Tentative Changes and Fiscal Effects
February 6, 2001

<u>Change from Current Law</u>	<u>Revenue Effect (\$millions)</u>
Tax cloth diapers	Minimal +
Tax diaper service	0.04
Anti-embolism hose	Minimal +
Exempt carbonated non-sweetened water	(0.75)
Exempt powdered fruit juice (e.g., Kool Aid)	(4.80)
Exempt frozen juice concentrates more than 50% but less than 100% juice	(13.20)
Exempt non-alcoholic beer	Minimal -
Tax pre-packaged tea and coffee with sweeteners	2.60
Exempt popped popcorn	(0.72)
Exempt frozen novelties sold by grocers	(4.00)
Tax institutional cafeteria meals sold to public and employees	2.00
Tax factory store sales of food	0.90
Tax mailing fees	<u>0.90</u>
	<u>(17.03)</u>

STREAMLINED SALES TAX PROJECT

EXECUTIVE SUMMARY

March 1, 2001

The Streamlined Sales Tax Project is an effort created by state governments, with input from local governments and the private sector, to simplify and modernize sales and use tax collection and administration. The Project's proposals will incorporate uniform definitions within tax bases, simplified audit and administrative procedures, and emerging technologies to substantially reduce the burdens of tax collection. The Streamlined Sales Tax System is focused on improving sales and use tax administration systems for both Main Street and remote sellers for all types of commerce.

Thirty-eight states are currently involved in the project. Thirty-two states are voting participants in the project because their legislatures have enacted enabling legislation or their governors have issued executive orders or a similar authorization. Six states are non-voting participants in the work of the project because they do not have the formal commitment of the state executive or legislative branches.

The project has addressed its issues through a steering committee and four work groups: Tax Base and Exemption Administration; Tax Rates, Registration, Returns and Remittances; Technology, Audit, Privacy and Paying for the System; and Sourcing and Other Simplifications. Businesses—including national retailers, trade associations, manufacturers, technology companies, and others--have actively participated in Project meetings by reviewing proposals and providing feedback to the states on key elements of the new system.

The key features of the Streamlined Sales Tax System include:

- Uniform definitions within tax bases. Legislatures still choose what is taxable and exempt but will use the common definitions for key items in the tax base.
- Simplified exemption administration for use- and entity-based exemptions. Sellers are relieved of the "good faith" requirements that exist in current law and will not be liable for uncollected tax. Purchasers will be responsible for incorrect exemptions claimed.
- Rate simplification. States will be responsible for the administration of all state and local taxes and the distribution of the local taxes to the local governments. State and local governments will use common tax bases and accept responsibility for notice of rate and boundary changes. States will be encouraged to simplify their own state and local tax rates.
- Uniform sourcing rules. The states will have uniform sourcing rules for all property and services.

- Uniform audit procedures. Sellers who participate in one of the certified Streamlined Sales Tax System technology models will either not be audited or will have a limited scope audit, depending on the technology model used.
- Paying for the system. To reduce the financial burdens on sellers, states will assume the responsibility for implementing the Streamlined Sales Tax System.

Participation in the system by both vendors and states is voluntary. Also, registration by vendors in the Streamlined Sales Tax System does not infer nexus for business activity or income tax purposes.

The Streamlined Sales Tax System will provide sellers the opportunity to use one of three technology models. A seller may select Model 1 where a Certified Service Provider performs all of the seller's sales tax functions. A seller may select Model 2, a Certified Automated System, to perform only the tax calculation function. A larger seller with nationwide sales that has developed its own proprietary sales tax software may select Model 3 and have its own system certified by the states. However, some sellers may choose to continue to use their current systems and still enjoy the benefits of simplification.

On December 22, 2000 state representatives to the Streamlined Sales Tax Project voted to approve a Uniform Sales and Use Tax Administration Act and Streamlined Sales and Use Tax Agreement. State legislatures began considering the Act and Agreement in January 2001.

The approval of the Act and Agreement provides the basis for states to enact legislation to provide the benefits of simplification to vendors in their state. However, the Project will continue its work throughout 2001 to incorporate additional elements into the system. These elements may include additional uniform definitions, a uniform tax return, and revisions to the technology models based upon information gained through the testing of tax collection software.

PARTICIPATING/OBSERVER STATES

At its March 2000 meeting, the rules adopted by the Streamlined Sales Tax Project anticipated two levels of activity in the Project as dictated by the executive and legislative branches in each interested state. "Participating" states represent those states in which the Governor has signed an Executive Order or the legislature has passed legislation authorizing state personnel to participate in the discussions of the Project. Participating states are also voting representatives in the Project. "Observer" states represent those states that have expressed an interest in the Project's mission but have not received the executive or legislative authorization to become a Participating state. Observer states participate in all Project meetings but do not have voting status within the Project.

As of March 1, 2001, the following list represents Participating and Observer states in the Project.

Participating States (32)

Alabama
Arkansas
Illinois
Indiana
Iowa
Kansas
Kentucky
Louisiana
Maine
Maryland
Michigan
Minnesota
Mississippi
Missouri
Nebraska
New Jersey
Nevada
North Carolina
North Dakota
Ohio
Oklahoma
Rhode Island
South Carolina
South Dakota
Tennessee
Texas
Utah
Vermont
Washington
West Virginia
Wisconsin
Wyoming

Observer States (6)

California
Colorado
Connecticut
Georgia
Idaho
Pennsylvania

FOR IMMEDIATE RELEASE

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Streamlined Sales Tax Project Adds Another State to It's Roster; Announces March Meeting

(Washington, DC, February 14, 2001). The Streamlined Sales Tax Project has announced that it will hold its next meeting on March 5-6, 2001 in Dallas, Texas. During the meeting, the Project will discuss its 2001 workplan as well as hold public discussions on new issues that may be incorporated into the streamlined system. A Project meeting will be held on March 6. The Project meeting is open to the public with a comment period provided. Project work groups will also meet over the course of the two-day meeting, with most of these sessions open to the public as well.

The Streamlined Sales Tax Project is an effort created by states, with input from local government and the private sector, to design, test, and implement a simplified sales and use tax collection and administration system that can be used by all vendors for all types of commerce. In December 2000, the Project approved a Uniform Act and Uniform Agreement that provides the basis for state legislatures to debate and enact legislation to implement a more simplified system in their states. Following approval, the Project's Act and Agreement were forwarded to the states, the National Governors' Association (NGA), and the National Conference of State Legislatures (NCSL).

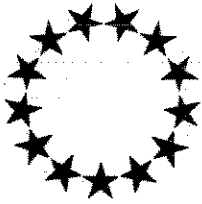
Project co-chairs, Diane L. Hardt (Wisconsin Department of Revenue) and Charles D. Collins (North Carolina Department of Revenue) also announced that Vermont will increase its support of state efforts to streamline and simplify sales and use tax laws. By Executive Order of Governor Dean, Vermont will become a Participating state in the Streamlined Sales Tax Project, increasing the number of Participating states in the Project to 30. Nine states are Observer states to the Project.

Ms. Hardt also announced an endorsement of the Project's Uniform Sales and Use Tax Administration Act and Streamlined Sales and Use Tax Agreement. In a February 2, 2001 letter to the Project from Govs. John Engler (R-MI) and Parris Glendening (D-MD), co-chairs of the National Governors' Association (NGA), the organization commends the Project for its efforts and expresses the governors' endorsement of the Act and Agreement approved by the Project in December 2000. In addition to the NGA endorsement, Ms. Hardt noted that several state legislatures have already taken action to introduce and debate the Act and Agreement as approved by the Project.

Mr. Collins announced that the NCSL Executive Committee had unanimously endorsed the Act and Agreement after making several amendments to delete some elements of the Project's proposals. Collins stated that NCSL indicated that deletions were made to allow more states to pass the Act during their 2001 legislative sessions. Collins commented, "We do not believe NCSL formulated a proposal that is dramatically different from the recommendations of the Project. The NCSL version contains additional guidance on issues such as governance that is fairly consistent with proposals being discussed by the states in the Project. The Project proposal requires a higher level of simplification in the Act and although some issues such as uniform definitions were deferred by NCSL, they will still have to be a part of any agreement."

Collins expressed appreciation for the support of NGA and NCSL for the Project and its work products and indicated that all groups were encouraging states to enact as much of the legislation as possible this year. He noted that states passing the Project's version or the version amended by the NCSL would continue to work together to accomplish the goals of creating a simplified system for all taxpayers and for all types of commerce. Collins concluded by saying "There is a significant amount of work to be done by all groups to devise and implement a simplified system and everyone—the states involved in the Project, NGA, NCSL, the business community, and others--must continue to work together to make it happen."

For further information on the Streamlined Sales Tax Project, to download a copy of the Uniform Act and Uniform Agreement, or to register for the March meeting, click on the Project's website at www.streamlinedsalestax.org.



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STREAMLINED SALES TAX EFFORT GAINS MOMENTUM

Minnesota Becomes 19th State to Introduce Simplification Legislation

WASHINGTON—Momentum is building in states across the country to consider legislation that would simplify sales tax codes and allow states to collect existing taxes on e-commerce and mail order sales. The evidence: Minnesota yesterday became the nineteenth state to introduce such a bill.

“This legislation is an important element of tax reform,” said Gov. Jesse Ventura, whose state receives 40 percent of its revenue from sales taxes. “This bill is about creating a level playing field. It’s not fair that a Minnesota business, already paying high property taxes here, also has to charge our sales tax, while out-of-state sellers can avoid it and give themselves an automatic 6.5 percent price advantage.”

Minnesota joins Alabama, Arkansas, Illinois, Indiana, Kansas, Kentucky, Maryland, Massachusetts, Missouri, Nebraska, North Carolina, North Dakota, Oklahoma, Tennessee, Texas, Utah, and Vermont, and Wyoming. On March 1, Wyoming became the first state to adopt the legislation into law.

The Streamlined Sales Tax Project, a movement by states and local governments with private sector input, and which now has 32 states officially participating—up from 26 a couple of months ago—developed and unanimously approved model legislation that states are now using to simplify and standardize their sales tax laws.

By adopting the legislation, states would develop with uniform product codes and sourcing rules, uniform definitions of what is taxable, and simplify administrative policies. They would then provide software free of charge to retailers who voluntarily elect to participate that would calculate collect and remit the taxes owed on remote sales to the appropriate taxing jurisdiction.

Retailers that have a physical presence, like a warehouse or store, in a state are required to collect sales taxes from consumers. The Supreme Court has ruled that businesses that do not have a physical presence in the same state as a consumer are not required to collect and remit taxes. In this case though, consumers still have the legal responsibility to calculate and pay the tax to their state.

The 1992 Supreme Court decision was based on the fact that America's sales tax laws are too complex and burdensome for retailers that do business in multiple states. Currently there are about 7,500 state and local taxing jurisdiction across the country. One of the problems with so many taxing authorities is that they often have different laws or definitions of what is taxable. A marshmallow, for example, might be defined as a food in on state and taxed, but as a candy, and therefore not taxed, in the next. This makes it very difficult for retailers to calculate, collect, and remit taxes on transaction that are done in multiple locations.

"States realize we need a new sales tax system for the New Economy," said Frank Shafroth, NGA's director of state-federal relations. "If we fail, lawmakers will have to come up with a new way to pay for schools, roads, and law enforcement. It is an enormous task, but I am encouraged by the progress."

According to a February 1999 study by the University of Tennessee, states could lose as much as \$20 billion in revenue in 2003 if they are not permitted to collect existing taxes on e-commerce and mail order sales. And a recent report by the Commerce Department said consumer spending surged 36 percent over the third quarter during the latest holiday shopping season.

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