

**Streamline Sales Tax Update
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What is SST?



- A government/business effort to simplify sales and use tax administration
- Two areas of emphasis:
 - Current collectors
 - Remote sellers
- Why
 - Business need to have simpler system.
 - States need to maintain a viable tax structure.
- How
 - 44 states and hundreds of businesses working together.

Why a Simplified Sales Tax System is Important to Government



- Simpler administration of tax.
- Improved compliance from existing taxpayers.
- Possible increase in available audit hours.
- Addresses the collection of remote sales.

Why a Simplified Sales Tax System is Important to Business

- Reduces cost of compliance.
- Improves compliance.
- Reduces audit burden.
- Addresses multistate issues.

Remote Sales: What is at stake?

- "State and Local Sales Tax Revenue Losses from E-Commerce," July 2004 update to report by Dr. Bill Fox at Univ. of Tennessee: State and local governments lost between **\$15.5 billion and \$16.1 billion** in 2003 as states are unable collect sales taxes from online sales.
- Trend increases: By 2008 revenue projected loss for state and local governments range between \$21.5 billion and \$33.7 billion, with the greatest losses occurring in states that rely most heavily on the sales tax as a revenue source.
- States do not have ability to stop or regulate imports.

State uniformity and simplicity actions

- Single administration of state and local sales and use taxes.
- Identical state and local bases within a state.
- Uniform point of sale.
- Uniform definitions.
- Simplified exemption processing.
- Rate simplification.
- State funding of technology.

New Technology To Simplify

- Central registration system.
- Database matching rate to local jurisdiction.
- Database of boundary information.
- Taxability matrix.
- Certified technology for sellers.

Central Registration System

- A web-based system that enables taxpayers to volunteer to register to collect sales tax in Streamlined states.
- Can be used for new registrations and to update previously submitted registration information.
- Data passes through the system to the states who incorporate the data into their state system.
- Maintains all taxpayer information for specific business processes.
- A web based and relational database as a back-end for the storage and retrieval of the data thus providing dynamic information anytime, anywhere.
- An XML file schema is used to exchange data between the SSTR system and the states.

State Databases

- Database matching tax rates to local jurisdictions.
- Database of boundary information for local jurisdictions.
- All posted to state websites and in a downloadable format.

Taxability matrix

- A state database that tells sellers what is and what is not taxable.
- To start with, a list of uniformly defined products and services, but will eventually include more.
- Sellers are not liable for errors in how something is taxed if they follow what is in the taxability matrix.

Certified Technology

- State evaluated software that assists sellers in their sales tax administrative responsibility.
- Two versions:
 - Certified service providers.
 - Certified automated systems.

Certified Technology - Certified Service Providers

- A third party to whom a seller can out-source their sales tax administrative responsibility.
- The third party:
 - Knows what products and services are taxable.
 - Where they are taxable.
 - The rate at which they are taxed.
 - Populates the seller's accounting software.
 - Compiles the information into a complete tax return.
 - Files the tax return and remits the tax.
- The third party is liable for errors in the integration of the system.

Certified Technology - Certified Automated Systems

- A third party to whom a seller can out-source their sales tax determinations.
- The third party:
 - Knows what products and services are taxable.
 - Where they are taxable.
 - The rate at which they are taxed.
 - Populates the seller's accounting software.
- The seller remains liable for filing tax returns and payment of the tax.
- The seller is liable for errors that occur in the integration of the certified system into their own system.

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QUESTIONS

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