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# 2 **STREAMLINED SALES AND**

# 3 **USE TAX AGREEMENT**

4

5 **Adopted November 12, 2002 and**

6 **amended through **May 11, 2017****

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1 **ARTICLE I**

2 **PURPOSE AND PRINCIPLE**

3  
4 **Section 101: TITLE**

5 This multistate Agreement shall be referred to, cited, and known as the Streamlined Sales and  
6 Use Tax Agreement.

7 **Section 102: FUNDAMENTAL PURPOSE**

8 It is the purpose of this Agreement to simplify and modernize sales and use tax administration in  
9 the member states in order to substantially reduce the burden of tax compliance. The Agreement  
10 focuses on improving sales and use tax administration systems for all sellers and for all types of  
11 commerce through all of the following:

- 12 A. State level administration of sales and use tax collections.
- 13 B. Uniformity in the state and local tax bases.
- 14 C. Uniformity of major tax base definitions.
- 15 D. Central, electronic registration system for all member states.
- 16 E. Simplification of state and local tax rates.
- 17 F. Uniform sourcing rules for all taxable transactions.
- 18 G. Simplified administration of exemptions.
- 19 H. Simplified tax returns.
- 20 I. Simplification of tax remittances.
- 21 J. Protection of consumer privacy.

22 **Section 103: TAXING AUTHORITY PRESERVED**

23 This Agreement shall not be construed as intending to influence a member state to impose a tax  
24 on or provide an exemption from tax for any item or service. However, if a member state  
25 chooses to tax an item or exempt an item from tax, that state shall adhere to the provisions  
26 concerning definitions as set out in Article III of this Agreement.



1 **Section 104: DEFINED TERMS**

2 This Agreement defines terms for use within the Agreement and for application in the sales and  
3 use tax laws of the member states. The definition of a term is not intended to influence the  
4 interpretation or application of that term with respect to other tax types.

5  
6 An alphabetical list of all the terms defined in the Agreement and their location in the Agreement  
7 is found in Appendix B of this Agreement, the Index of Definitions. Terms defined for use  
8 within this Agreement are set out in Article II of the Agreement. Many of the uniform  
9 definitions for application in the sales and use tax laws of the member states are set out in  
10 Appendix C of this Agreement, the Library of Definitions. Definitions that are not set out in  
11 Appendix C are defined when applied in a particular section of the Agreement and are set out in  
12 that section of the Agreement. The appendices have the same effect as the Articles in the  
13 Agreement.

14 **Section 105: TREATMENT OF VENDING MACHINES**

15 The provisions of the Agreement do not apply to vending machines sales. The Agreement does  
16 not restrict how a member state taxes vending machine sales.

17

1 **ARTICLE II**  
2 **DEFINITIONS**

3 The following definitions apply in this Agreement:

4 **Section 201: AGENT**

5 A person appointed by a seller to represent the seller before the member states.

6 **Section 202: CERTIFIED AUTOMATED SYSTEM (CAS)**

7 Software certified under the Agreement to calculate the tax imposed by each jurisdiction on a  
8 transaction, determine the amount of tax to remit to the appropriate state, and maintain a record  
9 of the transaction.

10 **Section 203: CERTIFIED SERVICE PROVIDER (CSP)**

11 An agent certified under the Agreement to perform all the seller's sales and use tax functions,  
12 other than the seller's obligation to remit tax on its own purchases.

13 **Section 204: ENTITY-BASED EXEMPTION**

14 An exemption based on who purchases the product or who sells the product. An exemption that  
15 is available to all individuals shall not be considered an entity-based exemption.

16 *See Compiler's Notes for history.*

17 **Section 205: MODEL 1 SELLER**

18 A seller registered under the Agreement that has selected a CSP as its agent to perform all the  
19 seller's sales and use tax functions, other than the seller's obligation to remit tax on its own  
20 purchases.

21 *See Compiler's Notes for history.*

22 **Section 206: MODEL 2 SELLER**

23 A seller registered under the Agreement that has selected a CAS to perform part of its sales and  
24 use tax functions, but retains responsibility for remitting the tax.

25 *See Compiler's Notes for history.*

26 **Section 207: MODEL 3 SELLER**

27 A seller registered under the Agreement that has sales in at least five member states, has total  
28 annual sales revenue of at least five hundred million dollars, has a proprietary system that  
29 calculates the amount of tax due each jurisdiction, and has entered into a performance agreement

1 with the member states that establishes a tax performance standard for the seller. As used in this  
2 definition, a seller includes an affiliated group of sellers using the same proprietary system.

3 *See Compiler's Notes for history.*

4 **Section 207.1: MODEL 4 SELLER**

5 A seller that is registered under the Agreement and is not a Model 1 Seller, a Model 2 Seller or a  
6 Model 3 Seller.

7 *See Compiler's Notes for history.*

8 **Section 208: PERSON**

9 An individual, trust, estate, fiduciary, partnership, limited liability company, limited liability  
10 partnership, corporation, or any other legal entity.

11 **Section 209: PRODUCT-BASED EXEMPTION**

12 An exemption based on the description of the product and not based on who purchases the  
13 product or how the purchaser intends to use the product.

14 **Section 210: PURCHASER**

15 A person to whom a sale of personal property is made or to whom a service is furnished.

16 **Section 211: REGISTERED UNDER THIS AGREEMENT**

17 Registration by a seller with the member states under the central registration system provided in  
18 Article IV of this Agreement.

19 **Section 212: SELLER**

20 A person making sales, leases, or rentals of personal property or services.

21 *See Compiler's Notes for history.*

22 *Interpretation issued: The Governing Board issued Interpretative Opinion 2008-01 relating to the definition of*  
23 *"seller." That interpretation can be found in the Library of Interpretations in Appendix D.*

24 **Section 213: STATE**

25 Any state of the United States, the District of Columbia, and the Commonwealth of Puerto Rico.

26 *See Compiler's Notes for history.*

27 **Section 214: USE-BASED EXEMPTION**

28 An exemption based on a specified use of the product by the purchaser.

29 *See Compiler's Notes for history.*

30

1 **ARTICLE III**

2 **REQUIREMENTS EACH STATE MUST ACCEPT TO PARTICIPATE**

3  
4 **Section 301: STATE LEVEL ADMINISTRATION**

5 A. Each member state shall provide state level administration of sales and use taxes subject to  
6 the Agreement. The state level administration may be performed by a member state's Tax  
7 Commission, Department of Revenue, or any other single entity designated by state law. Sellers  
8 and purchasers are only required to register with, file returns with, and remit funds to the state  
9 level authority. The state level authority of a member state shall provide for collection of any  
10 local taxes and distribution of them to the appropriate taxing jurisdictions. The state level  
11 authority shall conduct, or others may be authorized to conduct on its behalf, subject to the  
12 provisions of subsection (B), all audits of the sellers and purchasers for that state's tax and the  
13 tax of its local jurisdictions. Except as provided herein, local jurisdictions shall not conduct  
14 independent sales or use tax audits of sellers and purchasers.

15  
16 B. If authorized by its state law, nothing in this section prohibits the state level authority from  
17 authorizing audits of taxpayers to be conducted or performed by others on behalf of the state  
18 level authority so long as: (1) the person is conducting the audit for all taxes due and not just for  
19 taxes due to a specific local taxing jurisdiction, (2) the person is subject to the same  
20 confidentiality provisions (and other protections afforded to a taxpayer) as a person working for  
21 the state level authority, (3) absent fraud, a refund claim filed subsequent to the audit that covers  
22 part of the audit period or mutual consent, the audit does not cover an audit period already  
23 conducted by the state level authority or another person acting on its behalf and (4) the audit is  
24 subject to the same administrative and appeal procedures granted to audits conducted by the state  
25 level authority.

26 *See Compiler's Notes for history.*

27 **Section 302: STATE AND LOCAL TAX BASES**

28 A. The tax base for local jurisdictions shall be identical to the state tax base unless otherwise  
29 prohibited by federal law.

30 B. This section does not apply to sales or use taxes levied on:

- 1 1. Fuel used to power motor vehicles, aircraft, locomotives, or watercraft;
- 2 2. Electricity, piped natural or artificial gas or other fuels delivered by the seller;
- 3 3. The retail sale or transfer of motor vehicles, aircraft, watercraft, modular homes,
- 4 manufactured homes, or mobile homes; and
- 5 4. Energy. Solely for purposes of this section and section 308, “energy” means natural or
- 6 artificial gas, oil, gasoline, electricity, solid fuel, wood, waste, ice, steam, water, and
- 7 other materials necessary and integral for heat, light, power, refrigeration, climate
- 8 control, processing, or any other use in any phase of the manufacture of tangible personal
- 9 property.

10 *See Compiler’s Notes for history.*

### 11 **Section 303: SELLER REGISTRATION**

12 Each member state shall participate in an online sales and use tax registration system in  
13 cooperation with the other member states. Under this system:

- 14 A. A seller registering under the Agreement shall be registered in each of the member states.
- 15 B. A model 2, model 3, or model 4 seller may elect to be registered in one or more states as
- 16 a seller which anticipates making no sales into such state(s) if it has not had sales into
- 17 such state(s) for the preceding 12 months. Such election does not relieve the seller of its
- 18 agreement pursuant to Section 401 (B) to collect taxes on all sales into such states or its
- 19 liability for remitting to the proper states any taxes collected.
- 20 C. The member states agree not to require the payment of any registration fees or other
- 21 charges for a seller to register in a state in which the seller has no legal requirement to
- 22 register.
- 23 D. A written signature from the seller is not required.
- 24 E. An agent may register a seller under uniform procedures adopted by the member states.
- 25 F. A seller may cancel its registration under the system at any time under uniform
- 26 procedures adopted by the governing board. Cancellation does not relieve the seller of its
- 27 liability for remitting to the proper states any taxes collected.
- 28 G. Nothing in this section shall be construed to relieve a seller of any legal obligation it may
- 29 have under a state’s laws to register in that state or its obligation to collect and remit

1 taxes for at least thirty-six months in a state and meet all other requirements for amnesty  
2 set out in Section 402 of this Agreement in order to be eligible for amnesty in such state.

3 H. Whenever a state joins the Agreement, sellers registered under the Agreement shall be  
4 registered in the new state as follows:

5 1. Model 1 sellers will be automatically registered in such state.

6 2. Model 2, model 3 and model 4 sellers will be automatically registered in the  
7 new state but may elect to be registered as a seller which anticipates making no  
8 sales into the new state.

9 I. Upon registration, the governing board shall provide to the seller information regarding  
10 the requirements and options for filing a simplified electronic return and for filing  
11 remittances in any member state. Member states may provide information to sellers  
12 concerning other tax return filing options in that state.

13 J. The governing board shall cause the system for registering under the Agreement to  
14 include a feature that allows sellers registered under the Agreement to update relevant  
15 registration data in the system and have such updated data provided to all member states.  
16 The governing board shall establish conditions and procedures to allow states which are  
17 not members of the Agreement to participate in the registration system.

18 K. The provisions of Subsections (B) and (H) of this section shall become effective on  
19 January 1, 2010.

20 *See Compiler's Notes for history.*

#### 21 **Section 304: NOTICE FOR STATE TAX CHANGES**

22 A. Each member state shall lessen the difficulties faced by sellers when there is a change in  
23 a state sales or use tax rate or base by making a reasonable effort to do all of the  
24 following:

25 1. Provide sellers with as much advance notice as practicable of a rate change.

26 2. Limit the effective date of a rate change to the first day of a calendar quarter.

27 3. Notify sellers of legislative changes in the tax base and amendments to sales and  
28 use tax rules and regulations.

- 1 B. Failure of a seller to receive notice or failure of a member state to provide notice or limit  
2 the effective date of a rate change shall not relieve the seller of its obligation to collect  
3 sales or use taxes for that member state.
- 4 C. Each member state failing to provide for at least thirty days between the enactment of  
5 the statute providing for a rate change and the effective date of such rate change shall  
6 relieve the seller of liability for failing to collect tax at the new rate if:
  - 7 1. the seller collected tax at the immediately preceding effective rate; and
  - 8 2. the seller's failure to collect at the newly effective rate does not extend beyond  
9 thirty days after the date of enactment of the new rate.
- 10 D. Notwithstanding subsection (C), if the member state establishes the seller fraudulently  
11 failed to collect at the new rate or solicits purchasers based on the immediately  
12 preceding effective rate this relief does not apply.
- 13 E. Member states may provide for relief of liability for failing to collect tax as a result of a  
14 tax change beyond the liability relief required by subsection (C).

15 *See Compiler's Notes for history.*

16 **Section 305: LOCAL RATE AND BOUNDARY CHANGES**

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

- 18 A. Provide that local rate changes will be effective only on the first day of a calendar  
19 quarter after a minimum of sixty days' notice to sellers.
- 20 B. Apply local sales tax rate changes to purchases from printed catalogs wherein the  
21 purchaser computed the tax based upon local tax rates published in the catalog only on  
22 the first day of a calendar quarter after a minimum of one hundred twenty days' notice to  
23 sellers.
- 24 C. For sales and use tax purposes only, apply local jurisdiction boundary changes only on  
25 the first day of a calendar quarter after a minimum of sixty days' notice to sellers.
- 26 D. Provide and maintain a database that describes boundary changes for all taxing  
27 jurisdictions. This database shall include a description of the change and the effective  
28 date of the change for sales and use tax purposes.
- 29 E. Provide and maintain a database of all sales and use tax rates for all of the jurisdictions  
30 levying taxes within the state. For the identification of states, counties, cities, and

1 parishes, codes corresponding to the rates must be provided according to Federal  
2 Information Processing Standards (FIPS) as developed by the National Institute of  
3 Standards and Technology. For the identification of all other jurisdictions, codes  
4 corresponding to the rates must be in the format determined by the governing board.

- 5 F. Provide and maintain a database that assigns each five digit and nine digit zip code  
6 within a member state to the proper tax rates and jurisdictions. The state must apply the  
7 lowest combined tax rate imposed in the zip code area if the area includes more than one  
8 tax rate in any level of taxing jurisdictions. If a nine digit zip code designation is not  
9 available for a street address or if a seller or CSP is unable to determine the nine digit zip  
10 code designation applicable to a purchase after exercising due diligence to determine the  
11 designation, the seller or CSP may apply the rate for the five digit zip code area. For the  
12 purposes of this section, there is a rebuttable presumption that a seller or CSP has  
13 exercised due diligence if the seller has attempted to determine the nine digit zip code  
14 designation by utilizing software approved by the governing board that makes this  
15 designation from the street address and the five digit zip code applicable to a purchase.
- 16 G. Have the option of providing address-based boundary database records for assigning  
17 taxing jurisdictions and their associated rates which shall be in addition to the  
18 requirements of subsection (F) of this section. The database records must be in the same  
19 approved format as the database records pursuant to subsection (F) of this section and  
20 must meet the requirements developed pursuant to the federal Mobile  
21 Telecommunications Sourcing Act (4 U.S.C.A. Sec. 119(a)). The governing board may  
22 allow a member state to require sellers that register under this Agreement to use an  
23 address-based database provided by that member state. If any member state develops  
24 address-based assignment database records pursuant to the Agreement, a seller or CSP  
25 may use those database records in place of the five and nine-digit zip code database  
26 records provided for in subsection (F) of this section. If a seller or CSP is unable to  
27 determine the applicable rate and jurisdiction using an address-based database record  
28 after exercising due diligence, the seller or CSP may apply the nine digit zip code  
29 designation applicable to a purchase. If a nine-digit zip code designation is not available  
30 for a street address or if a seller or CSP is unable to determine the nine digit zip code



1 designation applicable to a purchase after exercising due diligence to determine the  
2 designation, the seller or CSP may apply the rate for the five digit zip code area. For the  
3 purposes of this section, there is a rebuttable presumption that a seller or CSP has  
4 exercised due diligence if the seller or CSP has attempted to determine the tax rate and  
5 jurisdiction by utilizing software approved by the governing board that makes this  
6 assignment from the address and zip code information applicable to the purchase.

7 H. States that have met the requirements of subsection (F) may also elect to certify vendor  
8 provided address-based databases for assigning tax rates and jurisdictions. The  
9 databases must be in the same approved format as the database records pursuant to (G)  
10 of this section and must meet the requirements developed pursuant to the federal Mobile  
11 Telecommunications Sourcing Act (4 U.S.C.A. Sec. 119 (a)). If a state certifies a  
12 vendor address-based database, a seller or CSP may use that database in place of the  
13 database provided for in subsection (F) or (G) of this section. Vendors providing  
14 address-based databases may request certification of their databases from the governing  
15 board. Certification by the governing board does not replace the requirement that the  
16 databases be certified by the states individually.

17 I. Make databases provided pursuant to subsections (E), (F), (G) and (H) available to a  
18 seller or CSP by the first day of the month prior to the first day of a calendar quarter.  
19 Databases must be in a format approved by the governing board and available on each  
20 state's website or other location determined by the governing board.

21 *See Compiler's Notes for history.*

## 22 **Section 306: RELIEF FROM CERTAIN LIABILITY**

23 Each member state shall relieve sellers and CSPs using databases pursuant to subsections (F),  
24 (G) and (H) of Section 305 from liability to the member state and local jurisdictions for having  
25 charged and collected the incorrect amount of sales or use tax resulting from the seller or CSP  
26 relying on erroneous data provided by a member state on tax rates, boundaries, or taxing  
27 jurisdiction assignments. After providing adequate notice as determined by the governing board,  
28 a member state that provides an address-based database for assigning taxing jurisdictions  
29 pursuant to Section 305, subsection (G) or (H) may cease providing liability relief for errors  
30 resulting from the reliance on the database provided by the member state under the provisions of

1 Section 305, subsection (F). If a seller demonstrates that requiring the use of the address-based  
2 database would create an undue hardship, a member state and the governing board may extend  
3 the relief from liability to such seller for a designated period of time.

4 *See Compiler's Notes for history.*

#### 5 **Section 307: DATABASE REQUIREMENTS AND EXCEPTIONS**

6 A. The electronic databases provided for in Section 305, subsections (D), (E), (F), and (G)  
7 shall be in a downloadable format approved by the governing board. The databases may  
8 be directly provided by the state or provided by a vendor as designated by the state. A  
9 database provided by a vendor as designated by a state shall be applicable to and subject  
10 to all provisions of Sections 305, 306 and this section. These databases must be  
11 provided at no cost to the user of the database.

12 B. The provisions of Section 305, subsections (F) and (G) do not apply when the purchased  
13 product is received by the purchaser at the business location of the seller.

14 C. The databases provided by Section 305, subsections (D), (E), (F), and (G) are not a  
15 requirement of a state prior to entering into the Agreement. A seller that did not have a  
16 requirement to register in a state prior to registering pursuant to this Agreement or a CSP  
17 shall not be required to collect sales or use taxes for a state until the first day of the  
18 calendar quarter commencing more than sixty days after the state has provided the  
19 databases required by Section 305, subsections (D), (E), and (F). Provided, for the initial  
20 implementation of the Agreement pursuant to Section 701, a CSP shall be required to  
21 collect sales or use taxes for each member state, subject to the provisions of Section 705,  
22 pursuant to the terms of the operating agreement entered into between the CSP and the  
23 governing board in order to provide adequate time for testing and loading of the  
24 databases.

25 *See Compiler's Notes for history.*

#### 26 **Section 308: STATE AND LOCAL TAX RATES**

27 A. No member state shall have multiple state sales and use tax rates on items of personal  
28 property or services, except that a member state may impose a single additional rate,  
29 which may be zero, on food and food ingredients and drugs as defined by state law  
30 pursuant to the Agreement. In addition, if federal law prohibits the imposition of local

1 tax on a product that is subject to state tax, the state may impose an additional rate on  
2 such product, provided such rate achieves tax parity for similar products.

3 B. A member state that has local jurisdictions that levy a sales or use tax shall not have  
4 more than one local sales tax rate or more than one local use tax rate per local  
5 jurisdiction. If the local jurisdiction levies both a sales tax and use tax, the local rates  
6 must be identical.

7 C. The provisions of this section do not apply to sales or use taxes levied on energy as  
8 defined in Section 302 of the Agreement, fuel used to power motor vehicles, aircraft,  
9 locomotives, or watercraft, or to electricity, piped natural or artificial gas, or other fuels  
10 delivered by the seller, or the retail sale or transfer of motor vehicles, aircraft, watercraft,  
11 modular homes, manufactured homes, or mobile homes.

12 *See Compiler's Notes for history.*

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

15 A. Each member state shall agree to require sellers to source the retail sale of a product in  
16 accordance with Section 310 or Section 310.1. Except as provided in Section 310.1, the  
17 provisions of Section 310 apply to all sales regardless of the characterization of a  
18 product as tangible personal property, a digital good, or a service. Except as otherwise  
19 provided in this Agreement, the provisions of Section 310 and Section 310.1 only apply  
20 to determine a seller's obligation to pay or collect and remit a sales or use tax with  
21 respect to the seller's retail sale of a product. These provisions do not affect the  
22 obligation of a purchaser or lessee to remit tax on the use of the product to the taxing  
23 jurisdictions of that use.

24 B. Sections 310 and 310.1 do not apply to sales or use taxes levied on the following:

- 25 1. The retail sale or transfer of watercraft, modular homes, manufactured homes, or mobile  
26 homes. These items must be sourced according to the requirements of each member state.
- 27 2. The retail sale, excluding lease or rental, of motor vehicles, trailers, semi-trailers, or  
28 aircraft that do not qualify as transportation equipment, as defined in Section 310,  
29 subsection (D). The retail sale of these items shall be sourced according to the

1 requirements of each member state, and the lease or rental of these items must be sourced  
2 according to Section 310, subsection (C).

3 3. Telecommunications services and ancillary services, as set out in Section 315, and Internet  
4 access service shall be sourced in accordance with Section 314.

5 4. Florist sales as defined by each member state. Such sales must be sourced according to the  
6 requirements of each member state.

7 5. The retail sale of products and services qualifying as direct mail shall be sourced in  
8 accordance with Section 313.

9 *See Compiler's Notes for history.*

### 10 **Section 310: GENERAL SOURCING RULES**

11 A. Except as provided in Section 310.1, the retail sale, excluding lease or rental, of a  
12 product shall be sourced as follows:

13 1. When the product is received by the purchaser at a business location of the seller,  
14 the sale is sourced to that business location.

15 2. When the product is not received by the purchaser at a business location of the  
16 seller, the sale is sourced to the location where receipt by the purchaser (or the  
17 purchaser's donee, designated as such by the purchaser) occurs, including the  
18 location indicated by instructions for delivery to the purchaser (or donee), known  
19 to the seller.

20 3. When subsections (A)(1) and (A)(2) do not apply, the sale is sourced to the  
21 location indicated by an address for the purchaser that is available from the  
22 business records of the seller that are maintained in the ordinary course of the  
23 seller's business when use of this address does not constitute bad faith.

24 4. When subsections (A)(1), (A)(2), and (A)(3) do not apply, the sale is sourced to  
25 the location indicated by an address for the purchaser obtained during the  
26 consummation of the sale, including the address of a purchaser's payment  
27 instrument, if no other address is available, when use of this address does not  
28 constitute bad faith.

29 5. When none of the previous rules of subsections (A)(1), (A)(2), (A)(3), or (A)(4)  
30 apply, including the circumstance in which the seller is without sufficient

1 information to apply the previous rules, then the location will be determined by the  
2 address from which tangible personal property was shipped, from which the digital  
3 good or the computer software delivered electronically was first available for  
4 transmission by the seller, or from which the service was provided (disregarding  
5 for these purposes any location that merely provided the digital transfer of the  
6 product sold).

7 B. The lease or rental of tangible personal property, other than property identified in  
8 subsection (C) or subsection (D), shall be sourced as follows:

9 1. For a lease or rental that requires recurring periodic payments, the first periodic  
10 payment is sourced the same as a retail sale in accordance with the provisions of  
11 subsection (A). Periodic payments made subsequent to the first payment are  
12 sourced to the primary property location for each period covered by the payment.  
13 The primary property location shall be as indicated by an address for the property  
14 provided by the lessee that is available to the lessor from its records maintained in  
15 the ordinary course of business, when use of this address does not constitute bad  
16 faith. The property location shall not be altered by intermittent use at different  
17 locations, such as use of business property that accompanies employees on business  
18 trips and service calls.

19 2. For a lease or rental that does not require recurring periodic payments, the payment  
20 is sourced the same as a retail sale in accordance with the provisions of subsection  
21 (A).

22 3. This subsection does not affect the imposition or computation of sales or use tax on  
23 leases or rentals based on a lump sum or accelerated basis, or on the acquisition of  
24 property for lease.

25 C. The lease or rental of motor vehicles, trailers, semi-trailers, or aircraft that do not  
26 qualify as transportation equipment, as defined in subsection (D), shall be sourced as  
27 follows:

28 1. For a lease or rental that requires recurring periodic payments, each periodic  
29 payment is sourced to the primary property location. The primary property location  
30 shall be as indicated by an address for the property provided by the lessee that is

1 available to the lessor from its records maintained in the ordinary course of  
2 business, when use of this address does not constitute bad faith. This location shall  
3 not be altered by intermittent use at different locations.

4 2. For a lease or rental that does not require recurring periodic payments, the payment  
5 is sourced the same as a retail sale in accordance with the provisions of subsection  
6 (A).

7 3. This subsection does not affect the imposition or computation of sales or use tax on  
8 leases or rentals based on a lump sum or accelerated basis, or on the acquisition of  
9 property for lease.

10 D. The retail sale, including lease or rental, of transportation equipment shall be sourced  
11 the same as a retail sale in accordance with the provisions of subsection (A),  
12 notwithstanding the exclusion of lease or rental in subsection (A). “Transportation  
13 equipment” means any of the following:

14 1. Locomotives and railcars that are utilized for the carriage of persons or property in  
15 interstate commerce.

16 2. Trucks and truck-tractors with a Gross Vehicle Weight Rating (GVWR) of 10,001  
17 pounds or greater, trailers, semi-trailers, or passenger buses that are:

18 a. Registered through the International Registration Plan; and

19 b. Operated under authority of a carrier authorized and certificated by  
20 the U.S. Department of Transportation or another federal authority to  
21 engage in the carriage of persons or property in interstate commerce.

22 3. Aircraft that are operated by air carriers authorized and certificated by the U.S.  
23 Department of Transportation or another federal or a foreign authority to  
24 engage in the carriage of persons or property in interstate or foreign commerce.

25 4. Containers designed for use on and component parts attached or secured on the  
26 items set forth in subsections (D)(1) through (D)(3).

27 *See Compiler’s Notes for history.*

28 *Interpretations issued: (a) The Governing Board issued Interpretation 2006-03 on April 18, 2006 relating to the*  
29 *sourcing of initial lease payments made to dealers. That interpretation can be found in the Library of*

30 *Interpretations in Appendix D.*

1 (b) The Governing Board issued Interpretation 2007-02 on September 20, 2007 relating to the sourcing of sales  
2 when a third party shipping company picks up the product at the seller's location. That interpretation can be found  
3 in the Library of Interpretations in Appendix D.

#### 4 **Section 310.1: ELECTION FOR ORIGIN-BASED SOURCING**

5 A. A member state that has local jurisdictions that levy or receive sales or use taxes may elect to  
6 source the retail sale of tangible personal property and digital goods pursuant to the  
7 provisions of this section in lieu of the provisions of subsection A (2), (3) and (4) of Section  
8 310 if they comply with all provisions of subsection (C) of this section and the only  
9 exception to Section 310 is the exception provided for in subsection (B) of this section.

10 B. A member state may source retail sales, excluding lease or rental, of tangible personal  
11 property or digital goods to the location where the order is received by the seller if:

- 12 1. The order is received in the same state by the seller where receipt of the product by  
13 the purchaser (or the purchaser's donee, designated as such by the purchaser) occurs;
- 14 2. Location where receipt of the product by the purchaser occurs is determined pursuant  
15 to Section 310A (2), (3) and (4); and
- 16 3. At the time the order is received, the recordkeeping system of the seller used to  
17 calculate the proper amount of sales or use tax to be imposed captures the location  
18 where the order is received.

19 C. A member state electing to source sales pursuant to this section shall comply with all of the  
20 following:

- 21 1. When the location where the order is received by the seller and the location where the  
22 receipt of the product by the purchaser (or the purchaser's donee, designated as such  
23 by the purchaser) occurs as determined pursuant to Section 310A (2), (3) and (4) are  
24 in different states, the sale must be sourced pursuant to the provisions of Section 310.
- 25 2. When the sale is sourced pursuant to this section to the location where the order is  
26 received by the seller, only the sales tax for the location where the order is received  
27 by the seller may be levied. No additional sales or use tax based on the location  
28 where the product is delivered to the purchaser may be levied on that sale. The  
29 purchaser shall not be entitled to any refund if the combined state and local rate or

1 rates at the location where the product is received by the purchaser is lower than the  
2 rate where the order is received by the seller.

- 3 3. A member state may not require a seller to utilize a recordkeeping system which  
4 captures the location where an order is received to calculate the proper amount of  
5 sales or use tax to be imposed.
- 6 4. A purchaser shall have no additional liability to the state for tax, penalty or interest on  
7 a sale for which the purchaser remits tax to the seller in the amount invoiced by the  
8 seller if such invoice amount is calculated at either the rate applicable to the location  
9 where receipt by the purchaser occurs or at the rate applicable to the location where  
10 the order is received by the seller. A purchaser may rely on a written representation  
11 by the seller as to the location where the order for such sale was received by the  
12 seller. When the purchaser does not have a written representation by the seller as to  
13 the location where the order for such sale was received by the seller, the purchaser  
14 may use a location indicated by a business address for the seller that is available from  
15 the business records of the purchaser that are maintained in the ordinary course of the  
16 purchaser's business to determine the rate applicable to the location where the order  
17 was received.
- 18 5. The location where the order is received by or on behalf of the seller means the  
19 physical location of a seller or third party such as an established outlet, office location  
20 or automated order receipt system operated by or on behalf of the seller where an  
21 order is initially received by or on behalf of the seller and not where the order may be  
22 subsequently accepted, completed or fulfilled. An order is received when all of the  
23 information from the purchaser necessary to the determination whether the order can  
24 be accepted has been received by or on behalf of the seller. The location from which  
25 a product is shipped shall not be used in determining the location where the order is  
26 received by the seller.
- 27 6. Such member state shall provide for direct pay permits pursuant to Section 326 of this  
28 Agreement and the requirements of this subsection. Purchasers which remit sales and  
29 use tax pursuant to such a permit shall remit tax at the rate in effect for the location  
30 where receipt of the product by the purchaser occurs or the product is first used as



1 determined by state law. A member state may establish reasonable thresholds at  
2 which level the member state will consider direct pay applications, provided the  
3 threshold must be based upon purchases with no distinction between taxable and non-  
4 taxable purchases. The member state shall establish a process for application for a  
5 direct pay permit as provided herein. The member state may require the applicant to  
6 demonstrate:

- 7 a. Ability to comply with the sales and use tax laws of the state,
- 8 b. A showing of a business purpose for seeking direct payment permit  
9 and how the permit will benefit tax compliance, and
- 10 c. Proof of good standing under the tax laws of the state.

11 The member state shall review all permit applications in a timely manner so that  
12 applicants receive notification of authorization or denial within one hundred twenty  
13 (120) days. The member state may not limit direct pay applicants to businesses  
14 engaged in manufacturing or businesses that do not know the ultimate use of the  
15 product at the time of the purchase.

- 16 7. When taxable services are sold with tangible personal property or digital products  
17 pursuant to a single contract or in the same transaction, are billed on the same billing  
18 statement(s), and, because of the application of this section, would be sourced to  
19 different jurisdictions, a member state shall elect either origin sourcing or destination  
20 sourcing to determine a single situs for that transaction. Such member state election  
21 is required until such time as the governing board adopts a uniform methodology to  
22 address such sales.
- 23 8. A member state that elects to source the sale of tangible personal property and digital  
24 goods pursuant to the provisions of this section shall inform the governing board of  
25 such election.

26 *See Compiler's Notes for history.*

### 27 **Section 311: GENERAL SOURCING DEFINITIONS**

28 For the purposes of Section 310, subsection (A), the terms "receive" and "receipt" mean:

- 29 A. Taking possession of tangible personal property,
- 30 B. Making first use of services, or

1 C. Taking possession or making first use of digital goods, whichever comes first.  
2 The terms "receive" and "receipt" do not include possession by a shipping company on behalf of  
3 the purchaser.

4 **Section 312: MULTIPLE POINTS OF USE (Repealed on December 14, 2006)**

5 *See Compiler's Notes for history.*

6

7 **Section 313: DIRECT MAIL SOURCING**

8 A. Notwithstanding Sections 310 and 310.1, the following provisions apply to sales of  
9 "advertising and promotional direct mail:"

10 1. A purchaser of "advertising and promotional direct mail" may provide the seller  
11 with either:

12 a. A direct pay permit.

13 b. An Agreement certificate of exemption claiming "direct mail" (or other  
14 written statement approved, authorized or accepted by the state); or

15 c. Information showing the jurisdictions to which the "advertising and  
16 promotional direct mail" is to be delivered to recipients.

17 2. If the purchaser provides the permit, certificate or statement referred to in  
18 subparagraph a or b of paragraph 1 of subsection (A) of this section, the seller, in the absence of  
19 bad faith, is relieved of all obligations to collect, pay, or remit any tax on any transaction  
20 involving "advertising and promotional direct mail" to which the permit, certificate or statement  
21 applies. The purchaser shall source the sale to the jurisdictions to which the "advertising and  
22 promotional direct mail" is to be delivered to the recipients and shall report and pay any  
23 applicable tax due.

24 3. If the purchaser provides the seller information showing the jurisdictions to which  
25 the "advertising and promotional direct mail" is to be delivered to recipients, the seller shall  
26 source the sale to the jurisdictions to which the "advertising and promotional direct mail" is to be  
27 delivered and shall collect and remit the applicable tax. In the absence of bad faith, the seller is  
28 relieved of any further obligation to collect any additional tax on the sale of "advertising and

1 promotional direct mail” where the seller has sourced the sale according to the delivery  
2 information provided by the purchaser.

3 4. If the purchaser does not provide the seller with any of the items listed in  
4 subparagraphs a, b or c of paragraph 1 of subsection (A) of this section, the sale shall be sourced  
5 according to Section 310.A.5. The state to which the “advertising and promotional direct mail”  
6 is delivered may disallow credit for tax paid on sales sourced under this paragraph.

7 B. Notwithstanding Sections 310 and 310.1, the following provisions apply to sales of  
8 “other direct mail.”

9 1. Except as otherwise provided in this paragraph, sales of “other direct mail” are  
10 sourced in accordance with Section 310.A.3.

11 2. A purchaser of “other direct mail” may provide the seller with either:

12 a. A direct pay permit; or

13 b. An Agreement certificate of exemption claiming “direct mail” (or other  
14 written statement approved, authorized or accepted by the state).

15 3. If the purchaser provides the permit, certificate or statement referred to in  
16 subparagraph a or b of paragraph 2 of subsection (B) of this section, the seller, in the absence of  
17 bad faith, is relieved of all obligations to collect, pay or remit any tax on any transaction  
18 involving “other direct mail” to which the permit, certificate or statement apply.

19 Notwithstanding paragraph 1 subsection (B), the sale shall be sourced to the jurisdictions to  
20 which the “other direct mail” is to be delivered to the recipients and the purchaser shall report  
21 and pay applicable tax due.

22 C. For purposes of this section:

23 1. “Advertising and promotional direct mail” means:

24 a. printed material that meets the definition of “direct mail,” in Appendix C,  
25 Part 1;

26 b. the primary purpose of which is to attract public attention to a product,  
27 person, business or organization, or to attempt to sell, popularize or secure  
28 financial support for a product, person, business or organization. As used in this  
29 subsection, the word “product” means tangible personal property, a product  
30 transferred electronically or a service.

1           2.       “Other direct mail” means any direct mail that is not “advertising and promotional  
2 direct mail” regardless of whether “advertising and promotional direct mail” is included in the  
3 same mailing. The term includes, but is not limited to:

4           a.       Transactional direct mail that contains personal information specific to the  
5 addressee including, but not limited to, invoices, bills, statements of account,  
6 payroll advices;

7           b.       Any legally required mailings including, but not limited to, privacy  
8 notices, tax reports and stockholder reports; and

9           c.       Other non-promotional direct mail delivered to existing or former  
10 shareholders, customers, employees, or agents including, but not limited to,  
11 newsletters and informational pieces.

12           Other direct mail does not include the development of billing information or the  
13 provision of any data processing service that is more than incidental.

14 D.     1.     a.       This section applies to a transaction characterized under state law as the  
15 sale of services only if the service is an integral part of the production and distribution of printed  
16 material that meets the definition of “direct mail.”

17           b.       This section does not apply to any transaction that includes the  
18 development of billing information or the provision of any data processing service that is more  
19 than incidental regardless of whether “advertising and promotional direct mail” is included in the  
20 same mailing.

21           2.       If a transaction is a “bundled transaction” that includes “advertising and  
22 promotion direct mail,” this section applies only if the primary purpose of the transaction is the  
23 sale of products or services that meet the definition of “advertising and promotional direct mail.”

24           3.       Nothing in this section shall limit any purchaser’s:

25           a.       Obligation for sales or use tax to any state to which the direct mail is  
26 delivered,

27           b.       Right under local, state, federal or constitutional law, to a credit for sales  
28 or use taxes legally due and paid to other jurisdictions, or

29           c.       Right to a refund of sales or use taxes overpaid to any jurisdiction.

1           4.       This section applies for purposes of uniformly sourcing “direct mail” transactions  
2 and does not impose requirements on states regarding the taxation of products that meet the  
3 definition of “direct mail” or to the application of sales for resale or other exemptions.

4 *See Compiler’s Notes for history.*

5 **Section 313.1: ELECTION FOR ORIGIN-BASED DIRECT MAIL SOURCING**

6       A.       Notwithstanding Sections 310, 310.1 and 313, a member state may elect to source the  
7 sale of all direct mail delivered or distributed from a location within the state and  
8 delivered or distributed to a location within the state pursuant to the provisions of this  
9 section.

10       B.       If the purchaser provides the seller with a direct pay permit or an Agreement  
11 certificate of exemption claiming direct mail (or other written statement approved,  
12 authorized or accepted by the state), the seller, in the absence of bad faith, is relieved  
13 of all obligations to collect, pay, or remit the applicable tax on any transaction  
14 involving “direct mail.” The purchaser must report and pay any applicable tax due.  
15 An Agreement certificate of exemption claiming direct mail shall remain in effect for  
16 all future sales of direct mail by the seller to the purchaser until it is revoked in  
17 writing.

18       C.       Except as provide in subsection (B) and the second sentence of this subsection, the  
19 seller shall collect the tax according to Section 310 A.5. To the extent the seller  
20 knows that a portion of the sale of direct mail will be delivered or distributed to a  
21 location in another state, the seller shall collect the tax on that portion according to  
22 Section 313.

23       D.       Notwithstanding subsection (C) of this section, a seller may elect to use the  
24 provisions of Section 313 to source all sales of “advertising and promotional direct  
25 mail.”

26       E.       Nothing in this section limits a purchaser’s obligation for sales or use tax to any state  
27 to which the direct mail is delivered, except that a purchaser whose direct mail is  
28 sourced under the first sentence of subsection (C) of this section shall owe no  
29 additional sales or use tax to that state based on where the purchaser uses or delivers  
30 the direct mail in the state.

1 F. A member state that elects to source the sale of direct mail pursuant to the provisions  
2 of this section shall inform the governing board in writing at least sixty days prior to  
3 the beginning of the calendar quarter such election begins.

4 *See Compiler's Notes for history.*

5 **Section 314: TELECOMMUNICATION AND RELATED SERVICES SOURCING RULE**

6 A. Except for the defined telecommunication services in subsection (C), the sale of  
7 telecommunication service sold on a call-by-call basis shall be sourced to (i) each level  
8 of taxing jurisdiction where the call originates and terminates in that jurisdiction or (ii)  
9 each level of taxing jurisdiction where the call either originates or terminates and in  
10 which the service address is also located.

11 B. Except for the defined telecommunication services in subsection (C), a sale of  
12 telecommunications services sold on a basis other than a call-by-call basis, is sourced to  
13 the customer's place of primary use.

14 C. The sale of the following telecommunication services shall be sourced to each level of  
15 taxing jurisdiction as follows:

- 16 1. A sale of mobile telecommunications services other than air-to-ground radiotelephone  
17 service and prepaid calling service, is sourced to the customer's place of primary use as  
18 required by the Mobile Telecommunications Sourcing Act.
- 19 2. A sale of post-paid calling service is sourced to the origination point of the  
20 telecommunications signal as first identified by either (i) the seller's telecommunications  
21 system, or (ii) information received by the seller from its service provider, where the  
22 system used to transport such signals is not that of the seller.
- 23 3. A sale of prepaid calling service or a sale of a prepaid wireless calling service is sourced  
24 in accordance with Section 310. Provided however, in the case of a sale of prepaid  
25 wireless calling service, the rule provided in Section 310, subsection (A)(5) shall include  
26 as an option the location associated with the mobile telephone number.
- 27 4. A sale of a private communication service is sourced as follows:
  - 28 a. Service for a separate charge related to a customer channel termination  
29 point is sourced to each level of jurisdiction in which such customer  
30 channel termination point is located.

- b. Service where all customer termination points are located entirely within one jurisdiction or levels of jurisdiction is sourced in such jurisdiction in which the customer channel termination points are located.
- c. Service for segments of a channel between two customer channel termination points located in different jurisdictions and which segment of channel are separately charged is sourced fifty percent in each level of jurisdiction in which the customer channel termination points are located.
- d. Service for segments of a channel located in more than one jurisdiction or levels of jurisdiction and which segments are not separately billed is sourced in each jurisdiction based on the percentage determined by dividing the number of customer channel termination points in such jurisdiction by the total number of customer channel termination points.

D. The sale of Internet access service is sourced to the customer’s place of primary use.

E. The sale of an ancillary service is sourced to the customer’s place of primary use.

*See Compiler’s Notes for history.*

**Section 315: TELECOMMUNICATION SOURCING DEFINITIONS**

For the purpose of Section 314, the following definitions apply:

- A. "Air-to-Ground Radiotelephone service" means a radio service, as that term is defined in 47 CFR 22.99, in which common carriers are authorized to offer and provide radio telecommunications service for hire to subscribers in aircraft.
- B. "Ancillary services" means services that are associated with or incidental to the provision of "telecommunications services", including but not limited to "detailed telecommunications billing", "directory assistance", "vertical service", and "voice mail services".
- C. "Call-by-call Basis" means any method of charging for telecommunications services where the price is measured by individual calls.
- D. "Communications Channel" means a physical or virtual path of communications over which signals are transmitted between or among customer channel termination points.

- 1 E. "Customer" means the person or entity that contracts with the seller of  
2 telecommunications services. If the end user of telecommunications services is not  
3 the contracting party, the end user of the telecommunications service is the customer  
4 of the telecommunication service, but this sentence only applies for the purpose of  
5 sourcing sales of telecommunications services under Section 314. "Customer" does  
6 not include a reseller of telecommunications service or for mobile  
7 telecommunications service of a serving carrier under an agreement to serve the  
8 customer outside the home service provider's licensed service area.
- 9 F. "Customer Channel Termination Point" means the location where the customer either  
10 inputs or receives the communications.
- 11 G. "End user" means the person who utilizes the telecommunication service. In the case  
12 of an entity, "end user" means the individual who utilizes the service on behalf of the  
13 entity.
- 14 H. "Home service provider" means the same as that term is defined in Section 124(5) of  
15 Public Law 106-252 (Mobile Telecommunications Sourcing Act).
- 16 I. "Mobile telecommunications service" means the same as that term is defined in  
17 Section 124(7) of Public Law 106-252 (Mobile Telecommunications Sourcing Act).
- 18 J. "Place of primary use" means the street address representative of where the  
19 customer's use of the telecommunications service primarily occurs, which must be  
20 the residential street address or the primary business street address of the customer.  
21 In the case of mobile telecommunications services, "place of primary use" must be  
22 within the licensed service area of the home service provider.
- 23 K. "Post-paid calling service" means the telecommunications service obtained by  
24 making a payment on a call-by-call basis either through the use of a credit card or  
25 payment mechanism such as a bank card, travel card, credit card, or debit card, or by  
26 charge made to a telephone number which is not associated with the origination or  
27 termination of the telecommunications service. A post-paid calling service includes  
28 a telecommunications service, except a prepaid wireless calling service, that would  
29 be a prepaid calling service except it is not exclusively a telecommunication service.



- 1 L. "Prepaid calling service" means the right to access exclusively telecommunications  
2 services, which must be paid for in advance and which enables the origination of  
3 calls using an access number or authorization code, whether manually or  
4 electronically dialed, and that is sold in predetermined units or dollars of which the  
5 number declines with use in a known amount.
- 6 M. "Prepaid wireless calling service" means a telecommunications service that provides  
7 the right to utilize mobile wireless service as well as other non-telecommunications  
8 services, including the download of digital products delivered electronically, content  
9 and ancillary services, which must be paid for in advance that is sold in  
10 predetermined units or dollars of which the number declines with use in a known  
11 amount.
- 12 N. "Private communication service" means a telecommunication service that entitles the  
13 customer to exclusive or priority use of a communications channel or group of  
14 channels between or among termination points, regardless of the manner in which  
15 such channel or channels are connected, and includes switching capacity, extension  
16 lines, stations, and any other associated services that are provided in connection with  
17 the use of such channel or channels.
- 18 O. "Service address" means:
- 19 1. The location of the telecommunications equipment to which a customer's call is  
20 charged and from which the call originates or terminates, regardless of where  
21 the call is billed or paid.
- 22 2. If the location in subsection (O)(1) is not known, service address means the  
23 origination point of the signal of the telecommunications services first  
24 identified by either the seller's telecommunications system or in information  
25 received by the seller from its service provider, where the system used to  
26 transport such signals is not that of the seller.
- 27 3. If the location in subsection (O)(1) and subsection (O)(2) are not known, the  
28 service address means the location of the customer's place of primary use.

29 *See Compiler's Notes for history.*

1 **Section 316: ENACTMENT OF EXEMPTIONS**

2 A. A member state shall enact entity-based, use-based and product-based exemptions in  
3 accordance with the provisions of this section and shall utilize common definitions in  
4 accordance with the provisions of Section 327 and Library of Definitions in Appendix C  
5 of this Agreement.

6 B. (1) A member state may enact a product-based exemption without restriction if Part II of  
7 the Library of Definitions does not have a definition for such product.

8 (2) A member state may enact a product-based exemption for a product if Part II of the  
9 Library of Definitions has a definition for such product and the member state utilizes in  
10 the exemption the product definition in a manner consistent with Part II of the Library of  
11 Definitions and Section 327 of this Agreement.

12 (3) A member state may enact a product-based exemption exempting all items included  
13 within a definition in Part II of the Library of Definitions but shall not exempt specific  
14 items included within the product definition unless the product definition sets out an  
15 exclusion for such item.

16 C. (1) A member state may enact an entity-based or a use-based exemption for a product  
17 without restriction if Part II of the Library of Definitions does not have a definition for  
18 such product.

19 (2) A member state may enact an entity-based or a use-based exemption for a product if  
20 Part II of the Library of Definitions has a definition for such product and the member  
21 state utilizes in the exemption the product definition in a manner consistent with Part II of  
22 the Library of Definitions and Section 327 of this Agreement.

23 (3) A member state may enact an entity-based exemption for an item if Part II of the  
24 Library of Definitions does not have a definition for such item but has a definition for a  
25 product that includes such item.

26 (4) A member state may not enact a use-based exemption for an item which effectively  
27 constitutes a product-based exemption if Part II of the Library of Definitions has a  
28 definition for a product that includes such item.

29 (5) A member state may enact a use-based exemption for an item if Part II of the Library  
30 of Definitions has a definition for a product that includes such item, if not prohibited in

1 Subsection (C) (4) of this section and if consistent with the definition in Part II of the  
2 Library of Definitions.

3 For purposes of complying with the requirements in this section, the inclusion of a product  
4 within the definition of tangible personal property is disregarded.

5 *See Compiler's Notes for history.*

6  
7  
8 **Section 317: ADMINISTRATION OF EXEMPTIONS**

9 A. Each member state shall observe the following provisions when a purchaser claims an  
10 exemption:

- 11 1. The seller shall obtain identifying information of the purchaser and the reason for  
12 claiming a tax exemption at the time of the purchase as determined by the governing  
13 board.
- 14 2. A purchaser is not required to provide a signature to claim an exemption from tax  
15 unless a paper exemption certificate is used.
- 16 3. The seller shall use the standard form for claiming an exemption electronically as  
17 adopted by the governing board.
- 18 4. The seller shall obtain the same information for proof of a claimed exemption  
19 regardless of the medium in which the transaction occurred.
- 20 5. A member state may utilize a system wherein the purchaser exempt from the payment  
21 of the tax is issued an identification number that shall be presented to the seller at the  
22 time of the sale.
- 23 6. The seller shall maintain proper records of exempt transactions and provide them to a  
24 member state when requested.
- 25 7. A member state shall administer use-based and entity-based exemptions when  
26 practicable through a direct pay permit, an exemption certificate, or another means  
27 that does not burden sellers.
- 28 8. In the case of drop shipment sales, member states must allow a third party vendor  
29 (e.g., drop shipper) to claim a resale exemption based on an exemption certificate

1 provided by its customer/re-seller or any other acceptable information available to the  
2 third party vendor evidencing qualification for a resale exemption, regardless of  
3 whether the customer/re-seller is registered to collect and remit sales and use tax in the  
4 state where the sale is sourced.

5 B. Each member state shall relieve sellers that follow the requirements of this section from  
6 the tax otherwise applicable if it is determined that the purchaser improperly claimed an  
7 exemption and to hold the purchaser liable for the nonpayment of tax. This relief from  
8 liability does not apply to a seller who fraudulently fails to collect tax; to a seller who  
9 solicits purchasers to participate in the unlawful claim of an exemption; to a seller who  
10 accepts an exemption certificate when the purchaser claims an entity-based exemption  
11 when (1) the subject of the transaction sought to be covered by the exemption certificate  
12 is actually received by the purchaser at a location operated by the seller and (2) the state  
13 in which that location resides provides an exemption certificate that clearly and  
14 affirmatively indicates (graying out exemption reason types on the uniform form and  
15 posting it on a state's web site is an indicator) that the claimed exemption is not  
16 available in that state.

17 C. Each state shall relieve a seller of the tax otherwise applicable if the seller obtains a fully  
18 completed exemption certificate or captures the relevant data elements required under  
19 the Agreement within 90 days subsequent to the date of sale. A member state may  
20 provide for a period longer than 90 days for the seller to obtain necessary information.

21 D.

- 22 1. If the seller has not obtained an exemption certificate or all relevant data elements as  
23 provided in Section 317, subsection (C) a member state shall provide the seller with  
24 120 days subsequent to a request for substantiation by a member state, to either:
  - 25 a. Obtain a fully completed exemption certificate from the purchaser, taken in good  
26 faith which means that the seller obtain a certificate that claims an exemption that  
27 (i) was statutorily available on the date of the transaction in the jurisdiction where  
28 the transaction is sourced, (ii) could be applicable to the item being purchased,  
29 and (iii) is reasonable for the purchaser's type of business; or

1           b. Obtain other information establishing that the transaction was not subject to the  
2           tax.

3           A member state may provide for a period longer than 120 days for sellers to  
4           obtain the necessary information.

5  
6           2. If the seller obtains the information described in subsection (D)(1) of this section,  
7           the member state shall relieve the seller of any liability for the tax on the transaction  
8           unless it is discovered through the audit process that the seller had knowledge or had  
9           reason to know at the time such information was provided that the information relating to  
10          the exemption claimed was materially false or the seller otherwise knowingly participated  
11          in activity intended to purposefully evade the tax that is properly due on the transaction.  
12          The state must establish that the seller had knowledge or had reason to know at the time  
13          the information was provided that the information was materially false.

14 E. Nothing in this section shall affect the ability of member states to require purchasers to  
15          update exemption certificate information or to reapply with the state to claim certain  
16          exemptions.

17 F. Each member state shall relieve a seller of the tax otherwise applicable if it obtains a  
18          blanket exemption certificate from a purchaser with which the seller has a recurring  
19          business relationship. Notwithstanding the provisions of subsection (E) of this section, a  
20          member state may not request from the seller renewal of blanket certificates or updates of  
21          exemption certificate information or data elements when there is a recurring business  
22          relationship between the buyer and seller. For purposes of this section a recurring  
23          business relationship exists when a period of no more than twelve months elapses  
24          between sales transactions.

25 G. Each state shall post on its website the uniform paper exemption certificate (streamlined  
26          sales and use tax exemption certificate) as revised and adopted by the governing board,  
27          with any applicable graying out of non-applicable exemption types (pursuant to  
28          subsection (B) of this Section and Rule 317.1.A.5.a.). Every state shall conform to the  
29          amendment in subdivision D of this section by July 31, 2010.

30          *See Compiler's Notes for history.*

1 *Interpretation issued: On December 19, 2011 the Governing Board issued Interpretative Opinion 2011-03 related to*  
2 *the meaning of “120 days” in Section 317.D 1. That interpretation can be found in the Library of Interpretations in*  
3 *Appendix D.*

#### 4 **Section 318: UNIFORM TAX RETURNS**

5 Each member state shall:

6 A. Require that only a single tax return for each taxing period for each seller be filed for  
7 the member state to include all the taxing jurisdictions within the member state.

8 B.

9 1. Require that returns be due no sooner than the twentieth day of the month  
10 following the month in which the transaction occurred.

11 2. When the due date for a return falls on a Saturday or Sunday or legal holiday  
12 in the subject member state, the return shall be due on the next succeeding  
13 business day. If the return is filed in conjunction with a remittance and the  
14 remittance cannot be made pursuant to Section 319.E.2, the return shall be  
15 accepted as timely filed on the same day as the remittance under that  
16 subsection.

17 C. Make available to all sellers, whether or not registered under the Agreement, except  
18 sellers of products qualifying for exclusion from the provisions of Section 308 of this  
19 Agreement, a simplified return that is filed electronically as follows:

20 1. The simplified electronic return (hereinafter SER) shall be in a form approved by  
21 the governing board and shall contain only those fields approved by the governing  
22 board. The SER shall contain two parts. Part 1 shall contain information relating  
23 to remittances and allocations and part 2 shall contain information relating to  
24 exempt sales.

25 2. Each member state must notify the governing board if it requires the submission  
26 of the part 2 information. Provided, no state may require the submission of part 2  
27 information from a model 4 seller which has no legal requirement to register in  
28 such state.

29 3. Returns shall be required as follows;

- 1 a. Certified service providers must file a SER in all member states on behalf of  
2 model 1 sellers. Certified service providers, on behalf of such sellers, shall  
3 file the audit reports provided for in Article V of the governing board's rules  
4 and procedures for such states, and in addition, shall be required to file part 1  
5 of the SER each month for each member state. A state shall allow a model 1  
6 seller to file both part 1 and the part 2 of the SER. A model 1 seller which  
7 chooses to file both part 1 and the part 2 of the SER shall still be required to  
8 file the audit reports provided for in Article V of the governing board's rules  
9 and procedures.
- 10 b. Model 2 and model 3 sellers must file a SER in all member states other than  
11 states for which they have indicated that they anticipate making no sales.  
12 Such sellers shall file part 1 of the SER every month for all states in which  
13 they anticipate making sales. Such sellers need not file part 2 information  
14 until January 1, 2012. After such date they shall have the following options  
15 for meeting their obligation to furnish part 2 information:
- 16 i) File part 2 of the SER together with part 1 of the SER every month;  
17 or
- 18 ii) File part 2 of the SER at the same time part 1 of the SER for the  
19 month of December is due. Part 2 information filed pursuant to this  
20 option shall cover the month of December and all previous months of  
21 the same calendar year and shall only require annual and not monthly  
22 totals.
- 23 Such sellers shall only be required to file part 2 of the SER for any  
24 state which has notified the governing board that it will require the  
25 submission of the part 2 information pursuant to paragraph 2 of this  
26 subsection.
- 27 c. No later than January 1, 2011, every member state shall allow model 4 sellers  
28 to file a SER. Such sellers shall file part 1 of the SER every month unless a  
29 state allows less frequent filing. Model 4 sellers which have a legal

1 requirement to register in such state shall have the following options for  
2 meeting their obligation to furnish part 2 information:

- 3 i) File part 2 of the SER together with part 1 of the SER; or
- 4 ii) File part 2 of the SER at the same time part 1 of the SER for the  
5 month of December is due. Part 2 information filed pursuant to this  
6 option shall cover the months of December and all previous months  
7 of the same calendar year and shall only require annual and not  
8 monthly totals.

9 Such sellers shall only be required to file part 2 of the SER for any  
10 state which has notified the governing board that it will require the  
11 submission of the part 2 information pursuant to paragraph (2) of this  
12 subsection. Model 4 sellers which elect not to file a SER shall file  
13 returns in the form and pursuant to schedules afforded to sellers not  
14 registered under the Agreement according to the requirements of each  
15 member state.

- 16 d. No later than January 1, 2013 every member state shall allow sellers not  
17 registered under the Agreement that are registered in the state to file a SER.  
18 Such sellers shall file part 1 of the SER every month unless a state allows less  
19 frequent filing and shall have the following options for meeting their  
20 obligation to furnish part 2 information:

- 21 i) File part 2 of the SER together with part 1 of the SER; or
- 22 ii) File part 2 of the SER at the same time part 1 of the SER for the  
23 month of December is due. Part 2 information filed pursuant to this  
24 option shall cover the month of December and all previous months of  
25 the same calendar year and shall only require annual and not monthly  
26 totals.

27 Such sellers shall only be required to file part 2 of the SER for any  
28 state which has notified the governing board that it will require the  
29 submission of the part 2 information pursuant to paragraph (2) of this  
30 subsection.



1 4. A state which requires the submission of part 2 information pursuant to paragraph  
2 (2) of this subsection may provide an exemption from this requirement to a seller  
3 under terms and conditions set out by the state.

4 5. A state may require a seller which elects to file a SER to give at least three  
5 months notice of the seller's intent to discontinue filing a SER.

6 D. Not after January 1, 2010 require the filing of a return from a seller that is registered under  
7 the Agreement which has indicated at the time of registration that it anticipates making no  
8 sales which would be sourced to the state under the Agreement. A seller shall lose such  
9 exemption upon making any taxable sales into such state and shall file a return in the month  
10 following such sale. A state may, but is not required to, allow a seller to regain such filing  
11 exemption upon such terms and condition as the state may impose.

12 E. Adopt web services as the standardized transmission process that allows for receipt of  
13 uniform tax returns and other formatted information as approved by the governing board.  
14 Such a process will provide for the filing of separate returns for multiple legal entities in a  
15 single transmission for each state and will not include any requirement for manual entry or  
16 input by the seller of any of the aforementioned information. This process will allow a  
17 certified service provider, a tax preparer, or any other person authorized to do so, to file  
18 returns for more than one seller in a single electronic transmission. However, sellers filing  
19 returns for multiple legal entities may only do so for affiliated legal entities. States shall  
20 comply with this provision by January 1, 2019.

21 F. After January 1, 2010 give notice to a seller registered under this Agreement which has no  
22 legal requirement to register in the state, or a failure to file a required return and a minimum  
23 of thirty days to file thereafter prior to establishing a liability amount for taxes based solely  
24 on the seller's failure to timely file a return. Provided, a member state may establish a  
25 liability amount for taxes based solely on the seller's failure to timely file a return if such  
26 seller has a history of non-filing or late filing.

27 G. Nothing in this section shall prohibit a state from allowing additional return options or the  
28 filing of returns less frequently.

29 *See Compiler's Notes for history.*

30 **Section 319: UNIFORM RULES FOR REMITTANCES OF FUNDS**

1 Each member state shall:

- 2 A. Require only one remittance for each return except as provided in this subsection. If any  
3 additional remittance is required, it may only be required from sellers that collect more  
4 than thirty thousand dollars in sales and use taxes in the member state during the  
5 preceding calendar year as provided herein. The state shall allow the amount of any  
6 additional remittance to be determined through a calculation method rather than actual  
7 collections. Any additional remittances shall not require the filing of an additional return.
- 8 B. Require, at each member state's discretion, all remittances in payment of taxes reported  
9 on the approved simplified return format to be remitted electronically.
- 10 C. Allow for electronic payments by all remitters by both ACH Credit and ACH Debit.
- 11 D. Provide an alternative method for making "same day" payments if an electronic funds  
12 transfer fails.
- 13 E.
  - 14 1. Provide that if a due date for a payment falls on a Saturday, Sunday, or legal  
15 holiday in a member state, the payment, including any related payment voucher  
16 information, is due to that state on the next succeeding business day.
  - 17 2. Additionally, if the Federal Reserve Bank is closed on a due date that prohibits a  
18 person from being able to make a payment by ACH Debit or Credit, the payment  
19 shall be accepted as timely if made on the next day the Federal Reserve Bank is  
20 open.
- 21 F. Require that any data that accompanies a remittance be formatted using uniform tax type  
22 and payment type codes approved by the governing board.
- 23 G. Adopt a standardized transmission process approved by the governing board that allows  
24 for the remittance in a single electronic transmission of a single (bulk) payment for taxes  
25 reported on multiple SERs by affiliated entities, certified service providers or preparers.  
26 Each state shall comply with this provision no later than two years after the governing  
27 board approves such a standardized transmission process.

28 *See Compiler's Notes for history.*

29 **Section 320: UNIFORM RULES FOR RECOVERY OF BAD DEBTS**

1 Each member state shall use the following to provide a deduction for bad debts to a seller. To  
2 the extent a member state provides a bad debt deduction to any other party, the same procedures  
3 will apply. Each member state shall:

4 A. Allow a deduction from taxable sales for bad debts. Any deduction taken that is  
5 attributed to bad debts shall not include interest.

6 B. Utilize the federal definition of “bad debt” in 26 U.S.C. Sec. 166 as the basis for  
7 calculating bad debt recovery. However, the amount calculated pursuant to 26 U.S.C.  
8 Sec. 166 shall be adjusted to exclude: financing charges or interest; sales or use taxes  
9 charged on the purchase price; uncollectable amounts on property that remain in the  
10 possession of the seller until the full purchase price is paid; expenses incurred in  
11 attempting to collect any debt, and repossessed property.

12 C. Allow bad debts to be deducted on the return for the period during which the bad debt is  
13 written off as uncollectable in the claimant’s books and records and is eligible to be  
14 deducted for federal income tax purposes. For purposes of this subsection, a claimant  
15 who is not required to file federal income tax returns may deduct a bad debt on a return  
16 filed for the period in which the bad debt is written off as uncollectable in the claimant’s  
17 books and records and would be eligible for a bad debt deduction for federal income tax  
18 purposes if the claimant was required to file a federal income tax return.

19 D. Require that, if a deduction is taken for a bad debt and the debt is subsequently collected  
20 in whole or in part, the tax on the amount so collected must be paid and reported on the  
21 return filed for the period in which the collection is made.

22 E. Provide that, when the amount of bad debt exceeds the amount of taxable sales for the  
23 period during which the bad debt is written off, a refund claim may be filed within the  
24 member state’s otherwise applicable statute of limitations for refund claims; however, the  
25 statute of limitations shall be measured from the due date of the return on which the bad  
26 debt could first be claimed.

27 F. Where filing responsibilities have been assumed by a CSP, allow the service provider to  
28 claim, on behalf of the seller, any bad debt allowance provided by this section. The CSP  
29 must credit or refund the full amount of any bad debt allowance or refund received to the  
30 seller.

1 G. Provide that, for the purposes of reporting a payment received on a previously claimed  
2 bad debt, any payments made on a debt or account are applied first proportionally to the  
3 taxable price of the property or service and the sales tax thereon, and secondly to interest,  
4 service charges, and any other charges.

5 H. In situations where the books and records of the party claiming the bad debt allowance  
6 support an allocation of the bad debts among the member states, permit the allocation.

7 **Section 321: CONFIDENTIALITY AND PRIVACY PROTECTIONS UNDER MODEL 1**

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

11 B. As used in this section, the term "confidential taxpayer information" means all  
12 information that is protected under a member state's laws, regulations, and privileges; the  
13 term "personally identifiable information" means information that identifies a person; and  
14 the term "anonymous data" means information that does not identify a person.

15 C. The member states agree that a fundamental precept in Model 1 is to preserve the privacy  
16 of consumers by protecting their anonymity. With very limited exceptions, a CSP shall  
17 perform its tax calculation, remittance, and reporting functions without retaining the  
18 personally identifiable information of consumers.

19 D. The governing board may certify a CSP only if that CSP certifies that:

20 1. Its system has been designed and tested to ensure that the fundamental precept of  
21 anonymity is respected;

22 2. That personally identifiable information is only used and retained to the extent  
23 necessary for the administration of Model 1 with respect to exempt purchasers and  
24 proper identification of taxing jurisdictions;

25 3. It provides consumers clear and conspicuous notice of its information practices,  
26 including what information it collects, how it collects the information, how it uses the  
27 information, how long, if at all, it retains the information and whether it discloses the  
28 information to member states. Such notice shall be satisfied by a written privacy  
29 policy statement accessible by the public on the official web site of the CSP;

1 4. Its collection, use and retention of personally identifiable information will be limited  
2 to that required by the member states to ensure the validity of exemptions from  
3 taxation that are claimed by reason of a consumer's status or the intended use of the  
4 goods or services purchased and for documentation of the correct assignment of taxing  
5 jurisdictions; and

6 5. It provides adequate technical, physical, and administrative safeguards so as to protect  
7 personally identifiable information from unauthorized access and disclosure.

8 E. Each member state shall provide public notification to consumers, including their exempt  
9 purchasers, of the state's practices relating to the collection, use and retention of  
10 personally identifiable information.

11 F. When any personally identifiable information that has been collected and retained is no  
12 longer required for the purposes set forth in subsection (D)(4), such information shall no  
13 longer be retained by the member states.

14 G. When personally identifiable information regarding an individual is retained by or on  
15 behalf of a member state, such state shall provide reasonable access by such individual to  
16 his or her own information in the state's possession and a right to correct any inaccurately  
17 recorded information.

18 H. If anyone other than a member state, or a person authorized by that state's law or the  
19 Agreement, seeks to discover personally identifiable information, the state from whom  
20 the information is sought should make a reasonable and timely effort to notify the  
21 individual of such request.

22 I. This privacy policy is subject to enforcement by member states' attorneys general or other  
23 appropriate state government authority.

24 J. Each member states' laws and regulations regarding the collection, use, and maintenance  
25 of confidential taxpayer information remain fully applicable and binding. Without  
26 limitation, the Agreement does not enlarge or limit the member states' authority to:

- 27 1. Conduct audits or other review as provided under the Agreement and state law.
- 28 2. Provide records pursuant to a member state's Freedom of Information Act, disclosure  
29 laws with governmental agencies, or other regulations.
- 30 3. Prevent, consistent with state law, disclosures of confidential taxpayer information.

- 1 4. Prevent, consistent with federal law, disclosures or misuse of federal return  
2 information obtained under a disclosure agreement with the Internal Revenue Service.  
3 5. Collect, disclose, disseminate, or otherwise use anonymous data for governmental  
4 purposes.
- 5 K. This privacy policy does not preclude the governing board from certifying a CSP whose  
6 privacy policy is more protective of confidential taxpayer information or personally  
7 identifiable information than is required by the Agreement.

8 *See Compiler's Notes for history.*

9 **Section 322: SALES TAX HOLIDAYS**

- 10 A. If a member state allows for temporary exemption periods, commonly referred to as sales  
11 tax holidays, the member state shall:
- 12 1. Not apply an exemption unless the items to be exempted are specifically defined in  
13 Part II or Part III(B) of the Library of Definitions and the exemptions are uniformly  
14 applied to state and local sales and use taxes.
- 15 2. Provide notice of the exemption period at least sixty days' prior to the first day of the  
16 calendar quarter in which the exemption period will begin.
- 17 3. Not apply an entity or use based exemption to items except a member state may limit  
18 a product based exemption to items purchased for personal or non-business use.
- 19 4. Not require a seller to obtain an exemption certificate or other certification from a  
20 purchaser for items to be exempted during a sales tax holiday.
- 21 B. A member state may establish a sales tax holiday that utilizes price thresholds set by  
22 such state and the provisions of the Agreement on the use of thresholds shall not  
23 apply to exemptions provided by a state during a sales tax holiday. In order to  
24 provide uniformity, a price threshold established by a member state for exempt  
25 items shall include only items priced below the threshold. A member state shall not  
26 exempt only a portion of the price of an individual item during a sales tax holiday.
- 27 C. The following procedures are to be used by member states in administering a sales  
28 tax holiday exemption:
- 29 1. Layaway sales - A sale of eligible property under a layaway sale qualifies for  
30 exemption if:

- 1           a.       final payment on a layaway order is made by, and the property is given  
2                   to, the purchaser during the exemption period; or
- 3           b.       the purchaser selects the property and the retailer accepts the order for  
4                   the item during the exemption period, for immediate delivery upon full  
5                   payment, even if delivery is made after the exemption period.
- 6       2.       Bundled sales - Member states will follow the same procedure during the sales  
7                   tax holiday as agreed upon for handling a bundled sale at other times.
- 8       3.       Coupons and discounts - A discount by the seller reduces the sales price of the  
9                   property and the discounted sales price determines whether the sales price is  
10                  within a sales tax holiday price threshold of a member state. A coupon that  
11                  reduces the sales price is treated as a discount if the seller is not reimbursed  
12                  for the coupon amount by a third-party. If a discount applies to the total  
13                  amount paid by a purchaser rather than to the sales price of a particular item  
14                  and the purchaser has purchased both eligible property and taxable property,  
15                  the seller should allocate the discount based on the total sales prices of the  
16                  taxable property compared to the total sales prices of all property sold in that  
17                  same transaction.
- 18       4.       Splitting of items normally sold together - Articles that are normally sold as a  
19                   single unit must continue to be sold in that manner. Such articles cannot be  
20                   priced separately and sold as individual items in order to obtain the  
21                   exemption. For example, a pair of shoes cannot have each shoe sold  
22                   separately so that the sales price of each shoe is within a sales tax holiday  
23                   price threshold.
- 24       5.       Rain checks - A rain check allows a customer to purchase an item at a certain  
25                   price at a later time because the particular item was out of stock. Eligible  
26                   property that customers purchase during the exemption period with use of a  
27                   rain check will qualify for the exemption regardless of when the rain check  
28                   was issued. Issuance of a rain check during the exemption period will not  
29                   qualify eligible property for the exemption if the property is actually  
30                   purchased after the exemption period.

- 1       6.       Exchanges - The procedure for an exchange in regards to a sales tax holiday is  
2       as follows:
- 3           a.       If a customer purchases an item of eligible property during the  
4           exemption period, but later exchanges the item for a similar eligible  
5           item, even if a different size, different color, or other feature, no  
6           additional tax is due even if the exchange is made after the exemption  
7           period.
- 8           b.       If a customer purchases an item of eligible property during the  
9           exemption period, but after the exemption period has ended, the  
10          customer returns the item and receives credit on the purchase of a  
11          different item, the appropriate sales tax is due on the sale of the newly  
12          purchased item.
- 13          c.       If a customer purchases an item of eligible property before the  
14          exemption period, but during the exemption period the customer  
15          returns the item and receives credit on the purchase of a different item  
16          of eligible property, no sales tax is due on the sale of the new item if  
17          the new item is purchased during the exemption period.
- 18       7.       Delivery charges - Delivery charges, including shipping, handling and service  
19       charges, are part of the sales price of eligible property unless a member state  
20       defines "sales price" to exclude such charges. For the purpose of determining  
21       a sales tax holiday price threshold, if all the property in a shipment qualifies as  
22       eligible property and the sales price for each item in the shipment is within the  
23       sales tax holiday price threshold, then the seller does not have to allocate the  
24       delivery, handling, or service charge to determine if the price threshold is  
25       exceeded. The shipment will be considered a sale of eligible products. If the  
26       shipment includes eligible property and taxable property (including an eligible  
27       item with a sales price in excess of the price threshold), the seller should  
28       allocate the delivery charge by using:
- 29           a.       a percentage based on the total sales prices of the taxable property  
30           compared to the total sales prices of all property in the shipment; or



1 b. a percentage based on the total weight of the taxable property compared to  
2 the total weight of all property in the shipment.

3 The seller must tax the percentage of the delivery charge allocated to the  
4 taxable property but does not have to tax the percentage allocated to the  
5 eligible property.

- 6 8. Order date and back orders - For the purpose of a sales tax holiday, eligible  
7 property qualifies for exemption if:
- 8 a. the item is both delivered to and paid for by the customer during the  
9 exemption period; or
  - 10 b. the customer orders and pays for the item and the seller accepts the order  
11 during the exemption period for immediate shipment, even if delivery is  
12 made after the exemption period. The seller accepts an order when the  
13 seller has taken action to fill the order for immediate shipment. Actions to  
14 fill an order include placement of an "in date" stamp on a mail order or  
15 assignment of an "order number" to a telephone order. An order is for  
16 immediate shipment when the customer does not request delayed  
17 shipment. An order is for immediate shipment notwithstanding that the  
18 shipment may be delayed because of a backlog of orders or because stock  
19 is currently unavailable to, or on back order by, the seller.
- 20 9. Returns - For a 60-day period immediately after the sales tax holiday  
21 exemption period, when a customer returns an item that would qualify for the  
22 exemption, no credit for or refund of sales tax shall be given unless the  
23 customer provides a receipt or invoice that shows tax was paid, or the seller  
24 has sufficient documentation to show that tax was paid on the specific item.  
25 This 60-day period is set solely for the purpose of designating a time period  
26 during which the customer must provide documentation that shows that sales  
27 tax was paid on returned merchandise. The 60-day period is not intended to  
28 change a seller's policy on the time period during which the seller will accept  
29 returns.

- 1        10.     Different time zones - The time zone of the seller's location determines the authorized  
2                     time period for a sales tax holiday when the purchaser is located in one time zone and  
3                     a seller is located in another.

4     *See Compiler's Notes for history.*

5     **Section 323: CAPS AND THRESHOLDS**

- 6     A.        Except as provided in D. below, no member state may have caps or thresholds on the  
7                     application of state sales or use tax rates or exemptions that are based on the value of the  
8                     transaction or item or have caps or thresholds that are based on the application of the  
9                     rates unless the member state assumes the administrative responsibility in a manner that  
10                    places no additional burden on the retailer.
- 11    B.        Except as provided in D. below, no member state that has local jurisdictions that levy a  
12                     sales or use tax may place caps or thresholds on the application of local sales or use tax  
13                     rates or exemptions that are based on the value of the transaction or item.
- 14    C.        The provisions of this section do not apply to sales or use taxes levied on the retail sale  
15                     or transfer of motor vehicles, aircraft, watercraft, modular homes, manufactured homes,  
16                     or mobile homes or to instances where the burden of administration has been shifted  
17                     from the retailer.
- 18    D.        1.        States may only have a threshold on “clothing” as defined in the Library of  
19                     Definitions. The threshold must be based on the sales price or purchase price of each  
20                     individual item of clothing. A state that has a cap or threshold on “clothing” may either:
- 21                     a.        Provide that the entire sales price or purchase price of each individual item  
22                     of clothing is taxable if the sales price or purchase price of that item is over a  
23                     certain dollar threshold; or
- 24                     b.        Provide that only the portion of the sales price or purchase price of each  
25                     individual item of clothing over a certain dollar threshold is taxable.
- 26        2.        The threshold on the sales price or purchase price of each individual item of  
27                     clothing may not be less than \$110, and must apply to both the state and any local sales  
28                     or use taxes.
- 29        3.        Any state that adopts a clothing cap or threshold must clearly indicate and explain  
30                     that treatment in its Certificate of Compliance and Taxability Matrix.

1 4. If a state adopts a clothing threshold under this section of the Agreement and also  
2 adopts a sales tax holiday on “clothing” under Section 322 of the Agreement, the clothing  
3 threshold under this section of the Agreement shall not apply during the sales tax holiday  
4 on “clothing.”

5 E. A state that adopts a cap or threshold pursuant to this section is not required to eliminate  
6 that cap or threshold unless the federal law authorizing states to require remote sellers to  
7 collect and remit sales and use tax prohibits states from using such caps or thresholds.

8 *See Compiler’s Notes for history.*

9 **Section 324: ROUNDING RULE**

10 A. After December 31, 2005, each member state shall adopt a rounding algorithm that  
11 meets the following criteria:

- 12 1. Tax computation must be carried to the third decimal place, and
- 13 2. The tax must be rounded to a whole cent using a method that rounds up to the next  
14 cent whenever the third decimal place is greater than four.

15 B. Each state shall allow sellers to elect to compute the tax due on a transaction on an  
16 item or an invoice basis, and shall allow the rounding rule to be applied to the  
17 aggregated state and local taxes. No member state shall require a seller to collect tax  
18 based on a bracket system.

19 **Section 325: CUSTOMER REFUND PROCEDURES**

20 A. These customer refund procedures are provided to apply when a state allows a purchaser  
21 to seek a return of over-collected sales or use taxes from the seller.

22 B. Nothing in this section shall either require a state to provide, or prevent a state from  
23 providing, a procedure by which a purchaser may seek a refund directly from the state  
24 arising out of sales or use taxes collected in error by a seller from the purchaser.

25 Nothing in this section shall operate to extend any person's time to seek a refund of sales  
26 or use taxes collected or remitted in error.

27 C. These customer refund procedures provide the first course of remedy available to  
28 purchasers seeking a return of over-collected sales or use taxes from the seller. A cause  
29 of action against the seller for the over-collected sales or use taxes does not accrue until  
30 a purchaser has provided written notice to a seller and the seller has had sixty days to

1           respond. Such notice to the seller must contain the information necessary to determine  
2           the validity of the request.

- 3   D.       In connection with a purchaser's request from a seller of over-collected sales or use  
4           taxes, a seller shall be presumed to have a reasonable business practice, if in the  
5           collection of such sales or use taxes, the seller: i) uses either a provider or a system,  
6           including a proprietary system, that is certified by the state; and ii) has remitted to the  
7           state all taxes collected less any deductions, credits, or collection allowances.

### 8   **Section 326: DIRECT PAY PERMITS**

9   Each member state shall provide for a direct pay authority that allows the holder of a direct pay  
10   permit to purchase otherwise taxable goods and services without payment of tax to the supplier  
11   at the time of purchase. The holder of the direct pay permit will make a determination of the  
12   taxability and then report and pay the applicable tax due directly to the tax jurisdiction. Each  
13   state can set its own limits and requirements for the direct pay permit. The governing board shall  
14   advise member states when setting state direct pay limits and requirements, and shall consider  
15   use of the Model Direct Payment Permit Regulation as developed by the Task Force on EDI  
16   Audit and Legal Issues for Tax Administration.

### 17   **Section 327: LIBRARY OF DEFINITIONS**

18   Each member state shall utilize common definitions as provided in this section. The terms  
19   defined are set out in the Library of Definitions, in Appendix C of this Agreement. A member  
20   state shall adhere to the following principles:

- 21   A.       If a term defined in the Library of Definitions appears in a member state's sales and  
22           use tax statutes or administrative rules or regulations, the member state shall enact or  
23           adopt the Library definition of the term in its statutes or administrative rules or  
24           regulations in substantially the same language as the Library definition.
- 25   B.       A member state shall not use a Library definition in its sales or use tax statutes or  
26           administrative rules or regulations that is contrary to the meaning of the Library  
27           definition.
- 28   C.       Except as specifically provided in Sections 316 and 332 and the Library of  
29           Definitions, a member state shall impose a sales or use tax on all products or services

1 included within each Part II or Part III(B) definition or exempt from sales or use tax  
2 all products or services within each such definition. Provided, the requirements of  
3 this subsection shall only apply to Part III(B) definitions to the extent that such  
4 definitions are used in the administration of a sales tax holiday.

5 *See Compiler's Notes for history.*

## 6 **Section 328: TAXABILITY MATRIX**

### 7 A. Taxability Matrix

8 (1) Library of Definitions (Library): To ensure uniform application of terms defined in the  
9 Library adopted by the governing board pursuant to Section 327, each member state shall  
10 complete, to the best of its ability, the section of the taxability matrix titled "Library of  
11 Definitions".

12  
13 (2) Tax Administration Practices: To inform the general public of its practices regarding  
14 certain tax administration practices as selected by the governing board pursuant to Section  
15 335, each member state shall complete, to the best of its ability, the section of the taxability  
16 matrix titled "Tax Administration Practices".

17  
18 B. The member state's entries in the taxability matrix shall be provided and maintained in a  
19 database that is in a downloadable format approved by the governing board. A member  
20 state shall provide notice of changes in the taxability of the products or services listed in  
21 the taxability matrix as required by the governing board.

22  
23 C. A member state shall relieve sellers and CSPs from liability to the member state and its  
24 local jurisdictions for having charged and collected the incorrect amount of sales or use tax  
25 resulting from the seller or CSP relying on erroneous data provided by the member state in  
26 the Library section of the taxability matrix. If a member state amends an existing provision  
27 of the Library section of the taxability matrix, the member state shall, to the extent  
28 possible, relieve sellers and CSPs from liability to the member state and its local  
29 jurisdictions until the first day of the calendar month that is at least 30 days after notice of a  
30 change to a member state's Library section of the taxability matrix is submitted to the

1 governing board, provided the seller or CSP relied on the prior version of the taxability  
2 matrix.

3  
4 D. To the extent possible, the member state shall relieve sellers and CSPs from liability to the  
5 member state and its local jurisdictions for having charged and collected the incorrect  
6 amount of sales or use tax resulting from the seller or CSP relying on erroneous data  
7 provided by the member state in the tax administration practices section of the taxability  
8 matrix. If a member state amends an existing provision of the tax administration practices  
9 section of its taxability matrix, the member state shall, to the extent possible, relieve sellers  
10 and CSPs from liability to the member state and its local jurisdictions until the first day of  
11 the calendar month that is at least 30 days after notice of a change to a member state's tax  
12 administration practices section of the taxability matrix is submitted to the governing  
13 board, provided the seller or CSP relied on the prior version of the taxability matrix.

14  
15 E. If a state levies sales and use tax on a specified digital product and provides an exemption  
16 for an item within the definition of such specified digital product pursuant to Section 332  
17 (H) of this Agreement, such exemption must be noted in the Library section of the  
18 taxability matrix.

19  
20 F. Each state that provides for a sales tax holiday pursuant to Section 322 of this Agreement  
21 shall, in a format approved by the governing board, give notice in the Library section of the  
22 taxability matrix of the products for which a tax exemption is provided.

23 *See Compiler's Notes for history.*

#### 24 **Section 329: EFFECTIVE DATE FOR RATE CHANGES**

25 Each member state shall provide that the effective date of rate changes for services covering a  
26 period starting before and ending after the statutory effective date shall be as follows:

27 A. For a rate increase, the new rate shall apply to the first billing period starting on or after the  
28 effective date.

29 B. For a rate decrease, the new rate shall apply to bills rendered on or after the effective date.

#### 30 **Section 330: BUNDLED TRANSACTIONS**

- 1 A. A member state shall adopt and utilize to determine tax treatment, the core definition for a  
2 “bundled transaction” in Appendix C, Part I of the Library of Definitions in the Agreement.
- 3 B. Member states are not restricted in their tax treatment of bundled transactions except as  
4 otherwise provided in the Agreement. Member states are not restricted in their ability to  
5 treat some bundled transactions differently from other bundled transactions.
- 6 C. In the case of a bundled transaction that includes any of the following: telecommunication  
7 service, ancillary service, internet access, or audio or video programming service:
- 8 1. If the price is attributable to products that are taxable and products that are  
9 nontaxable, the portion of the price attributable to the nontaxable products may be  
10 subject to tax unless the provider can identify by reasonable and verifiable standards  
11 such portion from its books and records that are kept in the regular course of business  
12 for other purposes, including, but not limited to, non-tax purposes.
- 13 2. If the price is attributable to products that are subject to tax at different tax rates, the  
14 total price may be treated as attributable to the products subject to tax at the highest  
15 tax rate unless the provider can identify by reasonable and verifiable standards the  
16 portion of the price attributable to the products subject to tax at the lower rate from its  
17 books and records that are kept in the regular course of business for other purposes,  
18 including, but not limited to, non-tax purposes.
- 19 3. The provisions of this section shall apply unless otherwise provided by federal law.
- 20 D. In the case of a transaction that includes an “optional computer software maintenance  
21 contract” for prewritten computer software and the state otherwise has not specifically  
22 imposed tax on the retail sale of computer software maintenance contracts, the following  
23 provisions apply:
- 24 1. If an optional computer software maintenance contract only obligates the vendor to  
25 provide upgrades and updates, it will be characterized as a sale of prewritten  
26 computer software.
- 27 2. If an optional computer software maintenance contract only obligates the vendor to  
28 provide support services, it will be characterized as a sale of services and a state may  
29 use any of the methods provided under subsection (D)(3) to determine the taxable and  
30 nontaxable or exempt portions.

- 1           3. If an optional computer software maintenance contract is a bundled transaction in  
2           which both taxable and nontaxable or exempt products that are not separately  
3           itemized on the invoice or similar billing document, then states shall elect one of the  
4           following tax treatments:
- 5           a. The contract shall be characterized as all taxable;
  - 6           b. The contract shall be characterized as all taxable unless the seller can  
7           demonstrate, using a reasonable method as of the time of sale, the portion of the  
8           contract that is for nontaxable or exempt products;
  - 9           c. The contract shall be characterized as all nontaxable or exempt; or
  - 10          d. The contract shall be characterized as twenty, thirty, forty or fifty percent  
11          taxable or eighty, seventy, sixty and fifty percent nontaxable or exempt  
12          respectively, as selected by each member state.
- 13          4. With respect to states that elect the method described in subparagraph 3(b):
- 14          a. Such states may prescribe the use of such reasonable methods as it deems  
15          appropriate, and
  - 16          b. The method selected by the seller shall be binding on the purchaser.

17 *See Compiler's Notes for history.*

18 **Section 331: RELIEF FROM CERTAIN LIABILITY FOR PURCHASERS**

- 19 A. A member state shall relieve a purchaser from liability for penalty to that member state and  
20 its local jurisdictions for having failed to pay the correct amount of sales or use tax in the  
21 following circumstances:
- 22          1. A purchaser's seller or CSP relied on erroneous data provided by that member state  
23          on tax rates, boundaries, taxing jurisdiction assignments, or in the taxability matrix  
24          completed by that member state pursuant to Section 328; or
  - 25          2. A purchaser holding a direct pay permit relied on erroneous data provided by that  
26          member state on tax rates, boundaries, taxing jurisdiction assignments, or in the  
27          taxability matrix completed by that member state pursuant to Section 328.
  - 28          3. A purchaser relied on erroneous data provided by that member state in the taxability  
29          matrix completed by that member state pursuant to Section 328.



1 4. A purchaser using databases pursuant to subsections (F), (G) and (H) of Section 305  
2 relied on erroneous data provided by that member state on tax rates, boundaries, or  
3 taxing jurisdiction assignments. After providing adequate notice as determined by the  
4 governing board, a member state that provides an address-based database for  
5 assigning taxing jurisdictions pursuant to Section 305, subsection (G) or (H) may  
6 cease providing liability relief for errors resulting from the reliance on the database  
7 provided by the member state under the provisions of Section 305, subsection (F).

8 B. Except where prohibited by a member state's constitution, a member state shall also relieve  
9 a purchaser from liability for tax and interest to that member state and its local jurisdictions  
10 for having failed to pay the correct amount of sales or use tax in the circumstances  
11 described in Section 331 A, provided that, with respect to reliance on the taxability matrix  
12 completed by that member state pursuant to Section 328, such relief is limited to the state's  
13 erroneous classification in the taxability matrix of terms included in the Library of  
14 Definitions as "taxable" or "exempt," "included in sales price" or "excluded from sales  
15 price" or "included in the definition" or "excluded from the definition".

16 C. For purposes of this section, the term "penalty" means an amount imposed for  
17 noncompliance that is not fraudulent, willful, or intentional which is in addition to the  
18 correct amount of sales or use tax and interest.

19 D. A member state may allow relief on terms and conditions more favorable to a purchaser  
20 than the terms required by this section.

21 E. The provisions of this section are effective on and after January 1, 2009, however, to the  
22 extent any relief under this section does not require a legislative change in a member state,  
23 such relief must be granted effective immediately.

24 *See Compiler's Notes for History.*

## 25 **Section 332: SPECIFIED DIGITAL PRODUCTS**

26 A. A member state shall not include "specified digital products", "digital audio-visual works",  
27 "digital audio works" or "digital books" within its definition of "ancillary services",  
28 "computer software", "telecommunication services" or "tangible personal property." This  
29 restriction shall apply regardless of whether the "specified digital product" is sold to a  
30 purchaser who is an end user or with less than the right of permanent use granted by the

1 seller or use which is conditioned upon continued payment from the purchaser. Until  
2 January 1, 2010, the exclusion of “specified digital products” from the definition of  
3 “tangible personal property” shall have no implication on the classification of products  
4 “transferred electronically” which are not included within the definition of “specified  
5 digital products” as being included in, or excluded from, the definition of “tangible  
6 personal property.”

7 B. For purpose of Section 327(C) and the taxability matrix, “Digital Audio-Visual Works”,  
8 “Digital Audio Works”, and “Digital Books” are separate definitions.

9 C. If a state imposes a sales or use tax on products “transferred electronically” separately from  
10 its imposition of tax on “tangible personal property”, that state will not be required to use  
11 the terms “specified digital products”, “digital audio visual works”, “digital audio works”,  
12 or “digital books”, or enact an additional or separate sales or use tax levy on any “specified  
13 digital product.”

14 D.

15 1. A statute imposing a tax on “specified digital products,” “digital audio-visual works,”  
16 “digital audio works” or “digital books” and, after January 1, 2010, on any other  
17 product “transferred electronically” shall be construed as only imposing the tax on a  
18 sale to a purchaser who is an end user unless the statute specifically imposes and  
19 separately enumerates the tax on a sale to a purchaser who is not an end user. For  
20 purposes of this paragraph, an “end user” includes any person other than a person  
21 who receives by contract a product “transferred electronically” for further commercial  
22 broadcast, rebroadcast, transmission, retransmission, licensing, relicensing,  
23 distribution, redistribution or exhibition of the product, in whole or in part, to another  
24 person or persons.

25 A person that purchases products “transferred electronically” or the code for  
26 “specified digital products” for the purpose of giving away such products or code  
27 shall not be considered to have engaged in the distribution or redistribution of such  
28 products or code and shall be treated as an end user.

29 2. A statute imposing a tax on “specified digital products,” “digital audio-visual works,”  
30 “digital audio works” or “digital books” and, after January 1, 2010, on any other

1 product “transferred electronically” shall be construed as only imposing tax on a sale  
2 with the right of permanent use granted by the seller unless the statute specifically  
3 imposes and separately enumerates the tax on a sale with the right of less than  
4 permanent use granted by the seller. For purposes of this paragraph “permanent”  
5 means perpetual or for an indefinite or unspecified length of time. A right of  
6 permanent use shall be presumed to have been granted unless the agreement between  
7 the seller and the purchaser specifies or the circumstances surrounding the transaction  
8 suggest or indicate that the right to use terminates on the occurrence of a condition  
9 subsequent.

10 3. A statute imposing a tax on “specified digital products,” “digital audio-visual works,”  
11 “digital audio works” or “digital books” and, after January 1, 2010, on any other  
12 product “transferred electronically” shall be construed as only imposing tax on a sale  
13 which is not conditioned upon continued payment from the purchaser unless the  
14 statute specifically imposes and separately enumerates the tax on a sale which is  
15 conditioned upon continued payment from the purchaser.

16 4. A member state which imposes a sales or use tax on the sale of a product “transferred  
17 electronically” to a person other than end user or on a sale with the right of less than  
18 permanent use granted by the seller or which is conditioned upon continued payment  
19 from the purchaser shall so indicate in its taxability matrix in a format approved by  
20 the governing board.

21 E. Nothing in this section or the definition of “specified digital products” shall limit a state’s  
22 right to impose a sales or use tax or exempt from sales or use tax any products or services  
23 that are outside the definition of “specified digital products.”

24 F. A state may treat a subscription to products “transferred electronically” differently than a  
25 non-subscription purchase of such product. For purposes of this section, “subscription”  
26 means an agreement with a seller that grants a consumer the right to obtain products  
27 transferred electronically from within one or more product categories having the same tax  
28 treatment, in a fixed quantity or for a fixed period of time, or both.

29 G. The tax treatment of a “digital code” shall be the same as the tax treatment of the “specified  
30 digital product” or product “transferred electronically” to which the “digital code” relates.

1 The retail sale of the “digital code” shall be considered the transaction for purposes of the  
2 Agreement. For purposes of this section, “digital code” means a code, which provides a  
3 purchaser with a right to obtain one or more such products having the same tax treatment.  
4 A “digital code” may be obtained by any means, including email or by tangible means  
5 regardless of its designation as “song code”, “video code”, or “book code.”

6 H. Notwithstanding the provisions of Section 316 of this Agreement, a member state may  
7 provide a product based exemption for specific items within the definition of “specified  
8 digital products”, provided such items which are not “transferred electronically” must also  
9 be granted a product based exemption by the member state.

10 I. For purposes of this section, the term “transferred electronically” means obtained by the  
11 purchaser by means other than tangible storage media.

12 *See Compiler’s Notes for History.*

13 **Section 333: USE OF SPECIFIED DIGITAL PRODUCTS (Effective January 1, 2010)**

14 A member state shall not include any product transferred electronically in its definition of  
15 “tangible personal property.” “Ancillary services”, “computer software”, and  
16 “telecommunication services” shall be excluded from the term “products transferred  
17 electronically.” For purposes of this section, the term “transferred electronically” means  
18 obtained by the purchaser by means other than tangible storage media.

19 *See Compiler’s Notes for History.*

20 **Section 334: PROHIBITED REPLACEMENT TAXES**

21 No state may have a prohibited replacement tax on any product defined in Part II or Part III(B) of  
22 the Library of Definitions which has the effect of avoiding the intent of this Agreement.

23 *See Compiler’s Notes for History.*

24 **Section 335: TAX ADMINISTRATION PRACTICES**

25 A. For purposes of this section, tax administration practices consist of the following, as  
26 defined in this paragraph:

- 27 1. Disclosed practice: a tax practice that the governing board selects and requires each  
28 member state to disclose pursuant to paragraph B of this section; and
- 29 2. Best practice: a disclosed practice selected by the governing board as a best practice  
30 pursuant to paragraph C of this section.

- 1 B. The governing board will select a disclosed practice using the following procedures:
- 2 1. SLAC shall develop a practice for disclosure pursuant to the guidelines set forth in
- 3 governing board Rule 335.
- 4 2. The governing board shall provide public notice and opportunity for comment prior to
- 5 voting on a motion to approve selection of a tax practice for disclosure.
- 6 3. If a disclosed practice and a best practice are under concurrent development under
- 7 Rule 335, the governing board shall first vote on whether the practice is a disclosed
- 8 practice before proceeding on a vote on whether the practice should be selected as a
- 9 best practice.
- 10 4. A majority vote of the entire governing board is required to approve a motion to
- 11 select a tax practice for disclosure.
- 12 C. The governing board will select a best practice using the following procedures:
- 13 1. SLAC shall develop a best practice pursuant to the guidelines set forth in governing
- 14 board Rule 335 only from among the disclosed practices or from tax practices in
- 15 concurrent development under Subsection B.1.
- 16 2. The governing board shall provide notice and opportunity for public comment prior to
- 17 voting on a motion to approve selection of a best practice.
- 18 3. A three-fourths vote of the entire governing board is required to approve a motion to
- 19 select a best practice.
- 20 D. Tax administration practices shall be maintained in an Appendix to the Agreement.
- 21 E. No member state shall be found out of compliance with the Agreement because the effect
- 22 of the state's laws, rules, regulations, and policies does not follow a tax administration
- 23 practice. Following a tax administration practice is voluntary. All member states are
- 24 encouraged to follow each best practice.
- 25 F. Each state must complete and submit to the Executive Director for posting on the
- 26 governing board's website the tax administration practices section of the taxability matrix
- 27 (1) by the first day of the calendar month that is at least 60 days after the date the governing
- 28 board approves a motion to selects a disclosed and/or best practice or (2) the date specified
- 29 by the governing board, whichever is later.

1 G. Using the procedure for updating the taxability matrix, the Executive Director ~~will~~ shall  
2 make the necessary updates to the taxability matrix template no later than 30 days after the  
3 date the governing board approves a motion to select a disclosed or best practice.

4 H. All best practices existing on May 11, 2015 are disclosed practices. The Executive Director  
5 shall implement this provision without changing any of the member states' responses. A  
6 disclosed practice may subsequently be modified or become a best practice by following  
7 the provisions set forth in this section.

8 *See Compiler's Notes for History.*

9

10

**ARTICLE IV**  
**SELLER REGISTRATION**

**Section 401: SELLER PARTICIPATION**

- A. The member states shall provide an online registration system that will allow sellers to register in all the member states.
- B. By registering, the seller agrees to collect and remit sales and use taxes for all taxable sales into the member states, including member states joining after the seller's registration. Withdrawal or revocation of a member state shall not relieve a seller of its responsibility to remit taxes previously or subsequently collected on behalf of the state.
- C. In member states where the seller has a requirement to register prior to registering under the Agreement, the seller may be required to provide additional information to complete the registration process or the seller may choose to register directly with those states.
- D. A member state or a state that has withdrawn or been expelled shall not use registration with the central registration system and the collection of sales and use taxes in the member states as a factor in determining whether the seller has nexus with that state for any tax at any time.

**Section 402: AMNESTY FOR REGISTRATION**

- A. Subject to the limitations in this section:
1. A member state shall provide amnesty for uncollected or unpaid sales or use tax to a seller who registers to pay or to collect and remit applicable sales or use tax on sales made to purchasers in the state in accordance with the terms of the Agreement, provided that the seller was not so registered in that state in the twelve-month period preceding the effective date of the state's participation in the Agreement.
  2. The amnesty will preclude assessment for uncollected or unpaid sales or use tax together with penalty or interest for sales made during the period the seller was not registered in the state, provided registration occurs within twelve months of the effective date of the state's participation in the Agreement.
  3. Amnesty similarly shall be provided by any additional state that joins the Agreement after the seller has registered.

- 1 B. The amnesty is not available to a seller with respect to any matter or matters for which  
2 the seller received notice of the commencement of an audit and which audit is not yet  
3 finally resolved including any related administrative and judicial processes.
- 4 C. The amnesty is not available for sales or use taxes already paid or remitted to the state or  
5 to taxes collected by the seller.
- 6 D. The amnesty is fully effective, absent the seller's fraud or intentional misrepresentation of  
7 a material fact, as long as the seller continues registration and continues payment or  
8 collection and remittance of applicable sales or use taxes for a period of at least thirty-six  
9 months. Each member state shall toll its statute of limitations applicable to asserting a  
10 tax liability during this thirty-six month period.
- 11 E. The amnesty is applicable only to sales or use taxes due from a seller in its capacity as a  
12 seller and not to sales or use taxes due from a seller in its capacity as a buyer.
- 13 F. A member state may allow amnesty on terms and conditions more favorable to a seller  
14 than the terms required by this section.

15 *See Compiler's Notes for History.*

16 **Section 403: METHOD OF REMITTANCE**

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

- 19 A. MODEL 1, wherein a seller selects a CSP as an agent to perform all the seller's sales or  
20 use tax functions, other than the seller's obligation to remit tax on its own purchases.
- 21 B. MODEL 2, wherein a seller selects a CAS to use which calculates the amount of tax due  
22 on a transaction.
- 23 C. MODEL 3, wherein a seller utilizes its own proprietary automated sales tax system that  
24 has been certified as a CAS.

25 **Section 404: REGISTRATION BY AN AGENT**

26 A seller may be registered by an agent. Such appointment shall be in writing and submitted to a  
27 member state if requested by the member state.

28



1 ARTICLE V

2 PROVIDER AND SYSTEM CERTIFICATION

3  
4 **Section 501: CERTIFICATION OF SERVICE PROVIDERS AND AUTOMATED**  
5 **SYSTEMS**

6 A. The governing board shall certify automated systems and service providers to aid in the  
7 administration of sales and use tax collections.

8 B. The governing board may certify a person as a CSP if the person meets all of the  
9 following requirements:

10 1. The person uses a CAS;

11 2. The person integrates its CAS with the system of a seller for whom the person  
12 collects tax so that the tax due on a sale is determined at the time of the sale;

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

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

16 5. The person agrees to protect the privacy of tax information it obtains in accordance  
17 with Section 321 of the Agreement; and

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

20 C. The governing board may certify a software program as a CAS if the governing board  
21 determines that the program meets all of the following requirements:

22 1. It determines the applicable state and local sales and use tax rate for a transaction, in  
23 accordance with Sections 309 to 315, inclusive;

24 2. It determines whether or not an item is exempt from tax;

25 3. It determines the amount of tax to be remitted for each taxpayer for a reporting  
26 period;

27 4. It can generate reports and returns as required by the governing board; and

28 5. It can meet any other requirement set by the governing board.

29 D. The governing board may establish one or more sales tax performance standards for  
30 Model 3 sellers that meet the eligibility criteria set by the governing board and that

1 developed a proprietary system to determine the amount of sales and use tax due on  
2 transactions.

3 **Section 502: STATE REVIEW AND APPROVAL OF CERTIFIED AUTOMATED**  
4 **SYSTEM SOFTWARE AND CERTAIN LIABILITY RELIEF**

- 5 A. Each member state shall review software submitted to the governing board for  
6 certification as a CAS under Section 501. Such review shall include a review to  
7 determine that the program accurately reflects the taxability of the product categories  
8 included in the program. Upon approval by the state, the state shall certify to the  
9 governing board its acceptance of the determination of the taxability of the product  
10 categories included in the program.
- 11 B. Each member state shall relieve CSPs and model 2 sellers from liability to the member  
12 state and local jurisdictions for not collecting sales or use taxes resulting from the CSP or  
13 model 2 seller relying on the certification provided by the member state.
- 14 C. Each member state shall provide relief from liability to CSPs for not collecting sales and  
15 use taxes in the same manner as provided to sellers under the provisions of section 317.
- 16 D. The governing board and the member states shall not be responsible for classification of  
17 an item or transaction within the product categories certified. The relief from liability  
18 provided in this section shall not be available for a CSP or model 2 seller that has  
19 incorrectly classified an item or transaction into a product category certified by a member  
20 state. This paragraph shall not apply to the individual listing of items or transactions  
21 within a product definition approved by the governing board or the member states.
- 22 E. If a member state determines that an item or transaction is incorrectly classified as to its  
23 taxability, it shall notify the CSP or model 2 seller of the incorrect classification. The  
24 CSP or model 2 seller shall have ten (10) days to revise the classification after receipt of  
25 notice from the member state of the determination. Upon expiration of the ten (10) days,  
26 CSP or model 2 seller shall be liable for the failure to collect the correct amount of sales  
27 or use taxes due and owing to the member state.

28 F. For purposes of this section:

- 29 1. "Product Category" means:

1 (a) Terms specifically defined in Appendix C, Parts II and III of the Agreement (e.g.,  
2 clothing, durable medical equipment, food, drugs, soft drinks, disaster  
3 preparedness supplies);

4 (b) Subcategories of terms specifically defined in (a) that may be taxed differently  
5 than the product category as a whole. This may vary on a state-by-state basis  
6 (e.g., oxygen delivery equipment, kidney dialysis equipment, prewritten computer  
7 software delivered electronically, prepared food that requires additional cooking  
8 by the consumer);

9 (c) Terms representing groups of like products that do not fall within (a) and (b) (e.g.,  
10 other digital products, building materials, furniture, motor vehicles); and

11 (d) Subcategories of (c) that are taxed differently than the product category as a  
12 whole. This may vary on a state-by-state basis (e.g., printed materials,  
13 newspapers, catalogs).

14 2. “Product category” does not include:

15 (a) Any individual product(s) that properly falls within any product category in a state  
16 (e.g., shirts, reusable thermometers, ultrasound machine, bread, tables, chairs,  
17 automobile, motorcycle) unless the individual product is taxed differently than  
18 any other products within that product category; or

19 (b) “Tangible personal property.”

20 3. “Certify a product category” means the state reviews the product category and  
21 determines that the taxability of a product properly included in that product category is  
22 consistent with their state’s laws. The state certifies the taxability is based only on (1) the  
23 product-based exemptions or impositions provided by state law; (2) the specific  
24 description provided by the seller or certified service provider; and (3) not requiring  
25 either the purchaser or seller to produce documentation to claim the exemption.

26 *See Compiler’s Notes for History.*  
27  
28

1 ARTICLE VI

2 MONETARY ALLOWANCES FOR NEW TECHNOLOGICAL MODELS FOR SALES

3 TAX COLLECTION

4  
5 **1Section 601: MONETARY ALLOWANCE UNDER MODEL 1**

- 6 A. Each member state shall provide a monetary allowance to a CSP in Model 1 in  
7 accordance with the terms of the contract between the governing board and the CSP.  
8 The details of the monetary allowance will be provided through the contract process.  
9 The governing board shall require that such allowance be funded entirely from money  
10 collected in Model 1.
- 11 B. The contract between the governing board and a CSP may base the monetary allowance  
12 to a CSP on one or more of the following:
- 13 1. A base rate that applies to taxable transactions processed by the CSP.
  - 14 2. For a period not to exceed twenty-four months following a voluntary seller's  
15 registration through the Agreement's central registration process, a percentage of tax  
16 revenue generated for a member state by the voluntary seller for each member state  
17 for which the seller does not have a requirement to register to collect the tax.

18 **Section 602: MONETARY ALLOWANCE FOR MODEL 2 SELLERS**

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

- 21 A. All sellers shall receive a base rate for a period not to exceed twenty-four months  
22 following the commencement of participation by a seller. The base rate will be set  
23 after the base rate has been established for Model 1. This allowance will be in  
24 addition to any discount afforded by each member state at the time.
- 25 B. The member states anticipate a monetary allowance to a Model 2 Seller based on the  
26 following:
- 27 1. For a period not to exceed twenty-four months following a voluntary seller's  
28 registration through the Agreement's central registration process, a percentage of tax  
29 revenue generated for a member state by the voluntary seller for each member state  
30 for which the seller does not have a requirement to register to collect the tax.

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

4       **Section 603: MONETARY ALLOWANCE FOR MODEL 3 SELLERS AND ALL OTHER**  
5                   **SELLERS THAT ARE NOT UNDER MODELS 1 OR 2 (REPEALED)**

6       *See Compiler's Note for History.*

7       **Section 604: ADDITIONAL MONETARY ALLOWANCE REQUIRED FOR MEMBERS**  
8                   **MAKING CERTAIN ELECTION (REPEALED)**

9       *See Compiler's Notes for History.*

10      **Section 605: VENDOR COMPENSATION DEFINITIONS (REPEALED)**

11      *See Compiler's Notes for History.*

12      **Section 606: COMPENSATION REQUIREMENT (REPEALED)**

13      *See Compiler's Notes for History.*

14      **Section 607: PETITION FOR COLLECTION AUTHORITY AND COMPENSATION**  
15                   **COMPLIANCE DETERMINATIONS (REPEALED)**

16      *See Compiler's Notes for History.*

17      **Section 608: STANDARDS FOR COMPENSATION (REPEALED)**

18      *See Compiler's Notes for History.*

19      **Section 609: OBLIGATION TO PAY (REPEALED)**

20      *See Compiler's Notes for History.*

21      **Section 610: SMALL SELLER EXCEPTION (REPEALED)**

22      *See Compiler's Notes for History.*

23      **Section 611: REPEAL (REPEALED)**

24      *See Compiler's Notes for History.*

25      **Section 612: VOLUNTARY COMPENSATION FOR REMOTE SELLERS (REPEALED)**

26      *See Compiler's Notes for History.*

27      **Section 613: OPTIONAL COMPENSATION FOR REMOTE SELLERS (REPEALED)**

28      *See Compiler's Notes for History.*

29

1 **ARTICLE VII**

2 **AGREEMENT ORGANIZATION**

3  
4 **Section 701: EFFECTIVE DATE**

5 The Agreement shall become binding and take effect when at least ten states comprising at least twenty  
6 percent of the total population, as determined by the 2000 Federal census, of all states imposing a state  
7 sales tax as of October 1, 2005 have petitioned for membership and have either been found to be in  
8 compliance with the requirements of the Agreement pursuant to Section 805 or have been found to be an  
9 associate member pursuant to Section 704. The Agreement shall take effect on the first day of a  
10 calendar quarter at least sixty days after the tenth state is found in compliance or is found to be an  
11 associate member.

12 *See Compiler's Notes for History.*

13 **Section 702: APPROVAL OF INITIAL STATES (Repealed on December 17, 2009)**

14 *See Compiler's Notes for History.*

15 **Section 703: STREAMLINED SALES TAX IMPLEMENTING STATES (Repealed on December**  
16 **17, 2009)**

17 *See Compiler's Notes for History.*

18 **Section 704: CONSIDERATION OF PETITIONS (Repealed on December 17, 2009)**

19 *See Compiler's Notes for History.*

20 **Section 705: ASSOCIATE MEMBERSHIP (Repealed on December 17, 2009)**

21 *See Compiler's Notes for History.*

1 **ARTICLE VIII**

2 **STATE ENTRY AND WITHDRAWAL**

3  
4 **Section 801: ENTRY INTO AGREEMENT**

5 A. A state may apply to become a full member, a contingent member, or an associate member of the  
6 governing board by submitting a petition for membership and certificate of compliance to the governing  
7 board. The president shall provide the public with an opportunity to comment prior to any vote on a  
8 state's petition for membership.

9  
10 B. The governing board shall provide a copy of petitioning state's petition for membership and  
11 certificate of compliance to all member states when the petitioning state submits its petition for  
12 membership to the governing board. A petitioning state shall post a copy of its petition for membership  
13 and certificate of compliance on that state's web site. The governing board shall post a copy of the  
14 state's petition for membership and certificate of compliance on the governing board's web site.

15 *See Compiler's Notes for history.*

16 **Section 801.1: FULL MEMBERSHIP**

17 A full member is a state that has been found in compliance pursuant to Sections 804 and 805 and  
18 the changes to their statutes, rules, regulations or other authorities necessary to bring them into  
19 compliance are in effect. The petition for full membership shall include such state's proposed  
20 date of entry. The petitioning state's proposed date of entry shall be on the first day of a calendar  
21 quarter. The proposed date of entry shall be a date on which all provisions necessary for the  
22 state to be in compliance with the Agreement are in place and effective.

23 *See Compiler's Notes for history.*

24 **Section 801.2: CONTINGENT MEMBERSHIP**

25 A. A contingent member is a state that is found to be in compliance pursuant to Sections 804 and  
26 805 of the Agreement except that the changes to their statutes, rules, regulations or other authorities  
27 necessary to bring them into compliance are not yet in effect. Such state shall be admitted as a  
28 contingent member if their statutes, rules, regulations or other authorities necessary to bring them into  
29 compliance are scheduled to become effective no later than the first day of a calendar quarter that is not  
30 more than twelve months subsequent to its proposed date of entry as a contingent member state. The

1 petition for contingent membership shall include such state's proposed dates of entry as a contingent  
2 member and a full member. Its proposed date of entry as a contingent member shall be on the first day  
3 of a calendar quarter that is no more than twelve months prior to the date on which all provisions  
4 necessary for the state to be in compliance with the Agreement are in place and effective. Provided the  
5 statutes, rules, regulations or other authorities remain in effect and the statutes, rules, regulations or  
6 other authorities with delayed effective dates go into effect, the state shall automatically become a full  
7 member state on the state's proposed date of entry as a full member. A state which is admitted as a  
8 contingent member shall become an associate member on such proposed date of entry if the state's  
9 statutes, rules, regulations or other authorities are not in compliance at that time.

10 B. A contingent member shall have all the rights and privileges of a full member state, except as  
11 provided in this subsection. A contingent member shall be responsible for the payment of the petition  
12 fee and the annual cost allocation as determined by the governing board. Notwithstanding any provision  
13 of this Agreement to the contrary, a seller may, but is not required to collect sales or use tax on sales into  
14 a contingent member state unless the seller is otherwise required to collect such taxes under applicable  
15 law. Notwithstanding the provisions of Section 401 (B), a seller that volunteers to collect tax in a  
16 contingent member state is not required to collect tax in any other contingent member state. A  
17 contingent member shall be responsible for payment of costs as provided in Article VI for those sellers  
18 that volunteer to collect tax in a contingent member state. Neither the governing board nor a member  
19 state may share or grant access to a contingent member state any seller information from the seller's  
20 registration pursuant to Section 401. Neither the governing board nor a member state may share or grant  
21 access to a contingent member state any seller information from an audit conducted by the governing  
22 board or a member state on behalf of the governing board unless the contingent member state is a party  
23 to the audit.

24 C. A contingent member state shall provide amnesty pursuant to the provisions of Section 402,  
25 provided, the amnesty shall be in effect from the date the contingent member status is attained until 12  
26 months after the contingent member state becomes a full member state.

27 D. Contingent member states shall be subject to the annual recertification requirement set forth in  
28 Section 803 of this Agreement for all issues other than the delayed effective date issues identified at the  
29 time the state becomes a contingent member.

30 *See Compiler's Notes for history.*



1 **Section 801.3: ASSOCIATE MEMBERSHIP**

2 An associate state is a state that has achieved substantial compliance with the terms of the  
3 Agreement taken as a whole, but not necessarily each provision as required by Section 805,  
4 measured qualitatively. The petition for associate membership shall include such state's  
5 proposed date of entry. The petitioning state's proposed date of entry shall be on the first day of  
6 a calendar quarter. An associate member state shall become a full member when such state has  
7 been found in compliance pursuant to Sections 804 and 805 and the changes to their statutes,  
8 rules, regulations or other authorities necessary to bring them into compliance are in effect.  
9

10 A. An associate member shall have all the rights and privileges of a member state except that:

11 1. An associate member may not vote on amendments to or interpretations of the  
12 Agreement;

13 2. An associate member may not vote to determine if a petitioning state is in compliance  
14 with the Agreement pursuant to Section 804 of the Agreement; and

15 3. A representative of an associate member state shall not be eligible to serve on the  
16 compliance review and interpretations committee.

17 B. Notwithstanding any other provision of this section or any lapse occurring after July 1, 2009, a  
18 state that was an associate member on January 1, 2007, shall be an associate state until or unless the  
19 governing board finds or has found such state to be in compliance pursuant to Section 805 or finds such  
20 state to no longer be eligible for associate member status.

21 C. Notwithstanding any provision of this Agreement to the contrary, a seller may, but is not  
22 required to collect sales or use tax on sales into an associate member state unless the seller is otherwise  
23 required to collect such taxes under applicable law. Notwithstanding the provisions of Section 401 (B),  
24 a seller that volunteers to collect tax in an associate member state is not required to collect tax in any  
25 other associate member state. An associate member shall be responsible for payment of costs as  
26 provided in Article VI for those sellers that volunteer to collect tax in an associate member state.

27 D. Neither the governing board nor a member state may share or grant access to an associate  
28 member state any seller information from the seller's registration pursuant to Section 401. Neither the  
29 governing board nor a member state may share or grant access to an associate member state any seller

1 information from an audit conducted by the governing board or a member state on behalf of the  
2 governing board unless the associate member state is a party to the audit.

3 E. An associate member shall be responsible for the payment of the petition fee and the annual cost  
4 allocation as determined by the governing board.

5 F. An associate member state shall provide amnesty pursuant to the provisions of Section 402,  
6 provided, the amnesty shall be in effect from the date the associate member status is attained until 12  
7 months after the associate member state becomes a full member state.

8 G. An associate member state shall be subject to an annual recertification requirement set forth by  
9 the compliance review and interpretations committee.

10 *See Compiler's Notes for history.*

#### 11 **Section 801.4: ADVISOR MEMBERSHIP**

12 Any state that held Implementing State status before October 1, 2005 and has not become a full,  
13 contingent or associate state member shall become an advisor state to the governing board.

- 14 1. Advisor states shall serve in an *ex officio* capacity on the governing board, with non-  
15 voting status, but may speak to any matter presented to the governing board for  
16 consideration.
- 17 2. Each state's delegation to the former Streamlined Sales Tax Implementing States may  
18 serve as the state's delegation to the governing board as established herein or the state  
19 may appoint a new delegation, of up to four representatives, who shall be members of  
20 state or local government.
- 21 3. Representatives of advisor states may serve on standing committees of the governing  
22 board except they may not serve as officers or directors on the executive committee or as  
23 members on the finance committee or the compliance review and interpretations  
24 committee.
- 25 4. A state that was not previously an implementing state may become an advisor state by:
  - 26 a. Enacting legislation authorizing the state's participation in interstate discussions  
27 to develop a simplified sales and use tax system; or
  - 28 b. Executing a memorandum of understanding or similar written document by the  
29 governor and legislative leaders expressing the intent of the state to participate in  
30 interstate discussions to develop a simplified sales and use tax system.

1 Any question over whether or not a state qualifies as an advisor state shall be resolved by a  
2 majority vote of the governing board.

3 Neither the governing board nor a member state may share or grant any advisor state access to any  
4 seller information from the seller's registration pursuant to Section 401. Neither the governing  
5 board nor a member state may share or grant any advisor state access to any seller information  
6 from an audit conducted by the governing board or a member state on behalf of the governing  
7 board.

8 An advisor state may not participate in a closed session of the governing board or a governing  
9 board committee.

10 *Compiler's note: On December 17, 2009 this section was adopted. This section became effective upon its adoption.*

### 11 **Section 802: CERTIFICATE OF COMPLIANCE**

12 The certificate of compliance shall be signed by the chief executive of the state's tax agency. The  
13 certificate of compliance shall document compliance with the provisions of the Agreement and cite  
14 applicable statutes, rules, regulations, or other authorities evidencing such compliance.

### 15 **Section 803: ANNUAL RE-CERTIFICATION OF MEMBER STATES**

16 Each member state shall annually re-certify that such state is in compliance with the Agreement. Each  
17 member state shall make a re-certification to the governing board on or before August 1 of each year  
18 after the year of the state's entry. In its annual re-certification, the state shall include any changes in its  
19 statutes, rules, regulations, or other authorities that could affect its compliance with the terms of the  
20 Agreement. The re-certification shall be signed by the chief executive of the state's tax agency.

21  
22 A member state that cannot re-certify its compliance with the Agreement shall submit a statement of  
23 non-compliance to the governing board. The statement of non-compliance shall include any action or  
24 decision that takes such state out of compliance with the Agreement and the steps it will take to return to  
25 compliance. The governing board shall promulgate rules and procedures to respond to statements of  
26 noncompliance in accordance with Section 805.1.

27  
28 Each member state shall post its annual re-certification or statement of non-compliance on that state's  
29 web site.

1 **Section 804: REQUIREMENTS FOR MEMBERSHIP APPROVAL**

2 The governing board shall determine if a petitioning state is in compliance with the Agreement. A  
3 three-fourths vote of the entire governing board is required to approve a state’s petition for membership.  
4 The governing board shall provide public notice and opportunity for comment prior to voting on a  
5 state’s petition for membership. A state’s membership is effective on the proposed date of entry in its  
6 petition for membership or the first day of the calendar quarter after its petition is approved by the  
7 governing board, whichever is later, and is at least sixty days after its petition is approved.

8 **Section 805: COMPLIANCE**

9 A. A member state is in compliance with the Agreement if the effect of the state’s laws, rules,  
10 regulations, and policies is substantially compliant with each of the requirements set forth in the  
11 Agreement.

12 B. Unless the governing board specifies a different time period, no member state shall be found out of  
13 compliance under subsection A for failing to substantially comply with any amendment to the  
14 Agreement adopted under section 901 of the Agreement or an interpretation or interpretive rule adopted  
15 under section 902 of the Agreement, if substantial compliance with the amendment, interpretation or  
16 interpretive rule requires the state to make a statutory change, until the later of the first day of January at  
17 least two years after the adoption of the amendment, interpretation or interpretive rule or the first day of  
18 a calendar quarter following the end of one full session of the state’s legislature.

19 C. Unless the governing board specifies a different time period, no member state shall be found out of  
20 compliance under subsection A if its noncompliance is a result of a judicial ruling in that state that  
21 interprets that term of the Agreement in a manner inconsistent with an interpretation by, or interpretive  
22 rule of, the governing board adopted under section 902 of the Agreement and the member state comes  
23 into substantial compliance with the interpretation of the governing board by amending its statutes  
24 before the later of the first day of January at least two years after the issuance of the judicial decision or  
25 the first day of a calendar quarter following one full session of the state’s legislature.

26 *See Compiler’s Notes for history.*

27 **Section 805.1: FINDING A MEMBER STATE OUT OF COMPLIANCE WITH THE**  
28 **AGREEMENT**

- 1 A. A motion to find a member state is out of compliance shall identify which requirement the member  
2 state is alleged not to have substantially complied with, including the applicable section of the  
3 Agreement.
- 4 B. For the motion to pass it shall require the affirmative vote of three-fourths of the entire Governing  
5 Board, excluding the member state that is the subject of the motion. The member state that is the subject  
6 of the resolution shall not vote on such resolution.
- 7 C. The Executive Director shall promptly notify the Governing Board delegates of each member state, the  
8 Chair of the Executive Committee, the Chair of the Compliance Review and Interpretation Committee,  
9 the Chair of the State and Local Advisory Council, the Chair of the Business Advisory Council and the  
10 general public as provided in Rule 806.2(B) when the Governing Board has found a member state out of  
11 compliance.
- 12 D. A member state found out of compliance with the Agreement retains its status as a member state and  
13 retains all of its rights and responsibilities under the Agreement, subject to any sanctions imposed by the  
14 Governing Board under Section 809.
- 15 E. Within 60 days of the Governing Board finding a member state out of compliance, the member state  
16 shall submit to the Executive Director a statement of non-compliance, or if applicable an amended  
17 statement of non-compliance, consistent with section 803. The Executive Director shall post the  
18 statement of non-compliance on the Streamlined Sales Tax Governing Board's website. If the member  
19 state intends to file a petition for reconsideration pursuant to Rule 1001, it shall note that fact on its  
20 amended statement of non-compliance. The statement shall be further amended if the petition is not filed  
21 or, if applicable, to address the outcome of the petition. The state shall also revise the state's taxability  
22 matrix, and certificate of compliance, as applicable, to clearly describe how the member state's  
23 nonconforming provision differs from the requirement of the Agreement.

24 *See Compiler's Notes for history.*

25 **Section 806: AGREEMENT ADMINISTRATION**

26 Authority to administer the Agreement shall rest with the governing board comprised of representatives  
27 of each member state. Each member state may appoint up to four representatives to the governing  
28 board. The representatives shall be members of the executive or legislative branches of the state or of a

1 local government of that state. Each member state shall be entitled to one vote on the governing board.  
2 Except as otherwise provided in the Agreement, all actions taken by the governing board shall require an  
3 affirmative vote of a majority of the governing board present and voting. The governing board shall  
4 determine its meeting schedule, but shall meet at least once annually. The governing board shall provide  
5 a public comment period at each meeting to provide members of the public an opportunity to address the  
6 board on matters relevant to the administration or operation of the Agreement. The governing board  
7 shall provide public notice of its meetings at least thirty days in advance of such meetings. The  
8 governing board shall promulgate rules establishing the public notice requirements for holding  
9 emergency meetings on less than thirty day's notice. The governing board may meet electronically.

10  
11 The governing board is responsible for the administration and operation of the Agreement, including the  
12 appointment of all manner of committees. The governing board may employ staff, advisors, consultants  
13 or agents. The governing board may issue interpretive opinions and promulgate such rules it deems  
14 necessary to carry out its responsibilities. Rules may take one of two forms: procedural rules, which  
15 shall require an affirmative vote of a majority of the governing board present and voting to adopt; and  
16 interpretative rules which shall require an affirmative vote of three-fourths of the entire governing board  
17 to adopt. The governing board may take any action that is necessary and proper to fulfill the purposes of  
18 the Agreement. The governing board may allocate the cost of administration of the Agreement among  
19 the member states.

20  
21 The governing board may assign committees certain duties, including, but not limited to:

- 22 A. Responding to questions regarding the administration of the Agreement;
- 23 B. Preparing certification requirements and coordinating the certification process for CSPs;
- 24 C. Coordinating joint audits;
- 25 D. Issuing requests for proposals;
- 26 E. Coordinating contracts with member states and providers; and
- 27 F. Maintaining records for the governing board.

28 *See Compiler's Notes for history.*

29 **Section 807: OPEN MEETINGS**

- 1 Each meeting of the governing board and the minutes thereof shall be open to the public except as  
2 provided herein. Meetings of the governing board may be closed only for one or more of the following:
- 3 A. Personnel issues.
  - 4 B. Information required by the laws of any member state to be protected from public disclosure. In  
5 the meeting, the governing board shall excuse any attendee to whom confidential taxpayer  
6 information cannot be disclosed under the law of any member state.
  - 7 C. Proprietary information requested by any business to be protected from disclosure.
  - 8 D. The consideration of issues incident to competitive bidding, requests for information, or  
9 certification, the disclosure of which would defeat the public interest in a fair and competitive  
10 process.
  - 11 E. The consideration of pending litigation in a member state the discussion of which in a public  
12 session would, in the judgment of the member state engaged in the litigation, adversely affect its  
13 interests. In the meeting, the governing board shall excuse any attendee to whom confidential  
14 taxpayer information cannot be disclosed under the law of any member state.
  - 15 F. The consideration of pending litigation in which the governing board is a party the discussion of  
16 which in a public session would, in the judgment of the governing board, adversely affect its  
17 interests. In the meeting, the governing board shall excuse any attendee to whom confidential  
18 taxpayer information cannot be disclosed under the law of any member state.

19 A closed session of the governing board may be convened by the chair or by a majority vote of the  
20 governing board. When a closed session is convened, the reason for the closed session shall be noted in  
21 a public session. Any actions taken in the closed session shall be reported immediately upon the  
22 reconvening of a public session.

23 *See Compiler's Notes for history.*

24 **Section 808: WITHDRAWAL OF MEMBERSHIP OR EXPULSION OF A MEMBER**

25 With respect to each member state, the Agreement shall continue in full force and effect until a member  
26 state withdraws its membership or is expelled. A member state's withdrawal or expulsion cannot be  
27 effective until the first day of a calendar quarter after a minimum of sixty days' notice. A member state  
28 shall submit notice of its intent to withdraw from the Agreement to the governing board and the chief  
29 executive of each member state's tax agency. The member state shall provide public notice of its intent

1 to withdraw and post its notice of intent to withdraw on its web site. The withdrawal by or expulsion of  
2 a state does not affect the validity of the Agreement among other member states. A state that withdraws  
3 or is expelled from the Agreement remains liable for its share of any financial or contractual obligations  
4 that were incurred by the governing board prior to the effective date of that state's withdrawal or  
5 expulsion. The appropriate share of any financial or contractual obligation shall be determined by the  
6 state and the governing board in good faith based on the relative benefits received and burdens incurred  
7 by the parties.

8 **Section 809: SANCTION OF MEMBER STATES**

9 A. If a member state is found to be out of compliance with the Agreement, the Executive  
10 Committee shall consider sanctions against the member state following the procedures set forth in Rule  
11 809.

12  
13 B. The Governing Board shall act upon the recommendation from the Executive Committee within  
14 a reasonable period of time as set forth in the Governing Board's rules. The Governing Board shall  
15 provide an opportunity for public comment prior to action on a proposed sanction.

16  
17 C. The adoption of a resolution to impose a sanction against a member state found out of  
18 compliance with the Agreement shall require the affirmative vote of three-fourths of the entire  
19 Governing Board, excluding the state that is the subject of the resolution. The member state that is the  
20 subject of the resolution shall not vote on such resolution.

21 *See Compiler's Notes for history.*

22 **Section 810: STATE AND LOCAL ADVISORY COUNCIL**

23 The governing board shall create a State and Local Government Advisory Council to advise the  
24 governing board on matters pertaining to the administration of the Agreement. The membership shall  
25 include at least one representative from each state that is a participating member of the Streamlined  
26 Sales Tax Project pursuant to the Operating Rules of the Project as designated by that state. In addition,  
27 the governing board shall appoint local government officials to the State and Local Government  
28 Advisory Council. The governing board may appoint other state officials as it deems appropriate.  
29 Matters pertaining to the administration of the Agreement shall include, but not be limited to, admission  
30 of states into membership, noncompliance, and interpretations, revisions or additions to the Agreement.



1 The State and Local Government Advisory Council shall advise and assist the Business Advisory  
2 Council in the functions noted in Section 811.

3 *See Compiler's Notes for history.*

4 **Section 811: BUSINESS ADVISORY COUNCIL**

5 The governing board shall recognize a Business Advisory Council from the private sector to advise the  
6 governing board on matters pertaining to the administration of the Agreement. These matters shall  
7 include, but not be limited to, admission of states into membership, noncompliance, and interpretations,  
8 revisions or additions to the Agreement. The Business Advisory Council shall advise and assist the  
9 State and Local Government Advisory Council in the functions noted in Section 810.

10 *See Compiler's Notes for history.*

11 **Section 812: LOCAL ADVISORY COUNCIL**

12 The governing board shall create a Local Government Advisory Council to advise the governing  
13 board on matters related to the administration of the agreement, if the issue specifically relates to  
14 local governments. These matters shall include, but are not limited to, interpretations, revisions  
15 or additions to the Agreement.

16 *See Compiler's Notes for history.*

17

1 **ARTICLE IX**

2 **AMENDMENTS AND INTERPRETATIONS**

3  
4 **Section 901: AMENDMENTS TO AGREEMENT**

5 Amendments to the Agreement may be brought before the governing board by any member state. The  
6 Agreement may be amended by a three-fourths vote of the entire governing board. The governing board  
7 shall give the Governor and presiding officer of each house of each member state notice of proposed  
8 amendments to the Agreement at least thirty days prior to consideration. The governing board shall give  
9 public notice of proposed amendments to the Agreement at least thirty days prior to consideration. The  
10 governing board shall provide an opportunity for public comment prior to action on an amendment to  
11 the Agreement.

12 *See Compiler's Notes for history.*

13 **Section 902: INTERPRETATIONS OF AGREEMENT**

14 Matters involving interpretation of the Agreement, including all definitions in the Library of Definitions,  
15 may be brought before the governing board by any member state or by any other person. Interpretations  
16 may take the form of interpretive opinions, or interpretive rules. An interpretive opinion is issued when  
17 the requester submits specific facts and asks how certain provisions in the Agreement would apply to  
18 those facts, similar to a private letter ruling. An interpretive rule is issued to clarify language in the  
19 Agreement and applies more generally, similar to rules and regulations issued to clarify statutory  
20 language. Both forms of interpretations shall require a three-fourths vote of the entire governing board.  
21 The governing board shall publish all interpretations issued under this section. Interpretations shall be  
22 considered part of the Agreement and shall have the same effect as the Agreement. The governing  
23 board shall act on requests for interpretation of the Agreement within a reasonable period of time and  
24 under guidelines and procedures as set forth in the governing board's rules. The governing board may  
25 determine that it will not issue an interpretation. The governing board shall provide an opportunity for  
26 public comment prior to issuing an interpretation of the Agreement. The governing board shall give  
27 notice of a proposed interpretive rule to the member states and the public as provided in Section 901 of  
28 the Agreement, except that notice must be given at least thirty days prior to consideration.

29 *See Compiler's Notes for history.*

1 **Section 903: DEFINITION REQUESTS**

2 In addition to the requests for interpretations authorized under Section 902 of this Agreement,  
3 any member state or any other person may make requests for additional definitions or for  
4 interpretations on how an individual product or service fits within a Part II or Part III(B)  
5 definition. Requests shall be submitted in writing as determined by the governing board. Such  
6 requests shall be referred to the Advisory Council created in Section 810 or other group under  
7 guidelines and procedures as set forth in the governing board's rules. The entity to which the  
8 request was referred shall post notice of the request and provide for input from the public and the  
9 member states as directed by the governing board. Within one hundred eighty days after  
10 receiving the request, they shall report to the governing board one of the following  
11 recommendations:

- 12 A. That no action be taken on the request;
- 13 B. That a proposed amendment to the Library be submitted;
- 14 C. That an interpretation request be submitted; or
- 15 D. That additional time is needed to review the request.

16  
17 If either an amendment or an interpretation is recommended, the entity to which the request was  
18 referred shall provide the appropriate language as required by the governing board. The  
19 governing board shall take action on the recommendation of the entity to which the request was  
20 referred at the next meeting of the governing board pursuant to the notice requirements of  
21 Section 806. Action by the governing board to approve a recommendation for no action shall be  
22 considered the final disposition of the request. Nothing in this paragraph shall prohibit a state  
23 from directly submitting a proposed amendment or an interpretation request to the governing  
24 board pursuant to Section 901 or Section 902.

25 *See Compiler's Notes for history.*

1 **ARTICLE X**

2 **ISSUE RESOLUTION PROCESS**

3 **Section 1001: RULES AND PROCEDURES FOR ISSUE RESOLUTION**

4 The governing board shall promulgate rules creating an issue resolution process. The rules shall govern  
5 the conduct of the process, including the participation by any petitioner, affected state, and other  
6 interested party, the disposition of a petition to invoke the process, the allocation of costs for  
7 participating in the process, the possible involvement of a neutral third party or non-binding arbitration,  
8 and such further details as the governing board determines necessary and appropriate.

9 **Section 1002: PETITION FOR RESOLUTION**

10 Any member state or person may petition the governing board to invoke the issue resolution process to  
11 resolve matters of:

- 12 A. Membership of a state under Article VIII;
- 13 B. Matters of compliance under Section 805;
- 14 C. Possibilities of sanctions of a member state under Section 809;
- 15 D. Amendments to the Agreement under Section 901;
- 16 E. Interpretation issues, including differing interpretations among the member states, under Section  
17 902; or
- 18 F. Other matters at the discretion of the governing board.

19 **Section 1003: FINAL DECISION OF GOVERNING BOARD**

20 The governing board shall consider any recommendations resulting from the issue resolution process  
21 before making its decision, which decision shall, as with all other matters under the Agreement, be final  
22 and not subject to further review.

23 **Section 1004: LIMITED SCOPE OF THIS ARTICLE**

24 Nothing in this Article shall be construed to substitute for, stay or extend, limit, expand, or  
25 otherwise affect, in any manner, any right or duty that any person or governmental body has  
26 under the laws of any member state or local government body. This Article is specifically  
27 subject to the terms of Article XI and shall not be construed as taking precedence over Article  
28 XI.

1 **ARTICLE XI**

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

3 **Section 1101: 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 **Section 1102: RELATIONSHIP TO STATE LAW**

9 No provision of the 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 the 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 VIII.

14 **Section 1103: LIMITED BINDING AND BENEFICIAL EFFECT**

- 15 A. This Agreement binds and inures only to the benefit of the member states. No person,  
16 other than a member state, is an intended beneficiary of this Agreement. Any benefit to a  
17 person other than a state is established by the laws of the member states and not by the  
18 terms of this Agreement.
- 19 B. Consistent with subsection (A), no person shall have any cause of action or defense under  
20 the Agreement or by virtue of a member state's approval of the Agreement. No person  
21 may challenge, in any action brought under any provision of law, any action or inaction  
22 by any department, agency, or other instrumentality of any member state, or any political  
23 subdivision of a member state on the ground that the action or inaction is inconsistent  
24 with the Agreement.
- 25 C. No law of a member state, or the application thereof, may be declared invalid as to any  
26 person or circumstance on the ground that the provision or application is inconsistent  
27 with the Agreement.
- 28
- 29

1 **Section 1104: FINAL DETERMINATIONS**

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

4

1 ARTICLE XII

2 REVIEW OF COSTS AND BENEFITS ASSOCIATED WITH THE AGREEMENT

3 **Section 1201: REVIEW OF COSTS AND BENEFITS**

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

APPENDIX A  
STREAMLINED SALES AND USE TAX AGREEMENT  
PETITION FOR MEMBERSHIP

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

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

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

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

**WHEREAS**, the State of \_\_\_\_\_ levies a sales tax and levies a use tax. “Sales tax” means the tax levied under (CITE SPECIFIC STATUTE) and “use tax” means the tax levied under (CITE SPECIFIC STATUTE).

**NOW**, the undersigned representative hereby petitions the governing board of the Streamlined Sales and Use Tax Agreement for membership into the Agreement.

\_\_\_\_\_  
21

NAME  
22

\_\_\_\_\_  
23

TITLE  
24

STATE OF \_\_\_\_\_  
25



1  
2  
3

**Appendix B**  
**INDEX OF DEFINITIONS**

<b>Term</b>	<b>Placement in Agreement</b>
Alcoholic beverages	Appendix C, Part II, within food and food products category
Agent	Article II, Section 201
Air-to-ground radiotelephone service	Article III, Section 315
Ancillary services	Appendix C, Part II, within telecommunications category
Bottled water	Appendix C, Part II, within food and food products category
Bundled transaction	Appendix C, Part I
Call-by-call basis	Article III, Section 315
Candy	Appendix C, Part II, within food and food products category
Certified automated system	Article II, Section 202
Certified service provider	Article II, Section 203
Clothing	Appendix C, Part II, within clothing category
Clothing accessories or equipment	Appendix C, Part II, within clothing category
Computer	Appendix C, Part II, within computer related category
Computer software	Appendix C, Part II, within computer related category
Communications channel	Article III, Section 315
Coin-operated telephone service	Appendix C, Part II, within telecommunications category
Conference bridging service	Appendix C, Part II, within telecommunications category
Confidential taxpayer information	Article III, Section 321
Customer	Article III, Section 315
Customer channel termination point	Article III, Section 315
Delivered electronically	Appendix C, Part II, within computer related category
Delivery charges	Appendix C, Part I
Detailed telecommunications billing service	Appendix C, Part II, within telecommunications category

<b>Term</b>	<b>Placement in Agreement</b>
Dietary supplement	Appendix C, Part II, within food and food products category
Digital Books	Appendix C, Part II, within digital products category
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Disaster Preparedness General Supply	Appendix C, Part III, for sales tax holidays
Disaster Preparedness Safety Supply	Appendix C, Part III, for sales tax holidays
Disaster Preparedness Food-Related Supply	Appendix C, Part III, for sales tax holidays
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Fur clothing	Appendix C, Part II, within clothing category
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International	Appendix C, Part II, within telecommunications category

<b>Term</b>	<b>Placement in Agreement</b>
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Intrastate	Appendix C, Part II, within telecommunications category
Layaway sale	Appendix C, Part III, for sales tax holidays
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Mobile telecommunications service	Article III, Section 315
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Model 2 Seller	Article II, Section 206
Model 3 Seller	Article II, Section 207
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Paging service	Appendix C, Part II, within telecommunications category
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Prepaid calling service	Article III, Section 315 and Appendix C, Part II, within telecommunications category
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Product-based exemption	Article II, Section 209
Prosthetic device	Appendix C, Part II, within health care category
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<b>Term</b>	<b>Placement in Agreement</b>
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School computer supply	Appendix C, Part III, for sales tax holidays
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Use-based exemption	Article II, Section 214
Value-added non-voice data service	Appendix C, Part II, within telecommunications category

<b>Term</b>	<b>Placement in Agreement</b>
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Voice mail service	Appendix C, Part II, within telecommunications category
WaterSense Products	Appendix C, Part III, for sales tax holidays

1

1 Appendix C

2 LIBRARY OF DEFINITIONS

3  
4 **Part I** Administrative definitions including tangible personal property. Terms included  
5 in this Part are core terms that apply in imposing and administering sales and use taxes.

6  
7 **Part II** Product definitions. Terms included in this Part are used to impose sales and use  
8 taxes, exempt items from sales and use taxes or to impose tax on items by narrowing an  
9 exemption that otherwise includes these items.

10 *See Compiler's Notes for history.*

11  
12 **Part III** Sales tax holiday definitions. Terms included in this Part are core terms that  
13 apply in imposing and administering sales and use taxes during sales tax holidays.

14  
15 PART I

16  
17 Administrative Definitions

18  
19 A “**bundled transaction**” is the retail sale of two or more products, except real property and  
20 services to real property, where (1) the products are otherwise distinct and identifiable, and (2)  
21 the products are sold for one non-itemized price. A “bundled transaction” does not include the  
22 sale of any products in which the “sales price” varies, or is negotiable, based on the selection by  
23 the purchaser of the products included in the transaction.

24  
25 (A) “Distinct and identifiable products” does not include:

- 26 1. Packaging – such as containers, boxes, sacks, bags, and bottles – or other  
27 materials – such as wrapping, labels, tags, and instruction guides – that  
28 accompany the “retail sale” of the products and are incidental or immaterial to  
29 the “retail sale” thereof. Examples of packaging that are incidental or immaterial

1 include grocery sacks, shoeboxes, dry cleaning garment bags and express  
2 delivery envelopes and boxes.

- 3 2. A product provided free of charge with the required purchase of another product.  
4 A product is “provided free of charge” if the “sales price” of the product  
5 purchased does not vary depending on the inclusion of the product “provided free  
6 of charge.”
- 7 3. Items included in the member state’s definition of “sales price,” pursuant to  
8 Appendix C of the Agreement.

9 (B) The term “one non-itemized price” does not include a price that is separately identified by  
10 product on binding sales or other supporting sales-related documentation made available to the  
11 customer in paper or electronic form including, but not limited to an invoice, bill of sale, receipt,  
12 contract, service agreement, lease agreement, periodic notice of rates and services, rate card, or  
13 price list.

14 (C) A transaction that otherwise meets the definition of a “bundled transaction” as defined  
15 above, is not a “bundled transaction” if it is:

16 (1) The “retail sale” of tangible personal property and a service where the tangible personal  
17 property is essential to the use of the service, and is provided exclusively in connection with the  
18 service, and the true object of the transaction is the service; or

19 (2) The “retail sale” of services where one service is provided that is essential to the use or  
20 receipt of a second service and the first service is provided exclusively in connection with the  
21 second service and the true object of the transaction is the second service; or

22 (3) A transaction that includes taxable products and nontaxable products and the “purchase  
23 price” or “sales price” of the taxable products is de minimis.

24 (a) De minimis means the seller’s “purchase price” or “sales price” of the taxable  
25 products is ten percent (10%) or less of the total “purchase price” or “sales price” of the  
26 bundled products.

27 (b) Sellers shall use either the “purchase price” or the “sales price” of the products to  
28 determine if the taxable products are de minimis. Sellers may not use a combination of the  
29 “purchase price” and “sales price” of the products to determine if the taxable products are de  
30 minimis.

1 (c) Sellers shall use the full term of a service contract to determine if the taxable  
2 products are de minimis; or

3 (4) The “retail sale” of exempt tangible personal property and taxable tangible personal  
4 property where:

5 (a) the transaction includes “food and food ingredients”, “drugs”, “durable medical  
6 equipment”, “mobility enhancing equipment”, “over-the-counter drugs”, “prosthetic devices” (all  
7 as defined in Appendix C) or medical supplies; and

8 (b) where the seller's “purchase price” or “sales price” of the taxable tangible personal  
9 property is fifty percent (50%) or less of the total “purchase price” or “sales price” of the  
10 bundled tangible personal property. Sellers may not use a combination of the “purchase price”  
11 and “sales price” of the tangible personal property when making the fifty percent (50%)  
12 determination for a transaction.

13 *See Compiler’s Notes for history.*

14 **“Delivery charges”** means charges by the seller of personal property or services for preparation  
15 and delivery to a location designated by the purchaser of personal property or services including,  
16 but not limited to, transportation, shipping, postage, handling, crating, and packing.

17 A. A member state may exclude all delivery charges from the sales price of all personal  
18 property and services, or choose to exclude from the sales price of personal property or services  
19 one or more of the following components, and may amend the definition of delivery charges  
20 accordingly:

21 1. Handling, crating, packing, preparation for mailing or delivery, and similar  
22 charges; or

23 2. Transportation, shipping, postage, and similar charges.

24 B. In addition, a member state may treat “delivery charges” for “direct mail” differently than  
25 it treats “delivery charges” for other personal property or services. A member state may exclude  
26 all “delivery charges” from the “sales price” for “direct mail” or choose to exclude from the  
27 “sales price” of “direct mail” one or more of the following components, an may amend the  
28 definition of “delivery charges” accordingly:

29 1. Handling, crating, packing, preparation for mailing or delivery, and similar charges;

30 2. Transportation, shipping, and similar charges; or



1           3. Postage.

2       C.       Unless a seller separately states the “delivery charges” or components of “delivery  
3 charges” on the invoice or similar billing document given to the purchaser, those non-separately  
4 stated charges will not qualify for the exclusion from “sales price.” No member state may  
5 require a seller to separately state any “delivery charge” or component thereof.

6       D.       The exclusion of “delivery charges” for “direct mail” shall apply to any sale involving the  
7 delivery or mailing of: “direct mail;” printed material that would otherwise be “direct mail” that  
8 results from a transaction that a state considers the sale of a service; or printed material delivered  
9 or mailed to a mass audience when the costs of the printed materials are not billed directly to the  
10 recipients and is the result of a transaction that includes the development of billing information  
11 or the provision of data processing services.

12       E.       If a shipment includes exempt property and taxable property, the seller should allocate  
13 the delivery charge by using:

- 14           1. A percentage based on the total sales prices of the taxable property compared to the  
15           total sales prices of all property in the shipment; or
- 16           2. A percentage based on the total weight of the taxable property compared to the  
17           total weight of all property in the shipment.

18       The seller must tax the percentage of the delivery charge allocated to the taxable property but  
19 does not have to tax the percentage allocated to the exempt property.

20       *See Compiler’s Notes for history.*

21       “**Direct mail**” means printed material delivered or distributed by United States mail or other  
22 delivery service to a mass audience or to addressees on a mailing list provided by the purchaser  
23 or at the direction of the purchaser when the cost of the items are not billed directly to the  
24 recipients. “Direct mail” includes tangible personal property supplied directly or indirectly by  
25 the purchaser to the direct mail seller for inclusion in the package containing the printed material.  
26 “Direct mail” does not include multiple items of printed material delivered to a single address.

27       *See Compiler’s Notes for history.*

28       “**Lease or rental**” means any transfer of possession or control of tangible personal property for  
29 a fixed or indeterminate term for consideration. A lease or rental may include future options to  
30 purchase or extend.

- 1 A. Lease or rental does not include:
- 2 1. A transfer of possession or control of property under a security agreement or
- 3 deferred payment plan that requires the transfer of title upon completion of the
- 4 required payments;
- 5 2. A transfer or possession or control of property under an agreement that requires
- 6 the transfer of title upon completion of required payments and payment of an
- 7 option price does not exceed the greater of one hundred dollars or one percent of
- 8 the total required payments; or
- 9 3. Providing tangible personal property along with an operator for a fixed or
- 10 indeterminate period of time. A condition of this exclusion is that the operator is
- 11 necessary for the equipment to perform as designed. For the purpose of this
- 12 subsection, an operator must do more than maintain, inspect, or set-up the
- 13 tangible personal property.
- 14 B. Lease or rental does include agreements covering motor vehicles and trailers where the
- 15 amount of consideration may be increased or decreased by reference to the amount
- 16 realized upon sale or disposition of the property as defined in 26 USC 7701(h)(1).
- 17 C. This definition shall be used for sales and use tax purposes regardless if a transaction is
- 18 characterized as a lease or rental under generally accepted accounting principles, the
- 19 Internal Revenue Code, the [state commercial code], or other provisions of federal, state
- 20 or local law.
- 21 D. This definition will be applied only prospectively from the date of adoption and will
- 22 have no retroactive impact on existing leases or rentals. This definition shall neither
- 23 impact any existing sale-leaseback exemption or exclusions that a state may have, nor
- 24 preclude a state from adopting a sale-leaseback exemption or exclusion after the
- 25 effective date of the Agreement.

26 “**Purchase price**” applies to the measure subject to use tax and has the same meaning as sales

27 price.

28 “**Retail sale or Sale at retail**” means any sale, lease, or rental for any purpose other than for

29 resale, sublease, or subrent.

1 “Sales price” applies to the measure subject to sales tax and means the total amount of  
2 consideration, including cash, credit, property, and services, for which personal property or  
3 services are sold, leased, or rented, valued in money, whether received in money or otherwise,  
4 without any deduction for the following:

- 5 A. The seller's cost of the property sold;
- 6 B. The cost of materials used, labor or service cost, interest, losses, all costs of  
7 transportation to the seller, all taxes imposed on the seller, and any other expense  
8 of the seller;
- 9 C. Charges by the seller for any services necessary to complete the sale, other than  
10 delivery and installation charges;
- 11 D. Delivery charges;
- 12 E. Installation charges; and
- 13 F. Credit for any trade-in, as determined by state law.

14 Notwithstanding (B) above, a state may elect, by statute or administrative regulation, to exclude  
15 from sales price the following types of taxes, but only if that tax is separately stated on the  
16 invoice, bill of sale or similar document given to the purchaser:

- 17 1. Any or all state and local taxes on a retail sale that are imposed on the seller if the state statute  
18 authorizing or imposing the tax provides that the seller may, but is not required, to collect such  
19 tax from the consumer. If there is no state statute authorizing or imposing the local tax, the  
20 language in the local ordinance will determine if the local tax may, but is not required, to be  
21 collected from the consumer; and/or
- 22 2. Tribal taxes on a retail sale that are imposed on the seller if the Tribal law authorizing or  
23 imposing the tax provides that the seller may, but is not required, to collect such tax from the  
24 consumer.

25 Under paragraphs 1. and 2., the exclusion of a specific tax from sales price may not be based on  
26 the type of consumer or product sold.

1 3. Federal excise taxes or fees that are not directly imposed on a consumer that a state  
2 specifically lists on its taxability matrix. While a state may designate a category of federal  
3 excise taxes or fees that are excluded from sales price, only those specific federal excise taxes  
4 and fees listed on the state’s taxability matrix are excludable, which shall include a reference to  
5 the specific law (*e.g.*, diesel fuel and special excise taxes imposed under 26 U.S.C. § 4041).

6  
7 Under paragraph 3., the exclusion of a specific tax or fee from sales price may not be based on  
8 the type of consumer.

9  
10 All exclusions from sales price shall be listed on the state’s taxability matrix. Unless a seller  
11 seeks an exclusion from sales price, a seller is not required to separately state an exclusion on an  
12 invoice, billing or similar document given to the purchaser. A state may exclude from “sales  
13 price” the amounts received for charges included in paragraphs (C) through (F) above, if they are  
14 separately stated on the invoice, billing, or similar document given to the purchaser. A state may  
15 exclude from (C) above, “telecommunications nonrecurring charges” if they are separately stated  
16 on the invoice, billing, or similar documents. A state doing so must define “telecommunications  
17 nonrecurring charges” as follows:

18 “**Telecommunications nonrecurring charges**” means an amount billed for the installation,  
19 connection, change or initiation of “telecommunications service” received by the customer.

20 “Sales price” shall not include:

- 21 A. Discounts, including cash, term, or coupons that are not reimbursed by a third  
22 party that are allowed by a seller and taken by a purchaser on a sale;
- 23 B. Interest, financing, and carrying charges from credit extended on the sale of  
24 personal property or services, if the amount is separately stated on the invoice,  
25 bill of sale or similar document given to the purchaser; and
- 26 C. Any taxes legally imposed directly on the consumer that are separately stated on  
27 the invoice, bill of sale or similar document given to the purchaser.

28 “Sales price” shall include consideration received by the seller from third parties if:

- 1 A. The seller actually receives consideration from a party other than the purchaser and the  
2 consideration is directly related to a price reduction or discount on the sale;
- 3 B. The seller has an obligation to pass the price reduction or discount through to the  
4 purchaser;
- 5 C. The amount of the consideration attributable to the sale is fixed and determinable by the  
6 seller at the time of the sale of the item to the purchaser; and
- 7 D. One of the following criteria is met:
- 8 1. The purchaser presents a coupon, certificate or other documentation to the seller to  
9 claim a price reduction or discount where the coupon, certificate or documentation is  
10 authorized, distributed or granted by a third party with the understanding that the  
11 third party will reimburse any seller to whom the coupon, certificate or  
12 documentation is presented;
- 13 2. The purchaser identifies himself or herself to the seller as a member of a group or  
14 organization entitled to a price reduction or discount (a “preferred customer” card  
15 that is available to any patron does not constitute membership in such a group), or  
16 3. The price reduction or discount is identified as a third party price reduction or  
17 discount on the invoice received by the purchaser or on a coupon, certificate or other  
18 documentation presented by the purchaser.

19 States may also exclude from “sales price” either employee discounts that are reimbursed by a  
20 third party on sales of motor vehicles, or manufacturer rebates on motor vehicles, or both.

21 **“Tangible personal property”** means personal property that can be seen, weighed, measured,  
22 felt, or touched, or that is in any other manner perceptible to the senses. “Tangible personal  
23 property” includes electricity, water, gas, steam, and prewritten computer software.

24 *Interpretation Issued: The Governing Board issued Interpretation Opinion 2009-1 relating to the definition of*  
25 *“tangible personal property” on May 12, 2009. That interpretation can be found in the Library of Interpretations in*  
26 *Appendix D.*

1 **PART II**

2 **Product Definitions**

3

4 **CLOTHING**

5 **“Clothing”** means all human wearing apparel suitable for general use. The following list  
6 contains examples and is not intended to be an all-inclusive list.

7 A. “Clothing” shall include:

- 8 1. Aprons, household and shop;
- 9 2. Athletic supporters;
- 10 3. Baby receiving blankets;
- 11 4. Bathing suits and caps;
- 12 5. Beach capes and coats;
- 13 6. Belts and suspenders;
- 14 7. Boots;
- 15 8. Coats and jackets;
- 16 9. Costumes;
- 17 10. Diapers, children and adult, including disposable diapers;
- 18 11. Ear muffs;
- 19 12. Footlets;
- 20 13. Formal wear;
- 21 14. Garters and garter belts;
- 22 15. Girdles;
- 23 16. Gloves and mittens for general use;
- 24 17. Hats and caps;
- 25 18. Hosiery;
- 26 19. Insoles for shoes;
- 27 20. Lab coats;
- 28 21. Neckties;
- 29 22. Overshoes;
- 30 23. Pantyhose;

- 1 24. Rainwear;
- 2 25. Rubber pants;
- 3 26. Sandals;
- 4 27. Scarves;
- 5 28. Shoes and shoe laces;
- 6 29. Slippers;
- 7 30. Sneakers;
- 8 31. Socks and stockings;
- 9 32. Steel toed shoes;
- 10 33. Underwear;
- 11 34. Uniforms, athletic and non-athletic; and
- 12 35. Wedding apparel.

13 B. "Clothing" shall not include:

- 14 1. Belt buckles sold separately;
- 15 2. Costume masks sold separately;
- 16 3. Patches and emblems sold separately;
- 17 4. Sewing equipment and supplies including, but not limited to, knitting needles, patterns,
- 18 pins, scissors, sewing machines, sewing needles, tape measures, and thimbles; and
- 19 5. Sewing materials that become part of "clothing" including, but not limited to, buttons,
- 20 fabric, lace, thread, yarn, and zippers.

21 *Interpretation issued: The Governing Board issued Interpretation 2006-05 relating to the definition of clothing on*  
22 *August 29, 2006. That interpretation can be found in the Library of Interpretations in Appendix D.*

23 **"Clothing accessories or equipment"** means incidental items worn on the person or in  
24 conjunction with "clothing." "Clothing accessories or equipment" are mutually exclusive of and  
25 may be taxed differently than apparel within the definition of "clothing," "sport or recreational  
26 equipment," and "protective equipment." The following list contains examples and is not  
27 intended to be an all-inclusive list. "Clothing accessories or equipment" shall include:

- 28 1. Briefcases;
- 29 2. Cosmetics;
- 30 3. Hair notions, including, but not limited to, barrettes, hair bows, and hair nets;

- 1 4. Handbags;
- 2 5. Handkerchiefs;
- 3 6. Jewelry;
- 4 7. Sun glasses, non-prescription;
- 5 8. Umbrellas;
- 6 9. Wallets;
- 7 10. Watches; and
- 8 11. Wigs and hair pieces.

9 **“Essential clothing”** means any article of “clothing” with a sales price below a dollar threshold  
10 set by a member state if that state chooses to tax “essential clothing” differently from “clothing.”  
11 A state electing to tax “essential clothing” differently from “clothing” may not exempt the  
12 portion of the price of any individual item of clothing below its dollar threshold and shall  
13 administer the “essential clothing” threshold consistent with the provisions of Section 322,  
14 subsections (B), (C)(3), (C)(4) and (C)(7).

15 *See Compiler’s Notes for history.*

16 **“Fur clothing”** means “clothing” that is required to be labeled as a fur product under the Federal  
17 Fur Products Labeling Act (15 U.S.C. §69), and the value of the fur components in the product is  
18 more than three times the value of the next most valuable tangible component. “Fur clothing” is  
19 human wearing apparel suitable for general use but may be taxed differently from “clothing.”  
20 For the purposes of the definition of “fur clothing” the term “fur” means any animal skin or part  
21 thereof with hair, fleece, or fur fibers attached thereto, either in its raw or processed state, but  
22 shall not include such skins that have been converted into leather or suede, or which in  
23 processing, the hair, fleece, or fur fiber has been completely removed.

24 *See Compiler’s Notes for history.*

25 **"Protective equipment"** means items for human wear and designed as protection of the wearer  
26 against injury or disease or as protections against damage or injury of other persons or property  
27 but not suitable for general use. “Protective equipment” are mutually exclusive of and may be  
28 taxed differently than apparel within the definition of “clothing,” “clothing accessories or



1 equipment,” and “sport or recreational equipment.” The following list contains examples and is  
2 not intended to be an all-inclusive list. “Protective equipment” shall include:

- 3 1. Breathing masks;
- 4 2. Clean room apparel and equipment;
- 5 3. Ear and hearing protectors;
- 6 4. Face shields;
- 7 5. Hard hats;
- 8 6. Helmets;
- 9 7. Paint or dust respirators;
- 10 8. Protective gloves;
- 11 9. Safety glasses and goggles;
- 12 10. Safety belts;
- 13 11. Tool belts; and
- 14 12. Welder’s gloves and masks.

15 **“Sport or recreational equipment”** means items designed for human use and worn in  
16 conjunction with an athletic or recreational activity that are not suitable for general use. “Sport  
17 or recreational equipment” are mutually exclusive of and may be taxed differently than apparel  
18 within the definition of “clothing,” “clothing accessories or equipment,” and “protective  
19 equipment.” The following list contains examples and is not intended to be an all-inclusive list.  
20 “Sport or recreational equipment” shall include:

- 21 1. Ballet and tap shoes;
- 22 2. Cleated or spiked athletic shoes;
- 23 3. Gloves, including, but not limited to, baseball, bowling, boxing, hockey, and golf;
- 24 4. Goggles;
- 25 5. Hand and elbow guards;
- 26 6. Life preservers and vests;
- 27 7. Mouth guards;
- 28 8. Roller and ice skates;
- 29 9. Shin guards;
- 30 10. Shoulder pads;

- 1 11. Ski boots;
- 2 12. Waders; and
- 3 13. Wetsuits and fins.

#### 4 5 **COMPUTER RELATED**

6 **“Computer”** means an electronic device that accepts information in digital or similar form and  
7 manipulates it for a result based on a sequence of instructions.

8 **“Computer software”** means a set of coded instructions designed to cause a “computer” or  
9 automatic data processing equipment to perform a task.

10 *See Compiler’s Notes for history.*

11 **“Delivered electronically”** means delivered to the purchaser by means other than tangible  
12 storage media.

13 **“Electronic”** means relating to technology having electrical, digital, magnetic, wireless, optical,  
14 electromagnetic, or similar capabilities.

15 **“Load and leave”** means delivery to the purchaser by use of a tangible storage media where the  
16 tangible storage media is not physically transferred to the purchaser.

17 **“Prewritten computer software”** means “computer software,” including prewritten upgrades,  
18 which is not designed and developed by the author or other creator to the specifications of a  
19 specific purchaser. The combining of two or more “prewritten computer software” programs or  
20 prewritten portions thereof does not cause the combination to be other than “prewritten computer  
21 software.” “Prewritten computer software” includes software designed and developed by the  
22 author or other creator to the specifications of a specific purchaser when it is sold to a person  
23 other than the specific purchaser. Where a person modifies or enhances “computer software” of  
24 which the person is not the author or creator, the person shall be deemed to be the author or  
25 creator only of such person’s modifications or enhancements. “Prewritten computer software” or  
26 a prewritten portion thereof that is modified or enhanced to any degree, where such modification  
27 or enhancement is designed and developed to the specifications of a specific purchaser, remains  
28 “prewritten computer software;” provided, however, that where there is a reasonable, separately  
29 stated charge or an invoice or other statement of the price given to the purchaser for such

1 modification or enhancement, such modification or enhancement shall not constitute “prewritten  
2 computer software.”

3 A member state may exempt “prewritten computer software” “delivered electronically” or by  
4 “load and leave.”

5 *Interpretation issued: On May 12, 2009 the Governing Board issued Interpretative Opinion 2009-1 relating to the*  
6 *definition of “prewritten computer software.” That interpretation can be found in the Library of Interpretations in*  
7 *Appendix D.*

8

9 **Software Maintenance Contract Definitions:**

10 A “**computer software maintenance contract**” is a contract that obligates a vendor of computer  
11 software to provide a customer with future updates or upgrades to computer software, support  
12 services with respect to computer software or both.

13 A “**mandatory computer software maintenance contract**” is a computer software maintenance  
14 contract that the customer is obligated by contract to purchase as a condition to the retail sale of  
15 computer software.

16 An “**optional computer maintenance contract**” is a computer software maintenance  
17 contract that a customer is not obligated to purchase as a condition to the retail sale of  
18 computer software.

19 A member state may limit the definition of “computer maintenance contract” to one or  
20 more of the following:

- 21 1. Computer software maintenance contracts with respect to prewritten computer  
22 software;
- 23 2. Optional computer software maintenance contracts;
- 24 3. Mandatory computer software maintenance contracts;
- 25 4. Optional computer software maintenance contracts that do not include upgrades  
26 and updates delivered electronically, by load and leave, or both;
- 27 5. Computer software maintenance contracts that only obligate a vendor of computer  
28 software to provide a customer with future updates or upgrades to computer  
29 software;

1 6. Computer software maintenance contracts that only obligate a vendor of computer  
2 software to provide a customer with support services with respect to computer  
3 software.

4 A member state may include within its definition of “computer software maintenance  
5 contracts” contracts sold by a person other than the vendor of the computer software to  
6 which the contract relates.

7 *See Compiler’s Notes for history.*

## 10 DIGITAL PRODUCTS DEFINITIONS

11 “**Specified digital products**” means electronically transferred:

12 “**Digital Audio-Visual Works**” which means a series of related images which, when shown in  
13 succession, impart an impression of motion, together with accompanying sounds, if any,

14 “**Digital Audio Works**” which means works that result from the fixation of a series of musical,  
15 spoken, or other sounds, including ringtones, and

16 “**Digital Books**” which means works that are generally recognized in the ordinary and usual  
17 sense as “books”.

18 For purposes of the definition of “digital audio works”, “ringtones” means digitized sound files  
19 that are downloaded onto a device and that may be used to alert the customer with respect to a  
20 communication.

21 For purposes of the definitions of “specified digital products”, “transferred electronically” means  
22 obtained by the purchaser by means other than tangible storage media.

23 *See Compiler’s Notes for history.*

## 25 FOOD AND FOOD PRODUCTS

26 “**Alcoholic Beverages**” means beverages that are suitable for human consumption and contain  
27 one-half of one percent or more of alcohol by volume.

28 “**Bottled water**” means water that is placed in a safety sealed container or package for human  
29 consumption. Bottled water is calorie free and does not contain sweeteners or other additives except

1 that it may contain: (i) antimicrobial agents; (ii) fluoride; (iii) carbonation; (iv) vitamins, minerals,  
2 and electrolytes; (v) oxygen; (vi) preservatives; and (vii) only those flavors, extracts, or essences  
3 derived from a spice or fruit. "Bottled water" includes water that is delivered to the buyer in a  
4 reusable container that is not sold with the water.

5 *See Compiler's Notes for history.*

6 **"Candy"** means a preparation of sugar, honey, or other natural or artificial sweeteners in  
7 combination with chocolate, fruits, nuts or other ingredients or flavorings in the form of bars,  
8 drops, or pieces. "Candy" shall not include any preparation containing flour and shall require no  
9 refrigeration.

10 *Interpretations issued: (a) On September 20, 2007 the Governing Board issued Interpretation 2007-03 relating to*  
11 *the definition of "candy." That interpretation can be found in the Library of Interpretations in Appendix D.*

12 *(b) On October 30, 2013 the Governing Board issued Interpretation 2013-02 relating to the definition of "candy."*  
13 *That interpretation can be found in the Library of Interpretations in Appendix D.*

14 **"Dietary supplement"** means any product, other than "tobacco," intended to supplement the  
15 diet that:

16 A. Contains one or more of the following dietary ingredients:

- 17 1. A vitamin;
- 18 2. A mineral;
- 19 3. An herb or other botanical;
- 20 4. An amino acid;
- 21 5. A dietary substance for use by humans to supplement the diet by increasing the total  
22 dietary intake; or
- 23 6. A concentrate, metabolite, constituent, extract, or combination of any ingredient  
24 described in above; and

25 B. Is intended for ingestion in tablet, capsule, powder, softgel, gelcap, or liquid form, or if not  
26 intended for ingestion in such a form, is not represented as conventional food and is not  
27 represented for use as a sole item of a meal or of the diet; and

28 C. Is required to be labeled as a dietary supplement, identifiable by the "Supplemental Facts"  
29 box found on the label and as required pursuant to 21 C.F.R § 101.36.

1 **“Food and food ingredients”** means substances, whether in liquid, concentrated, solid, frozen,  
2 dried, or dehydrated form, that are sold for ingestion or chewing by humans and are consumed  
3 for their taste or nutritional value. “Food and food ingredients” does not include “alcoholic  
4 beverages” or “tobacco.” A member state may exclude “bottled water,” “candy,” “dietary  
5 supplements” and “soft drinks” from this definition, which items are mutually exclusive of each  
6 other.

7 Notwithstanding the foregoing requirements of this definition or any other provision of the  
8 Agreement, a member state may maintain its tax treatment of food in a manner that differs from  
9 the definitions provided herein, provided its taxation or exemption of food is based on a  
10 prohibition or requirement of that state’s Constitution that exists on the effective date of the  
11 Agreement.

12 *See Compiler’s Notes for history.*

13 *Interpretations Issued: (a) On October 7, 2010 the Governing Board issued Interpretative Opinion 2010-03 relating*  
14 *to the definition of “food and food ingredients.” That interpretation can be found in the Library of Interpretations*  
15 *in Appendix D.*

16 *(b) On December 19, 2011 the Governing Board issued Interpretative Opinion 2011-01 relating to the definition of*  
17 *“food and food ingredients.” That interpretation can be found in the Library of Interpretations in Appendix D.*

18 *(c) On October 30, 2013 the Governing Board issued Interpretation 2013-02 relating to the definition of “candy”*  
19 *and “food and food ingredients.” That interpretation can be found in the Library of Interpretations in Appendix D.*

20 **“Food sold through vending machines”** means food dispensed from a machine or other  
21 mechanical device that accepts payment.

22 **“Prepared food”** means:

- 23 A. Food sold in a heated state or heated by the seller;
- 24 B. Two or more food ingredients mixed or combined by the seller for sale as a single item;
- 25 or
- 26 C. Food sold with eating utensils provided by the seller, including plates, knives, forks,  
27 spoons, glasses, cups, napkins, or straws. A plate does not include a container or  
28 packaging used to transport the food.

29 “Prepared food” in B. does not include food that is only cut, repackaged, or pasteurized by the  
30 seller, and eggs, fish, meat, poultry, and foods containing these raw animal foods requiring

1 cooking by the consumer as recommended by the Food and Drug Administration in chapter 3,  
2 part 401.11 of its Food Code so as to prevent food borne illnesses.

3  
4 The following items may be taxed differently than “prepared food” and each other, if sold  
5 without eating utensils provided by the seller, but may not be taxed differently than the same  
6 item when classified under “food and food ingredients.”

- 7 1. Food sold by a seller whose proper primary NAICS classification is manufacturing in  
8 sector 311, except subsector 3118 (bakeries).
- 9 2. a. Food sold in an unheated state by weight or volume as a single item; or  
10 b. Only meat or seafood sold in an unheated state by weight or volume as a single  
11 item.
- 12 3. Bakery items, including bread, rolls, buns, biscuits, bagels, croissants, pastries, donuts,  
13 danish, cakes, tortes, pies, tarts, muffins, bars, cookies, tortillas.
- 14 4. Food sold that ordinarily requires additional cooking (as opposed to just reheating) by  
15 the consumer prior to consumption.

16 Substances within “food and food ingredients” may be taxed differently if sold as “prepared  
17 food.” A state shall tax or exempt from taxation “bottled water,” “candy,” dietary supplements,”  
18 and “soft drinks” that are sold as “prepared food” in the same manner as it treats other substances  
19 that are sold as “prepared food.”

20 *See Compiler’s Notes for history.*

21 *Interpretations issued: (a) On April 18, 2006 the Governing Board issued Interpretation 2006-04 relating to the*  
22 *definition of “prepared food.” That interpretation can be found in the Library of Interpretations in Appendix D.*

23 *(b) On December 14, 2006, the Governing Board issued Interpretation 2006-11 relating to “prepared food.” That*  
24 *interpretation can be found in the Library of Interpretations in Appendix D.*

25 **“Soft drinks”** means non-alcoholic beverages that contain natural or artificial sweeteners. “Soft  
26 drinks” do not include beverages that contain milk or milk products, soy, rice or similar milk  
27 substitutes, or greater than fifty percent of vegetable or fruit juice by volume.

28 *Interpretation issued: (a) On October 30, 2013 the Governing Board issued Interpretation 2013-01 relating to the*  
29 *definition of “soft drinks.” That interpretation can be found in the Library of Interpretations in Appendix D.*

30 **“Tobacco”** means cigarettes, cigars, chewing or pipe tobacco, or any other item that contains  
31 tobacco.

1 **HEALTH-CARE**

2 **“Drug”** means a compound, substance or preparation, and any component of a compound,  
3 substance or preparation, other than “food and food ingredients,” “dietary supplements” or  
4 “alcoholic beverages:”

- 5 A. Recognized in the official United State Pharmacopoeia, official Homeopathic  
6 Pharmacopoeia of the United States, or official National Formulary, and supplement to  
7 any of them; or
- 8 B. Intended for use in the diagnosis, cure, mitigation, treatment, or prevention of disease; or
- 9 C. Intended to affect the structure or any function of the body.

10 A member state may independently:

- 11 A. Limit the definition of “drug” to human use (as opposed to both human and animal use)  
12 in the administration of its exemption;
- 13 B. Draft its exemption for “drug” to specifically add insulin and/or medical oxygen so that  
14 no prescription is required, even if a state requires a prescription under its exemption for  
15 drugs;
- 16 C. Determine the taxability of the sales of drugs and prescription drugs to hospitals and  
17 other medical facilities;
- 18 D. Determine the taxability of free samples of drugs; and
- 19 E. Determine the taxability of bundling taxable and nontaxable drug, if uniform treatment  
20 of bundled transactions is not otherwise defined in the Agreement.

21 *Interpretation issued: On June 23, 2007 the Governing Board issued Interpretation 2007-01 relating to the*  
22 *definition of “drug.” That interpretation can be found in the Library of Interpretations in Appendix D.*

23 **“Durable medical equipment”** means equipment including repair and replacement parts for  
24 same, but does not include “mobility enhancing equipment,” which:

- 25 A. Can withstand repeated use; and
- 26 B. Is primarily and customarily used to serve a medical purpose; and
- 27 C. Generally is not useful to a person in the absence of illness or injury; and
- 28 D. Is not worn in or on the body.

29 A member state may limit its exemption to “durable medical equipment:”

- 30 A. By requiring a prescription;



- 1 B. Based on Medicare or Medicaid payments or reimbursement; or
- 2 C. For home use.

3 A member state may limit the exemption using any combination of the above but in no case shall  
4 an exemption certificate be required.

5  
6 Repair and replacement parts as used in this definition include all components or attachments  
7 used in conjunction with the “durable medical equipment.” A member state may exclude from  
8 repair and replacement parts items which are for single patient use only.

9  
10 A member state may exclude from the product definition of “durable medical equipment” any of  
11 the following for purposes enacting a product-based exemption:

- 12 1. Oxygen delivery equipment not worn in or on the body, including repair and replacement  
13 parts;
- 14 2. Kidney dialysis equipment not worn in or on the body, including repair and replacement  
15 parts; or
- 16 3. Enteral feeding systems not worn in or on the body, including repair and replacement  
17 parts.

18  
19 A member state choosing to enact a product-based exemption for oxygen delivery equipment,  
20 kidney dialysis equipment, or enteral feeding systems, if those items are not worn in or on the  
21 body, must also enact a product-based exemption for oxygen delivery equipment, kidney dialysis  
22 equipment, or enteral feeding systems, if those are worn in or on the body.

23  
24 A member state may limit the product-based exemption for oxygen delivery equipment, kidney  
25 dialysis equipment, or enteral feeding systems using any combination of the following:

- 26 a. By requiring a prescription;
- 27 b. Based on Medicare or Medicaid payments or reimbursement; or
- 28 c. For home use.

29 *See Compiler’s Notes for history.*

1 **“Feminine Hygiene Products”** means tampons, panty liners, menstrual cups, sanitary napkins,  
2 and other similar tangible personal property designed for feminine hygiene in connection with  
3 the human menstrual cycle, but does not include “grooming and hygiene products” as defined in  
4 this Agreement.

5 **“Grooming and hygiene products”** are soaps and cleaning solutions, shampoo, toothpaste,  
6 mouthwash, antiperspirants, and sun tan lotions and screens, regardless of whether the items  
7 meet the definition of “over-the-counter-drugs.”

8 **“Mobility enhancing equipment”** means equipment including repair and replacement parts to  
9 same, but does not include “durable medical equipment,” which:

- 10 A. Is primarily and customarily used to provide or increase the ability to move from one  
11 place to another and which is appropriate for use either in a home or a motor vehicle; and  
12 B. Is not generally used by persons with normal mobility; and  
13 C. Does not include any motor vehicle or equipment on a motor vehicle normally provided  
14 by a motor vehicle manufacturer.

15 A member state may limit the application of this definition by requiring a “prescription,” or limit  
16 an exemption based on Medicare or Medicaid payments or reimbursements.

17 **“Over-the-counter-drug”** means a drug that contains a label that identifies the product as a drug  
18 as required by 21 C.F.R. § 201.66. A member state may exclude “grooming and hygiene  
19 products” from this definition. The “over-the-counter-drug” label includes:

- 20 A. A “Drug Facts” panel; or  
21 B. A statement of the “active ingredient(s)” with a list of those ingredients contained in the  
22 compound, substance or preparation.

23 **“Prescription”** means an order, formula or recipe issued in any form of oral, written, electronic,  
24 or other means of transmission by a duly licensed practitioner authorized by the laws of the  
25 member state.

26 **“Prosthetic device”** means a replacement, corrective, or supportive device including repair and  
27 replacement parts for same worn on or in the body to:

- 28 A. Artificially replace a missing portion of the body;  
29 B. Prevent or correct physical deformity or malfunction; or

1 C. Support a weak or deformed portion of the body.  
2 A member state may exclude any or all of the following from the definition of “prosthetic  
3 device:”

- 4 A. Corrective eyeglasses;
- 5 B. Contact lenses;
- 6 C. Hearing aids; and
- 7 D. Dental prosthesis.

8 A member state may limit the application of this definition by requiring a “prescription,” or limit  
9 an exemption based on Medicare or Medicaid payments or reimbursements.

10

11

## TELECOMMUNICATIONS

12

### **Tax Base/Exemption Terms:**

13

“**Ancillary services**” means services that are associated with or incidental to the provision of  
14 “telecommunications services”, including but not limited to “detailed telecommunications  
15 billing”, “directory assistance”, “vertical service”, and “voice mail services”.

16

“**Conference bridging service**” means an “ancillary service” that links two or more participants  
17 of an audio or video conference call and may include the provision of a telephone number.

18

“Conference bridging service” does not include the “telecommunications services” used to reach  
19 the conference bridge.

20

“**Detailed telecommunications billing service**” means an “ancillary service” of separately  
21 stating information pertaining to individual calls on a customer’s billing statement.

22

“**Directory assistance**” means an “ancillary service” of providing telephone number  
23 information, and/or address information.

24

“**Vertical service**” means an “ancillary service” that is offered in connection with one or more  
25 “telecommunications services”, which offers advanced calling features that allow customers to  
26 identify callers and to manage multiple calls and call connections, including “conference  
27 bridging services”.

1 **“Voice mail service”** means an “ancillary service” that enables the customer to store, send or  
2 receive recorded messages. “Voice mail service” does not include any “vertical services” that  
3 the customer may be required to have in order to utilize the “voice mail service”.

4 **“Telecommunications service”** means the electronic transmission, conveyance, or routing of  
5 voice, data, audio, video, or any other information or signals to a point, or between or among  
6 points. The term “telecommunications service” includes such transmission, conveyance, or  
7 routing in which computer processing applications are used to act on the form, code or protocol  
8 of the content for purposes of transmission, conveyance or routing without regard to whether  
9 such service is referred to as voice over Internet protocol services or is classified by the Federal  
10 Communications Commission as enhanced or value added. “Telecommunications service” does  
11 not include:

- 12 A. Data processing and information services that allow data to be generated, acquired,  
13 stored, processed, or retrieved and delivered by an electronic transmission to a purchaser  
14 where such purchaser’s primary purpose for the underlying transaction is the processed  
15 data or information;
- 16 B. Installation or maintenance of wiring or equipment on a customer’s premises;
- 17 C. Tangible personal property;
- 18 D. Advertising, including but not limited to directory advertising.
- 19 E. Billing and collection services provided to third parties;
- 20 F. Internet access service;
- 21 G. Radio and television audio and video programming services, regardless of the medium,  
22 including the furnishing of transmission, conveyance and routing of such services by the  
23 programming service provider. Radio and television audio and video programming  
24 services shall include but not be limited to cable service as defined in 47 USC 522(6) and  
25 audio and video programming services delivered by commercial mobile radio service  
26 providers, as defined in 47 CFR 20.3;
- 27 H. “Ancillary services”; or
- 28 I. Digital products “delivered electronically”, including but not limited to software, music,  
29 video, reading materials or ring tones.

1 **“800 service”** means a **“telecommunications service”** that allows a caller to dial a toll-free  
2 number without incurring a charge for the call. The service is typically marketed under the name  
3 “800”, “855”, “866”, “877”, and “888” toll-free calling, and any subsequent numbers designated  
4 by the Federal Communications Commission.

5 **“900 service”** means an inbound toll **“telecommunications service”** purchased by a subscriber  
6 that allows the subscriber’s customers to call in to the subscriber’s prerecorded announcement or  
7 live service. “900 service” does not include the charge for: collection services provided by the  
8 seller of the **“telecommunications services”** to the subscriber, or service or product sold by the  
9 subscriber to the subscriber’s customer. The service is typically marketed under the name “900”  
10 service, and any subsequent numbers designated by the Federal Communications Commission.

11 **“Fixed wireless service”** means a **“telecommunications service”** that provides radio  
12 communication between fixed points.

13 **“Mobile wireless service”** means a **“telecommunications service”** that is transmitted, conveyed  
14 or routed regardless of the technology used, whereby the origination and/or termination points of  
15 the transmission, conveyance or routing are not fixed, including, by way of example only,  
16 **“telecommunications services”** that are provided by a commercial mobile radio service provider.

17 **“Paging service”** means a **“telecommunications service”** that provides transmission of coded  
18 radio signals for the purpose of activating specific pagers; such transmissions may include  
19 messages and/or sounds.

20 *Interpretation issued: On August 17, 2010 the Governing Board issued Interpretative Opinion 2010-02 relating to*  
21 *the definition of “paging service.” That interpretation can be found in the Library of Interpretations in Appendix D.*

22 **“Prepaid calling service”** means the right to access exclusively **“telecommunications services”**,  
23 which must be paid for in advance and which enables the origination of calls using an access  
24 number or authorization code, whether manually or electronically dialed, and that is sold in  
25 predetermined units or dollars of which the number declines with use in a known amount.

26 **“Prepaid wireless calling service”** means a **“telecommunications service”** that provides the  
27 right to utilize **“mobile wireless service”** as well as other non-telecommunications services  
28 including the download of digital products **“delivered electronically”**, content and **“ancillary**

1 services”, which must be paid for in advance that is sold in predetermined units or dollars of  
2 which the number declines with use in a known amount.

3 *See Compiler’s Notes for history.*

4 **“Private communications service”** means a “telecommunications service” that entitles the  
5 customer to exclusive or priority use of a communications channel or group of channels between  
6 or among termination points, regardless of the manner in which such channel or channels are  
7 connected, and includes switching capacity, extension lines, stations, and any other associated  
8 services that are provided in connection with the use of such channel or channels.

9 **“Value-added non-voice data service”** means a service that otherwise meets the definition of  
10 “telecommunications services” in which computer processing applications are used to act on the  
11 form, content, code, or protocol of the information or data primarily for a purpose other than  
12 transmission, conveyance or routing.

13

14 **Modifiers of Sales Tax Base/Exemption Terms:**

15 The following terms can be used to further delineate the type of “telecommunications service” to  
16 be taxed or exempted. The terms would be used with the broader terms and subcategories  
17 delineated above.

18 **“Coin-operated telephone service”** means a “telecommunications service” paid for by inserting  
19 money into a telephone accepting direct deposits of money to operate.

20 **“International”** means a “telecommunications service” that originates or terminates in the  
21 United States and terminates or originates outside the United States, respectively. United States  
22 includes the District of Columbia or a U.S. territory or possession.

23 **“Interstate”** means a “telecommunications service” that originates in one United States state, or  
24 a United States territory or possession, and terminates in a different United States state or a  
25 United States territory or possession.

26 **“Intrastate”** means a “telecommunications service” that originates in one United States state or  
27 a United States territory or possession, and terminates in the same United States state or a United  
28 States territory or possession.

1 **“Pay telephone service”** means a “telecommunications service” provided through any pay  
2 telephone.

3 **“Residential telecommunications service”** means a “telecommunications service” or “ancillary  
4 services” provided to an individual for personal use at a residential address, including an  
5 individual dwelling unit such as an apartment. In the case of institutions where individuals  
6 reside, such as schools or nursing homes, “telecommunications service” is considered residential  
7 if it is provided to and paid for by an individual resident rather than the institution.

8  
9 The terms “ancillary services” and “telecommunications service” are defined as a broad range of  
10 services. The terms “ancillary services” and “telecommunications service” are broader than the  
11 sum of the subcategories. Definitions of subcategories of “ancillary services” and  
12 “telecommunications service” can be used by a member state alone or in combination with other  
13 subcategories to define a narrower tax base than the definitions of “ancillary services” and  
14 “telecommunications service” would imply. The subcategories can also be used by a member  
15 state to provide exemptions for certain subcategories of the more broadly defined terms. A  
16 member state that specifically imposes tax on, or exempts from tax, local telephone or local  
17 telecommunications service may define “local service” in any manner in accordance with  
18 Section 327 of the Agreement, except as limited by other sections of this Agreement.

19 *See Compiler’s Notes for history.*

20

1 **PART III**

2 **Sales Tax Holiday Definitions**

3 The definitions in this Part are only applicable for the purpose of administration of a sales tax  
4 holiday, as defined in Section 322 (A).

5 *See Compiler's Notes for history.*

6 **A. Administrative Definitions:**

7 "**Eligible property**" means an item of a type, such as clothing, that qualifies for a sales tax  
8 holiday exemption in a member state.

9 "**Layaway sale**" means a transaction in which property is set aside for future delivery to a  
10 customer who makes a deposit, agrees to pay the balance of the purchase price over a  
11 period of time, and, at the end of the payment period, receives the property. An order is  
12 accepted for layaway by the seller, when the seller removes the property from normal  
13 inventory or clearly identifies the property as sold to the purchaser.

14 "**Rain check**" means the seller allows a customer to purchase an item at a certain price at  
15 a later time because the particular item was out of stock.

16  
17 **B. Product Definitions:**

18 "**Disaster Preparedness Supply**" means an item purchased in preparation or response to a  
19 disaster, including any fire, flood, storm, tidal wave, earthquake, or similar public calamity,  
20 whether man-made, resulting from war, or resulting from natural causes. "Disaster  
21 Preparedness Supply" shall include the following categories of items: 1) general disaster  
22 preparedness supplies; 2) disaster preparedness safety supplies; 3) disaster preparedness food-  
23 related supplies; and 4) disaster preparedness fastening supplies.

24 A member state that wishes to exempt "disaster preparedness supplies" during a sales tax holiday  
25 may:

- 26 1. exempt all disaster preparedness qualified supplies; or
- 27 2. exempt specified classifications of supplies.

28 A member state may not exempt specific items within a classification, without exempting the  
29 entire classification of supplies.



1 **“Disaster Preparedness General Supply”** is a general purpose item that may be used in  
2 preparation or response to a disaster. The term is mutually exclusive of the terms “disaster  
3 preparedness safety supplies,” “disaster preparedness food-related supplies,” and “disaster  
4 preparedness fastening supplies,” and may be taxed differently. The following is an all-inclusive  
5 list:

- 6 1. Batteries (excluding automobile and marine batteries) AAA, AA, C, D, 6 volt or 9 volt;
- 7 2. Cellular telephone batteries and chargers;
- 8 3. Satellite phones;
- 9 4. Self-powered light sources;
- 10 5. Portable self-powered radios, two-way radios, weather-band radios and NOAA weather  
11 radios;
- 12 6. Gas or diesel fuel containers;
- 13 7. Non-electric food storage coolers;
- 14 8. Portable generators; and
- 15 9. Storm shutter devices.

16 **“Disaster Preparedness Safety Supply,”** is a safety item that may be used in preparation or  
17 response to a disaster. The term is mutually exclusive of the terms “disaster preparedness  
18 general supplies,” “disaster preparedness food-related supplies,” and “disaster preparedness  
19 fastening supplies,” and may be taxed differently. The following is an all-inclusive list:

- 20 1. Carbon monoxide detectors;
- 21 2. Smoke detectors;
- 22 3. Fire extinguishers; and
- 23 4. First aid kits.

24 **“Disaster Preparedness Food-Related Supply”** is a food or food related item that may be used  
25 in preparation or response to a disaster. The term is mutually exclusive of the terms “disaster  
26 preparedness general supplies,” “disaster preparedness safety supplies,” and “disaster  
27 preparedness fastening supplies,” and may be taxed differently. The following is an all-inclusive  
28 list:

- 29 1. Artificial ice;

- 1 2. Water storage container;
- 2 3. Manual can opener; and
- 3 4. Bottled water.

4 **“Disaster Preparedness Fastening Supply”** is a fastening item or an item used for securing  
5 property or covering property that may be used in preparation or response to a disaster. The term  
6 is mutually exclusive of the terms “disaster preparedness general supplies,” “disaster  
7 preparedness safety supplies,” and “disaster preparedness food-related supplies,” and may be  
8 taxed differently. The following is an all-inclusive list:

- 9 1. Bungee cords;
- 10 2. Rope;
- 11 3. Ratchet straps;
- 12 4. Duct tape;
- 13 5. Boat anchor;
- 14 6. Fender, anchor chain, dock line or similar device;
- 15 7. Tarpaulins and other flexible waterproof sheeting; and
- 16 8. Ground anchor or tie down kits.

17 *See Compiler’s Notes for history.*

18 **“Energy Star Qualified Product”** means a product that meets the energy efficient guidelines  
19 set by the United States Environmental Protection Agency and the United States Department of  
20 Energy that are authorized to carry the Energy Star label. Covered products are those listed at  
21 [www.energystar.gov](http://www.energystar.gov) or successor address.

22 A member state that wishes to exempt “Energy Star qualified products” during a sales tax  
23 holiday may:

- 24 1. exempt all Energy Star Qualified Products, or
- 25 2. exempt specified Energy Star Qualified Products, or

26 exempt specified classifications as categorized on the Energy Star product listing **“School supply”** is an item  
27 commonly used by a student in a course of study. The term is mutually exclusive of the terms  
28 “school art supply,” “school instructional material,” and “school computer supply,” and may be  
29 taxed differently. The following is an all-inclusive list:

- 1 1. Binders;
- 2 2. Book bags;
- 3 3. Calculators;
- 4 4. Cellophane tape;
- 5 5. Blackboard chalk;
- 6 6. Compasses;
- 7 7. Composition books;
- 8 8. Crayons;
- 9 9. Erasers;
- 10 10. Folders; expandable, pocket, plastic, and manila;
- 11 11. Glue, paste, and paste sticks;
- 12 12. Highlighters;
- 13 13. Index cards;
- 14 14. Index card boxes;
- 15 15. Legal pads;
- 16 16. Lunch boxes;
- 17 17. Markers;
- 18 18. Notebooks;
- 19 19. Paper; loose leaf ruled notebook paper, copy paper, graph paper, tracing paper, manila paper,
- 20 colored paper, poster board, and construction paper;
- 21 20. Pencil boxes and other school supply boxes;
- 22 21. Pencil sharpeners;
- 23 22. Pencils;
- 24 23. Pens;
- 25 24. Protractors;
- 26 25. Rulers;
- 27 26. Scissors; and
- 28 27. Writing tablets.

1 *Interpretation issued: On December 19, 2011 the Governing Board issued Interpretative Opinion 2011-02 relating*  
2 *to the definition of “school supply.” That interpretation can be found in the Library of Interpretations in Appendix*  
3 *D.*

4 **“School art supply”** is an item commonly used by a student in a course of study for artwork.  
5 The term is mutually exclusive of the terms “school supply,” “school instructional material,” and  
6 “school computer supply,” and may be taxed differently. The following is an all-inclusive list:

- 7 1. Clay and glazes;
- 8 2. Paints; acrylic, tempera, and oil;
- 9 3. Paintbrushes for artwork;
- 10 4. Sketch and drawing pads; and
- 11 5. Watercolors.

12 **“School instructional material”** is written material commonly used by a student in a course of  
13 study as a reference and to learn the subject being taught. The term is mutually exclusive of the  
14 terms “school supply,” “school art supply,” and “school computer supply,” and may be taxed  
15 differently. The following is an all-inclusive list:

- 16 1. Reference books;
- 17 2. Reference maps and globes;
- 18 3. Textbooks; and
- 19 4. Workbooks.

20 **“School computer supply”** is an item commonly used by a student in a course of study in which  
21 a computer is used. The term is mutually exclusive of the terms “school supply,” “school art  
22 supply,” and “school instructional material,” and may be taxed differently. The following is an  
23 all-inclusive list:

- 24 1. Computer storage media; diskettes, compact disks;
- 25 2. Handheld electronic schedulers, except devices that are cellular phones;
- 26 3. Personal digital assistants, except devices that are cellular phones;
- 27 4. Computer printers; and
- 28 5. Printer supplies for computers; printer paper, printer ink.

29 **“WaterSense Product”** means a product that meets the water efficiency and performance  
30 criteria set by the United States Environmental Protection Agency and is authorized to bear the

1 United States Environmental Protection Agency WaterSense label. Covered products are those  
2 listed at <http://www.epa.gov/WaterSense/products/index.html> or successor address. A member  
3 state that wishes to exempt “WaterSense Products during a sales tax holiday may:

4

- 5 1. Exempt all WaterSense Products, or
- 6 2. Exempt specified WaterSense Products, or
- 7 3. Exempt specified classifications as categorized on the WaterSense product listing.

8

1 **Appendix D**

2 **LIBRARY OF INTERPRETATIONS**

3  
4 **Interpretation 2006-01**  
5 **(Adopted April 18, 2006)**  
6

7 This Interpretation Recommendation is made to the Governing Board by the Compliance Review  
8 and Interpretations Committee this 2<sup>nd</sup> day of February, 2006 in accordance with Article IX, Rule  
9 902 of Rules and Procedures adopted by the Streamlined Sales Tax Governing Board, Inc.  
10

11 The party requesting the interpretation is RSM McGladrey, Inc. of Cedar Rapids, Iowa. The  
12 request was made by letter dated November 23, 2005, and was made pursuant to the provisions  
13 for expedited consideration contained in Rule 902 at subsection (H).  
14

15 Issue:  
16

17 The issue presented is an interpretation of Agreement section 402 pertaining to amnesty. The  
18 specific question presented was whether amnesty is available to a seller for tax not collected, if  
19 the seller has collected an amount of tax in a state, but failed to remit it. The seller otherwise  
20 meets the qualifications prescribed in section 402. The issue was presented with an  
21 acknowledgement that tax collected must be remitted with applicable penalties and interest as a  
22 precondition to receiving amnesty.  
23

24 Public Comment:  
25

26 No written public comments were received.  
27

28 Recommendation:  
29

30 By unanimous consent the Compliance Review and Interpretations Committee submits to the  
31 Governing Board a recommendation that a seller who has collected tax in a member state may  
32 obtain amnesty for taxes not collected in that state or any member state in accordance with the  
33 terms of Agreement section 402. The Committee further recommends that tax collected from  
34 purchasers in a member state must be remitted with applicable penalty and interest to that  
35 member state as a condition of receiving amnesty. This condition is in addition to those  
36 conditions specifically enumerated in section 402 of the Agreement.  
37

38 Rationale:  
39

40 A plain reading of Agreement section 402 requires a state to provide amnesty for “uncollected or  
41 unpaid sales or use tax”. A similar plain reading of the disqualifying language contained in  
42 subsection 402(C) limits disqualification to “sales or use taxes already paid or remitted to the  
43 state or to taxes collected by the seller.” As the seller has not collected the taxes at issue,

1 amnesty is available despite the fact that the seller collected taxes on other sales which will not  
2 qualify for amnesty.

3  
4 Committee Members:

5  
6 Larry Wilkie, Committee Chair; Myles Vosberg, Andy Sabol, Tony Mastin, Dan Noble, Tom  
7 Conley representing Joseph VanDevender, and Dale Vettel.

8  
9 **Interpretation 2006-02**  
10 **(Adopted April 18, 2006)**

11  
12 This Interpretation Recommendation is made to the Governing Board by the Compliance Review  
13 and Interpretations Committee this 2<sup>nd</sup> day of February 2006 in accordance with Article IX, Rule  
14 902 of the Rules and Procedures adopted by the Streamlined Sales Tax Governing Board, Inc.

15  
16 The party requesting the interpretation is Department of Treasury, State of Michigan, of Lansing  
17 Michigan. The request was made by letter dated January 4, 2006, and was made pursuant to the  
18 provisions for expedited consideration contained in Rule 902 H.

19  
20 Issue:

21  
22 The issue presented is an interpretation of Agreement section 402 pertaining to amnesty. The  
23 questions presented related to when a seller is considered registered under the Agreement for  
24 purposes of eligibility for amnesty when a seller has registered through the central registration  
25 system and indicated that it will make use of a model 1 or model 2 seller for those periods when  
26 a certified service provider (CSP) or a certified automated system (CAS) have not been deemed  
27 available by the Executive Committee of the Governing Board. The specific questions presented  
28 are as follows:

- 29 1. When will a model 1 or model 2 seller be deemed to have “registered under the  
30 Agreement” as provided in Section 211 of the Agreement?
- 31 2. When will a model 1 or model 2 seller be required to begin collecting and  
32 remitting sales or use taxes to member states as provided in Section 401(B) of the  
33 Agreement?
- 34 3. When will a model 1 or model 2 seller be denied amnesty because they have  
35 received a notice of the commencement of an audit as provided in Section 402(B)  
36 of the Agreement?

37  
38 Public Comment:

39  
40 No written public comments were received.

41  
42 Recommendation:

43  
44 By unanimous consent the Compliance Review and Interpretations Committee submits to the  
45 Governing Board the following recommendations:





1 The issue presented is an interpretation of Agreement Article III, Section 310, Subsection (C),  
2 Clause 1 pertaining to sourcing of initial lease payments made to dealers. The quoted section of  
3 the agreement reads as follows:  
4

5 For a lease or rental that requires recurring periodic payments, each periodic payment is  
6 sourced to the primary property location. The primary property location shall be as  
7 indicated by an address for the property provided by the lessee that is available to the  
8 lessor from its records maintained in the ordinary course of business, when use of this  
9 address does not constitute bad faith. This location shall not be altered by intermittent  
10 use at different locations.  
11

12 Indiana is requesting an interpretation on the sourcing of initial payments (down payments,  
13 rebates or other potentially taxable receipts) paid to the seller at the time the lease is negotiated  
14 between the seller and purchaser. Are these payments considered a recurring periodic payment  
15 and sourced in accordance with Section 310(C)?  
16

17 Recommendation:  
18

19 By unanimous consent the Compliance Review and Interpretations Committee submits to the  
20 Governing Board the following recommendation:  
21

22 Article III, Section 310, Subsection (C), of the Agreement should be interpreted to include  
23 payments received at the inception of a lease (down payments, rebates or other potentially  
24 taxable receipts) as periodic payments and sourced to the primary property location consistent  
25 with the sourcing of the remaining periodic payments.  
26

27 Rationale:  
28

29 The committee contacted the automobile associations of their various states. The associations  
30 reported that their leasing organizations vary in the way that the receipts collected at the  
31 inception of the lease are currently sourced. Some source the receipts to the primary property  
32 location while others source the receipts to the dealer's location. The committee believed that  
33 the intent of the original sourcing rule was to establish a single location for sourcing all  
34 payments. The proposed interpretation would be consistent with what we believed to be the  
35 intent of the rule. The interpretation would also eliminate the confusion that currently seems to  
36 exist related to this issue.  
37

38 Committee Members:  
39

40 Cathy Wicks representing Larry Wilkie, Tom Conley, representing Joe VanDevender, Tony  
41 Mastin, Dan Noble, Andy Sabol, Dale Vettel, Acting Committee Chair, and Myles Vosberg.  
42  
43  
44  
45

**Interpretation 2006-04  
(Adopted April 18, 2006)**

This Interpretation Recommendation is made to the Governing Board by the Compliance Review and Interpretations Committee this 13th day of April 2006 in accordance with Article IX, Rule 902 of Rules and Procedures adopted by the Streamlined Sales Tax Governing Board, Inc.

The party requesting the interpretation is Brinker International on behalf of the National Association of Convenience Stores, Council on State Taxation, Darden Restaurants, Food Marketing Institute, Indiana Grocery & Convenience Store Association, Marathon Petroleum Company, Marsh Supermarket Pharmacy, Minnesota Grocers Association, Speedway, Starbucks Coffee, Target, Utah Food Industry Association and Yum! Brands, Incorporated. The request was made by letter dated January 9, 2006, and was made pursuant to the provisions for expedited consideration contained in Rule 902 at subsection (H).

**Issue:**

The issue presented is an interpretation of definition of “food sold with eating utensils provided by the seller” found in section C of the prepared food definition found in Appendix C, Part II.

**Public Comment:**

Public comments were received from both industry and state agencies.

**Recommendation:**

The Compliance Review and Interpretations Committee submits to the Governing Board a recommendation that the definition of “food sold with eating utensils” be interpreted as specified in the State and Local Advisory Council paper on “Prepared Food Re-Visited Updated April 13, 2006.” This paper was distributed with Diane Hardt’s e-mail dated April 13, 2006 with revised documents for the Streamlined Sales Tax Governing Board meeting in Indianapolis, Indiana on April 18, 2006. Committee members have agreed, by a vote of five to one, that they can support the proposal as presented, provided states are given adequate time to promulgate regulations, make legislative changes, or prepare other published guidance as each state determines is necessary to adopt the language proposed.

**Rationale:**

The Compliance Review and Interpretations Committee finds itself in a difficult situation with this request for interpretation and its subsequent determination of support of the proposal.

All members recognize the need to come to agreement on how to interpret the subject language. Committee members, as well as other states and business representatives involved in the discussions, have indicated support for the proposal. The Committee commends business members and state members for their diligent efforts in bringing this proposal to the table.

1  
2 Concern was expressed by some Committee members that the language in the proposal goes  
3 beyond an interpretation of the existing language in the definition and, in some states, would  
4 require legislative changes. Committee member, Tony Mastin, noted that using the Black’s Law  
5 Dictionary definition of the word “provided” would be an allowable interpretation of the current  
6 language. Business representatives expressed concern that using a dictionary definition would  
7 not provide the necessary guidance to administer the provision and would result in states  
8 adopting different interpretations of the meaning of the phrase.  
9

10 The Committee is seeking advice from the Governing Board on whether this interpretation goes  
11 beyond the scope of an interpretation of the current definition. If so, the Committee asks for  
12 advice from the Governing Board on how to proceed. The options discussed, if this is not an  
13 interpretation, were either an amendment to the Agreement or a Rule.  
14

15 Committee Members:

16  
17 Larry Wilkie, Committee Chair; Myles Vosberg, Andy Sabol, Tony Mastin, Dan Noble, Tom  
18 Conley representing Joseph VanDevender, and Dale Vettel.  
19

20 State and Local Advisory Council  
21 Prepared Food Re-Visited  
22 Updated April 13, 2006  
23  
24

25 Streamline approved several interpretations of the food definitions at its meeting on January 6,  
26 2005. The approved interpretations are included in an Issue Paper titled “Food Definition  
27 Issues” on the Streamline web site at [www.streamlinedsalestax.org](http://www.streamlinedsalestax.org). Streamline interpreted  
28 “provided by the seller” with respect to utensils as:  
29

- 30 B. Utensils need only be made available to purchasers if a seller’s sales of prepared food in  
31 A and B of the definition (except items 1 through 3 that a state chooses to exclude), soft  
32 drinks, and alcohol beverages at an establishment are more than 75% of the seller’s total  
33 sales at the establishment.  
34  
35 C. For sellers other than in 1, the seller’s customary practice is to give the utensil to the  
36 purchaser, except that plates, glasses, or cups necessary for the purchaser to receive the  
37 food or food ingredients need only be made available.  
38

39 Also, Streamline addressed utensils provided by persons other than the seller and resold by a  
40 seller as follows:  
41

42 Although a person other than the seller may have originally placed the utensil in  
43 the package, the seller provides it to the purchaser when it transfers the package to  
44 the purchaser. Therefore, in the examples provided (caterer sells a boxed lunch  
45 with utensils to a concessionaire who sells the boxed lunch; food manufacturer

1 packages ready-to-eat lunch with utensils and sells to a grocer who sells the  
2 lunch), utensils are provided by the seller.  
3

4 The Food Marketing Institute and a number of interested parties submitted a request for  
5 interpretation to the Compliance Review and Interpretations Committee (CRIC) on January 6,  
6 2006. CRIC has requested the State and Local Advisory Council (SLAC) of the Streamlined  
7 Governing Board to further address the prepared food interpretation issue.  
8

9 At the SLAC meeting on January 7-8, 2006, a work group discussed concerns about the SSTP  
10 approved interpretation and identified solutions. Business representatives reviewed those  
11 solutions and recommended minor changes. The proposed interpretation is as follows:  
12

- 13 1. We will maintain the 75% test for sellers but modify how the numerator and  
14 denominator are calculated so that like businesses (single purpose coffee shop v.  
15 coffee shop in a bookstore) are treated the same.  
16
- 17 2. The numerator would include sales of (a) prepared food if under A and B of the  
18 definition of prepared food; and (b) food where plates, bowls, glasses or cups are  
19 necessary to receive the food (e.g., dispensed milk, salad bar). Alcoholic beverages  
20 are not included in the numerator.  
21
- 22 3. The denominator would include sales of all food and food ingredients, including  
23 prepared food, candy, dietary supplements, and soft drinks. Alcoholic beverages are  
24 not included in the denominator.  
25
- 26 4. For sellers with a sales percentage of 75% or less, utensils are provided by the seller  
27 if the seller's practice for the item (as represented by the seller) is to physically give  
28 or hand the utensil to the purchaser, except that plates, bowls, glasses, or cups  
29 necessary for the purchaser to receive the food (e.g., dispensed milk, salad bar) need  
30 only be made available.  
31
- 32 5. For sellers with a sales percentage greater than 75%, utensils are provided by the  
33 seller if they are made available to purchasers.  
34
- 35 6. For sellers with a sales percentage greater than 75% and who sell items that contain  
36 four (4) or more servings packaged as one item sold for a single price, an item does  
37 not become prepared food due to the seller having utensils available. However, if the  
38 seller provides utensils for the item as in 4 above, then the item is considered  
39 prepared food. Whenever available, serving sizes will be determined based on a label  
40 on an item sold. If no label is available, a seller will reasonably determine the  
41 number of servings in an item.  
42
- 43 7. When a seller sells food items that have a utensil placed in a package by a person  
44 other than the seller, and that person's NAICS classification code is that of  
45 manufacturers (sector 311), the seller shall not be considered to have provided the

1 utensil except as provided in 4-6 above . For any other packager with any other  
2 NAICS classification code (e.g., sector 722 for caterers), the seller shall be considered  
3 to have provided the utensil.  
4

- 5 8. The prepared food sales percentage will be calculated by the seller for each tax year  
6 or business fiscal year, based on the seller’s data from the prior tax year or business  
7 fiscal year, as soon as possible after accounting records are available, but not later  
8 than 90 days after the beginning of the tax or business fiscal year.  
9
- 10 9. A single prepared food sales percentage will be determined annually, for all of the  
11 seller’s establishments in a state.  
12
- 13 10. A new business will make a good faith estimate of their prepared food sales  
14 percentage for their first year. A new business should adjust its good faith estimate  
15 prospectively after the first three months of operation if actual prepared food sales  
16 percentages materially affect the 75% threshold test.  
17

18 If states concur that the above interpretation of “food sold with eating utensils provided by the  
19 seller” requires an amendment to the Agreement or time to implement the interpretation, then a  
20 temporary interpretation must be offered now so that sellers of prepared food can determine tax  
21 treatments under laws enacted by states that are in compliance with the Streamlined Sales and  
22 Use Tax Agreement. The Governing Board states will be surveyed to determine if they can or  
23 cannot support the following uniform interpretation. If a Governing Board state cannot support  
24 this interpretation, the Governing Board state will be asked to explain its interpretation. The  
25 results of the survey will be presented to the Governing Board at its meeting in April.  
26

27 “Food sold with eating utensils provided by the seller” means the seller’s practice for  
28 the item is to physically give or hand the utensil to the purchaser.  
29

30 Note: Black’s Law Dictionary defines “*provide*” as to make, procure, or furnish for future use,  
31 prepare. To supply; to afford; to contribute.  
32

33 **Interpretation 2006-05**  
34 **(Adopted August 29, 2006)**  
35

36 This Interpretation Recommendation is made to the Governing Board by the Compliance Review  
37 and Interpretations Committee this 27th day of April, 2006 in accordance with Article IX, Rule  
38 902 of Rules and Procedures adopted by the Streamlined Sales Tax Governing Board, Inc.  
39

40 The party requesting the interpretation is George S. Isaacson of Brann & Isaacson, of Lewiston  
41 Maine. The request was made by letter dated March 31, 2006, and was made pursuant to the  
42 provisions for expedited consideration contained in Rule 902 at subsection (H).  
43

44 Issue:  
45

1 The first issue presented is an interpretation of the definition of “clothing” found in Appendix C,  
2 Part II of the Streamlined Sales and Use Tax Agreement. The specific question is: Do articles of  
3 human wearing apparel suitable for general use that are made from fur or hide on the pelt (i.e.,  
4 animal skins with hair, fleece or fur fibers attached) constitute “clothing” within the meaning of  
5 the Agreement?  
6

7 The second issue presented is an interpretation of Section 327(C) of the Agreement which  
8 requires a member state to impose sales or use tax on all products or services included within  
9 each definition or to exempt from sales or use tax all products or services within each definition.  
10 The specific question is, if human wearing apparel made from fur and suitable for general use  
11 constitutes “clothing” as defined in the SSUTA, must a member state, under Section 327 of the  
12 Agreement, treat fur clothing in the same manner as all other clothing?  
13

14 The third issue presented is whether Minnesota’s general exemption from sales and use tax for  
15 clothing, and the imposition of a separate gross revenues tax on fur clothing results in Minnesota  
16 being in violation of Section 327 (C) of the agreement.  
17

18 Public Comment:

19  
20 No written public comments were received.  
21

22 Recommendation:

23  
24 By unanimous consent the Compliance Review and Interpretations Committee submits to the  
25 Governing Board the following recommendations regarding the above three issues:

- 26 (1) Appendix C, Part II of the Streamlined Sales and Use Tax Agreement defines clothing as  
27 human wearing apparel suitable for general use. An article made from fur or hide on the  
28 pelt that is wearing apparel suitable for general use, is not excluded from the definition of  
29 clothing.  
30
- 31 (2) Clothing made with fur must be treated in the same manner as other clothing. A state can  
32 choose to impose the sales tax on all articles of clothing, or it may choose to exempt all  
33 articles of clothing. A state cannot choose to apply the sales tax to some articles of  
34 clothing and exempt other articles of clothing.  
35
- 36 (3) The third question concerns whether Minnesota is in violation of Section 327 (C) of the  
37 Agreement. The Agreement pertains only to sales and use taxes. Imposition of  
38 Minnesota’s gross revenue tax on articles of fur clothing does not constitute a violation of  
39 Section 327 (C) of the Agreement.  
40

41 Rationale:

- 42  
43 (1) The committee reviewed the definition of clothing and determined that articles of  
44 clothing made from fur or hide on the pelt are not excluded from the definition of  
45 clothing. There is no language in the definition or the Agreement that qualifies or

1 restricts the definition of clothing based on the materials that are used to produce the  
2 clothing.

3  
4 (2) The committee reviewed Section 327 of the Agreement. Section 327 requires that except  
5 as specifically provided in Section 316 and any applicable definition, a member state  
6 must either impose its sales and use taxes on all products or services within a definition,  
7 or exempt all products or services within a definition.

8  
9 (3) Minnesota exempts all clothing from the sales and use tax. Minnesota does not impose a  
10 sales tax on articles of clothing made with fur or hide on the pelt (Minnesota Statutes,  
11 Chapter 297A (General Sales and Use Taxes)). Minnesota imposes a separate gross  
12 revenues tax on fur clothing (Minnesota Statutes, Chapter 295 (Gross Revenues and  
13 Gross Receipts Taxes)). This is not in violation of any provision of the Agreement. It is a  
14 separate tax from the sales tax and is imposed on the gross receipts of the furrier for sales  
15 in Minnesota. Article I, Section 104 of the agreement provides that the definition of a  
16 term is not intended to influence the interpretation or application of that term with respect  
17 to other tax types.

18  
19 Committee Members:

20  
21 Larry Wilkie, Committee Chair, Tony Mastin, Dan Noble, Andy Sabol, Joe VanDevender, Dale  
22 Vettel, and Myles Vosberg.

23  
24 **Interpretation 2006-06**  
25 **(Adopted August 29, 2006)**

26  
27 This Interpretation Recommendation is made to the Governing Board by the Compliance Review  
28 and Interpretations Committee this 22nd day of June, 2006 in accordance with Article IX, Rule  
29 902 of Rules and Procedures adopted by the Streamlined Sales Tax Governing Board, Inc.

30  
31 The party requesting the interpretation is William Riesenberger of the Ohio Department of  
32 Taxation, Sales and Use Tax Division. The request was made by letter dated January 25, 2006.  
33 Expedited consideration available under Rule 902, subsection (H) was not requested.

34  
35 Issue:

36  
37 The issue presented is an interpretation of Agreement section 402 pertaining to amnesty. The  
38 question presented was whether a company that has a physical presence in a state continues to be  
39 eligible for amnesty in that same state if it deregisters in the other member and associate member  
40 states. Amnesty was originally granted under section 402 of the agreement when the company  
41 registered to collect tax through the streamlined sales tax central registration system.

42  
43 Public Comment:

44  
45 No written public comments were received.



1  
2 Recommendation:  
3

4 By unanimous consent the Compliance Review and Interpretations Committee submits to the  
5 Governing Board a recommendation that a seller who has deregistered to collect tax in any  
6 member state within thirty-six months of its registration is no longer eligible for amnesty in any  
7 member state or associate member state under section 402 of the Agreement including states  
8 where the seller has a physical presence.  
9

10 Rationale:  
11

12 Section 402A(1) of the agreement provides amnesty for uncollected or unpaid sales or use tax to  
13 a seller that registers to pay or to collect and remit applicable sales or use tax in accordance with  
14 the terms of the agreement. In addition, section 402D states the amnesty is fully effective as  
15 long as the seller continues registration and continues payment or collection and remittance of  
16 applicable sales or use taxes for a period of at least thirty-six months. A seller that deregisters  
17 within thirty-six months of its registration does not meet the requirements of Section 402D and,  
18 therefore, forfeits the amnesty provided under the agreement in all member and associate  
19 member states including any state where registration is continued. Notice of deregistration is  
20 made through the central registration system to all member and associate member states.  
21

22 Committee Members:  
23

24 Larry Wilkie, Committee Chair; Myles Vosberg, Andy Sabol, Tony Mastin, Dan Noble, Tom  
25 Conley representing Joseph VanDevender, and Dale Vettel.  
26

27 **Interpretation 2006-07**  
28 **(Adopted August 29, 2006)**  
29

30 This Interpretation Recommendation is made to the Governing Board by the Compliance Review  
31 and Interpretations Committee this 24<sup>th</sup> day of August, 2006 in accordance with Article IX, Rule  
32 902 of the Rules and Procedures adopted by the Streamlined Sales Tax Governing Board, Inc.  
33

34 The party requesting the interpretation is the Software Finance & Tax Executives Council  
35 (SoFTEC) represented by Mark Nebergall of 1150 17<sup>th</sup> Street NW # 601, Washington DC 20036.  
36 The request was made on the prescribed form on April 11, 2006 and was made pursuant to the  
37 provisions for consideration contained in Rule 902 at subsection (D). SoFTEC provided  
38 supplemental information in support of the interpretation and to provide clarification of the scope  
39 of the interpretation request.  
40

41 Issue:  
42

43 SoFTEC raises three issues associated with Section 312A, Multiple Points of Use, effective on  
44 and after January 1, 2008, of the Streamlined Sales and Use Tax Agreement (SSUTA). Each of  
45 the issues involves the interpretation of the phrase “concurrently available for use in more than



1 one jurisdiction” and its application to three specific fact patterns involving the sale of software  
2 and service. We list the fact patterns first and then the issues associated with each fact pattern  
3 exactly as presented in the interpretation request.  
4

5 Fact Pattern (1): Software Company sells software that can be loaded onto Customer’s  
6 server and can be accessed and used concurrently by Customer’s employees located in  
7 several states. The only copy of the software received by the Customer is the one loaded  
8 onto the Customer’s server. No subsequent copies of the software are made and sent to  
9 employees in other states.  
10

11 Fact Pattern (2): Software is loaded onto Software Company’s server and Software  
12 Company sells access to the software to Customer. Customer’s employees gain concurrent  
13 access to the software from multiple locations. No copy of the software is ever delivered to  
14 the Customer.  
15

16 Fact Pattern (3): A copy of a computer program is licensed by Software Company to  
17 Customer along with the right to make multiple copies of the software which will be  
18 delivered to Customer’s users/employees in multiple jurisdictions.  
19

20 Issue (1): “Is software loaded onto a server located in a single state that can be accessed by  
21 users in several states “concurrently available for use in more than one jurisdiction” within  
22 the meaning of Section 312A of the Agreement?”

23 Issue (2): “Is delivery of a copy of the computer program to the customer necessary to  
24 invoke the “concurrently available for use in more than one jurisdiction” language of Section  
25 312A?”

26 Issue (3): “Is a license of a copy of a computer program that allows the licensee/customer to  
27 make copies of the software that will be used in more than one jurisdiction by the customer  
28 “concurrently available for use in more than one jurisdiction” within the meaning of Section  
29 312A?”

30 Public Comment:

31 Public comment was received from both industry and state agencies.

32 Recommendation:

33 By unanimous vote the Compliance Review and Interpretations Committee submits to the  
34 Governing Board the following interpretation recommendation regarding the above three issues.  
35 It is important to note that the committee’s recommendation departs from SoFTEC’s proposed  
36 interpretation as it relates to issues one and three by incorporating clarifications provided by  
37 SoFTEC in supplemental memorandums. This interpretation recommendation does not take a  
38 position on whether the transactions described in the fact patterns are sales of computer software  
39 or whether they are sales of services since this distinction is not important to the question of

1 whether the purchases are considered to be concurrently available for use in multiple  
2 jurisdictions.

3 It is also important to note that regardless of the fact situation, a seller is not relieved of its  
4 obligation to collect and remit sales or use tax on otherwise taxable transactions, unless the  
5 purchaser delivers to the seller an exemption form claiming direct pay or multiple points of use.

6 1. The purchase of software loaded onto a server located in a single state that will be  
7 available for access by employees in multiple jurisdictions is concurrently available  
8 for use in more than one jurisdiction within the meaning of Section 312A of the  
9 Agreement if the purchaser knows at the time of its purchase that the software will be  
10 concurrently available for use in multiple jurisdictions.

11 2. Delivery of a copy of a computer program is not necessary to invoke the  
12 “concurrently available for use in more than one jurisdiction” language of Section  
13 312A.

14 3. The purchase of a license of a copy of a computer program that allows the  
15 licensee/customer to make copies of the software that will be used in more than one  
16 jurisdiction by the customer is concurrently available for use in more than one  
17 jurisdiction within the meaning of Section 312A of the Agreement if the purchaser  
18 knows at the time of its purchase that the software will be concurrently available for  
19 use in multiple jurisdictions.

20 Rationale:

21 1. The critical component of Section 312A is the direction provided to both the  
22 seller and purchaser. The term “concurrently available for use” has clear  
23 meaning: “concurrently” (occurring at the same time); “available for use”  
24 (that **can** be used). Applying the clear meaning of the term “concurrently  
25 available for use” to the specific fact pattern described, the purchased item is  
26 considered to be concurrently available for use in multiple jurisdictions  
27 within the meaning of Section 312A.

28 2. The delivery of a copy of a computer program is not specifically enumerated  
29 in Section 312A as a trigger for invoking the “concurrently available for  
30 use” language.

31 3. See item 1. The same rationale applies here.

32 Committee members:

33 Larry Wilkie, Committee Chair, Dale Vettel, Vice Chair, Tony Mastin, Dan Noble, Andy Sabol,  
34 Joe VanDevender, and Myles Vosberg.

35 *Compiler’s note: On December 14, 2006 Section 312 was repealed.*

1  
2  
3 **Interpretation 2006-08**  
4 **(Adopted December 14, 2006)**  
5

6 This Interpretation Recommendation is made to the Governing Board by the Compliance Review  
7 and Interpretations Committee this 17<sup>th</sup> day of August, 2006 in accordance with Article IX, Rule  
8 902 of the Rules and Procedures adopted by the Streamlined Sales Tax Governing Board, Inc.  
9

10 The party requesting the interpretation is Jane Page of the South Dakota Department of Revenue.  
11 The request was made on the prescribed form on June 7, 2006 and was made pursuant to the  
12 provisions for consideration contained in Rule 902 at subsection (D).  
13

14 Issue:  
15

16 The issue presented is an interpretation of Agreement section 402 pertaining to amnesty. The  
17 question presented was whether a registrant must remain registered with each state for a period  
18 of thirty-six months from the date that the state becomes a member.  
19

20 The situation described involved a seller that registers through the streamlined sales tax central  
21 registration system with all member states on October 1, 2005. A new state becomes a member  
22 October 1, 2008. The seller cancels registration with all states effective December 1, 2008.  
23

24 The seller in the situation described above was registered for a total of thirty-eight months, but  
25 only two months in the new state. Does the seller retain amnesty with the new member state?  
26

27 Public Comment:

28 No written public comments were received.

29 Recommendation:

30 The Compliance Review and Interpretations Committee submits to the Governing Board a  
31 recommendation that a seller who deregisters to collect tax in a member state within thirty-six  
32 months of that state becoming a member is no longer eligible for amnesty in that new member  
33 state under Section 402 of the agreement. However, the seller retains amnesty with all member  
34 states in which they were registered for at least thirty-six months, provided they meet all of the  
35 other requirements of Section 402 of the agreement.

36 Rationale:

37 Section 402A(1) of the agreement provides amnesty for uncollected or unpaid sales or use tax to  
38 a seller that registered to pay or to collect and remit applicable sales or use tax in accordance  
39 with the terms of the agreement. In addition, Section 402D states that the amnesty is fully

1 effective as long as the seller continues registration and continues payment or collection and  
2 remittance of applicable sales or use taxes for a period of at least thirty-six months. Each  
3 member state shall toll its statute of limitations applicable to asserting a tax liability during this  
4 thirty-six month period.

5 A seller that deregisters within thirty-six months of the date that a state becomes a member does  
6 not meet the requirements of section 402D and, therefore, forfeits the amnesty provided under  
7 the agreement for that member state. Assuming that all other requirements of Section 402 are  
8 met, the seller retains amnesty in the initial member states since they met the thirty-six month  
9 registration requirement in those states.

10 Committee members:

11 Larry Wilkie, Committee Chair, Dale Vettel, Vice Chair, Tony Mastin, Dan Noble, Andy Sabol,  
12 Joe VanDevender, and Myles Vosberg.

13 **Interpretation 2006-09**  
14 **(Adopted December 14, 2006)**

15  
16 This Interpretation Recommendation is made to the Governing Board by the Compliance Review  
17 and Interpretations Committee this 14<sup>th</sup> day of September, 2006 in accordance with Article IX,  
18 Rule 902 of Rules and Procedures adopted by the Streamlined Sales Tax Governing Board, Inc.

19  
20 The party requesting the interpretation is Suzanne Beaudelaire of Ernst & Young, LLP. The  
21 request was made on the prescribed form dated August 16, 2006, and was made pursuant to the  
22 provisions for expedited consideration contained in Rule 902 at subsection (H).

23  
24 Issue:

25  
26 The issue presented is an interpretation of Agreement section 402 pertaining to amnesty. The  
27 question presented was whether companies (predecessor companies) would be eligible for  
28 amnesty under Agreement section 402 if another company (successor company) acquired the  
29 assets and liabilities of the predecessor companies and then registered to collect sales/use tax  
30 through the SST central registration system. According to facts presented in the request, the  
31 predecessor companies no longer exist, but would qualify for amnesty under Agreement section  
32 402 if they still existed and they registered through the central registration system.

33  
34 Public Comment:

35  
36 No written public comments were received. Ms. Beaudelaire's discussion and response to the  
37 committee's questions during the September 14, 2006 meeting were the only oral comments  
38 presented to the committee. Other issues regarding liability for sales/use tax related to  
39 predecessor companies were raised during the discussion, but the following recommendation is  
40 limited to the specific question addressed in Ms. Beaudelaire's request.

1 Recommendation:

2  
3 By unanimous consent the Compliance Review and Interpretations Committee submits to the  
4 Governing Board a recommendation that predecessor companies that do not register through the  
5 central registration system are not eligible for amnesty under Agreement section 402.

6  
7 Rationale:

8  
9 Section 402A(1) of the agreement provides amnesty for uncollected or unpaid sales or use tax to  
10 a seller that registers to pay or to collect and remit applicable sales or use tax in accordance with  
11 the terms of the agreement. The agreement language is clear that amnesty is not available to  
12 companies that do not register under the agreement.

13  
14 Committee Members:

15  
16 Larry Wilkie, Committee Chair; Myles Vosberg, Andy Sabol, Tony Mastin, Dan Noble, Tom  
17 Conley representing Joseph VanDevender, and Dale Vettel.

18  
19 **Interpretation 2006-10**  
20 **(Withdrawn December 14, 2006)**

21  
22 **Interpretation 2006-11**  
23 **(Adopted December 14, 2006)**

24  
25 This Interpretation Recommendation is made to the Governing Board by the Compliance Review  
26 and Interpretations Committee this 26th day of October 2006 in accordance with Article IX, Rule  
27 902 of the Rules and Procedures adopted by the Streamlined Sales Tax Governing Board, Inc.

28  
29 The party requesting the interpretation is Mr. John Nugent of the Rhode Island Division of  
30 Taxation. The request was made on the prescribed form dated October 6, 2006, and was made  
31 pursuant to the provisions for expedited consideration contained in Rule 902 H.

32  
33 Issue:

34  
35 The issue presented is an interpretation of Interpretation 2006-04 adopted on April 18, 2006 by  
36 the Governing Board defining the term “food sold with eating utensils provided by the seller” for  
37 purposes of the prepared food definition in the Agreement. The specific issue involves the  
38 following language which is referred to as a “bulk serving” in the remainder of this document:

39  
40 “For sellers with a sales percentage greater than 75% and who sell items that contain four  
41 (4) or more servings packaged as one item sold for a single price, an item does not  
42 become prepared food due to the seller having utensils available.”

1 The questions presented was whether the packaging by a seller of four or more bakery products  
2 individually selected by a purchaser and sold for a single price meets the definition of “bulk  
3 serving” as defined above.

4  
5 Public Comment:

6  
7 Written public comments were received and are incorporated herein.  
8

9 Recommendation:

10  
11 By unanimous consent the Compliance Review and Interpretations Committee submits to the  
12 Governing Board the recommendation that packaging by a seller of four or more bakery products  
13 individually selected by the purchaser and sold for a single price constitutes a bulk serving.  
14

15 Rationale:

16  
17 Section VI of Interpretation 2006-04 provides, in part, the following:

18 “For sellers with a sales percentage greater than 75% and who sell items that contain four (4) or  
19 more servings packaged as one item sold for a single price, an item does not become prepared  
20 food due to the seller having utensils available...”  
21

22 The “bulk servings” of Interpretation 2006-04 does not provide by whom the item must be  
23 packaged, or that the item must be pre-packaged. Thus, for bakery products, all that is required is  
24 that the item ultimately sold to the purchaser be a package of bakery products consisting of four  
25 or more servings sold for a single price. The fact that the servings are individually selected by the  
26 purchaser and packaged by the seller or the purchaser does not affect the transaction. The item  
27 does not constitute prepared food even when sold by a seller whose sales percentage is greater  
28 than 75% and who makes eating utensils available.  
29

30 The Committee wishes to note that if the seller charges for each individual serving in the  
31 package, the sale would not be of “one item sold for a single price.” It should be noted that the  
32 same provision in Section VI of Interpretation 2006-04, which we are referring to as “bulk  
33 serving,” does treat “bulk servings” as prepared food when the seller’s practice for the item (as  
34 represented by the seller) is to physically hand the utensil to the purchaser, except that plates,  
35 bowls, glasses, or cups necessary for the purchaser to receive food need only be made available.  
36

37 Committee Members:

38  
39 Larry Wilkie, Committee Chair, Tom Conley, representing Joe VanDevender, Tony Mastin, Dan  
40 Noble, Andy Sabol, Dale Vettel, and Myles Vosberg.  
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**Interpretation 2006-12**  
**(Adopted December 14, 2006)**

This Interpretation Recommendation is made to the Governing Board by the Compliance Review and Interpretations Committee this 26<sup>th</sup> day of October, 2006 in accordance with Article IX, Rule 902 of the Rules and Procedures adopted by the Streamlined Sales Tax Governing Board, Inc.

The party requesting the interpretation is McCarter & English, LLP. The request was made on the prescribed form on October 6, 2006 and was made pursuant to the provisions for consideration contained in Rule 902, subsection (H).

Issue:

The issue presented is an interpretation of the definition of “direct mail” found in Appendix C, Part I of the Agreement. The specific question is whether billing invoices, return envelopes and any additional marketing materials are included in the definition of “direct mail.” The definition in question reads as follows:

“Direct mail” means printed material delivered or distributed by United States mail or other delivery service to a mass audience or to addresses on a mailing list provided by the purchaser or at the direction of the purchaser when the cost of the items are not billed directly to the recipients. “Direct Mail” includes tangible personal property supplied directly or indirectly by the purchaser to the direct mail seller for inclusion in the package containing the printed material. “Direct mail” does not include multiple items of printed material delivered to a single address.

The Interpretation Request provided the following background facts. A company in the business of printing and mailing billing statements for clients in a wide variety of industries receives customer data electronically and prints statements, letters, invoices and additional pages on preprinted paper or forms to meet the client’s specifications. The printed material is sorted, folded and inserted into envelopes, bundled based on zip codes and given to the United States Postal Service for delivery. The mailed packet typically also will include a return envelope, coupons and other marketing materials.

Public Comment:

Written public comments were received from a state agency.

Recommendation:

By majority vote, the Compliance Review and Interpretations Committee submits to the Governing Board a recommendation that billing invoices, return envelopes and any additional marketing materials included with the mailing are included in the definition of direct mail provided the sale meets the criteria set out in the definition of direct mail. Joseph VanDevender,



1 Indiana Department of Revenue, abstained from the vote on this recommendation due to a  
2 potential conflict of interest.

3 The criteria requires that the sale is of printed material delivered or distributed to a mass  
4 audience or to addresses on a mailing list provided by the purchaser or at the direction of the  
5 purchaser when the cost of the items are not billed directly to the recipients.

6 It is important to note that this definition applies only for the purposes of determining proper  
7 sourcing, and for determining whether delivery charges are included in the taxable sales price of  
8 the direct mail.

9 Rationale:

10 A plain reading of the definition of direct mail supports the recommendation that billing  
11 invoices, return envelopes and additional marketing materials included with the printed material  
12 meets the definition of direct mail. However, the discussion surrounding this interpretation  
13 request indicates that there is a misunderstanding about the intended use of the definition of  
14 “direct mail.”

15 The definition is placed in the Administrative Definitions section of the Agreement purposely,  
16 because it is not intended to be a product definition. The definition was created only to define the  
17 term as used in the Direct Mail Sourcing provisions found in Section 313, and for the exclusion  
18 from “delivery charges” allowed for charges for delivery of “direct mail.”

19 States may tax or exempt any service or sale of printed material included in the definition of  
20 “direct mail” in any way they choose. For example, a state may impose sales and use tax on  
21 charges to print billing invoices, and exempt charges to print advertising material, both of which  
22 are included in the definition of direct mail. However, if the sale is taxable and includes mailing  
23 or delivering the printed material to a mass audience or to addresses on a mailing list as stated in  
24 the definition, it must be sourced under the provisions of Section 313, and the exclusion for  
25 delivery charges allowed applies if a member state has adopted that exclusion.

26 Committee members:

27 Larry Wilkie, Committee Chair, Dale Vettel, Vice Chair, Tony Mastin, Dan Noble, Andy Sabol,  
28 Joe VanDevender, and Myles Vosberg.

29

30

31

32

**Interpretation 2007-01  
(Adopted June 23, 2007)**

33 This Interpretative Opinion Recommendation is made to the Governing Board by the  
34 Compliance Review and Interpretations Committee on March 29, 2007, in accordance with  
35 Article IX, Rule 902 of the Rules and Procedures adopted by the Streamlined Sales Tax  
36 Governing Board, Inc.



1  
2 The party requesting the interpretation is Mr. Phil Schlesinger of Avalara. The request was made  
3 on the prescribed form on February 12, 2007, and was made pursuant to the provisions for  
4 consideration contained in Rule 902, subsection (H).

5  
6 Issue:

7  
8 The issue presented is an interpretation of the definition of “drug” in Appendix C, Part II of the  
9 Agreement. The specific question is whether the word “drug” is limited to an item or liquid that  
10 is consumed internally by the person or used externally on a person, or does it possibly extend  
11 beyond this in the context of item B of the definition to include medical supplies such as  
12 “Infectious Disease Testing Kits” that are intended to be used in the diagnosis of a disease.

13  
14 Public Comment:

15 No written public comments were received.

16 Recommendation:

17 The Compliance Review and Interpretations Committee submits to the Governing Board a  
18 recommendation that infectious disease testing kits do not meet the definition of “drug.”  
19 However, reagents, which are a component of the infectious disease test kits, do meet the  
20 definition of “drug.” The infectious disease test kits are made up of two or more distinct and  
21 identifiable products and are sold for one non-itemized price, which may or may not be a  
22 bundled transaction, depending on the tax laws in the state to which the sale is sourced. Since  
23 this will vary from state to state, the Committee recommends that each state make a  
24 determination of whether the sale of infectious disease test kits are taxable transactions according  
25 to the laws of their state.

26 Rationale:

27 The definition of “drug” found in Appendix C, Part II, of the Agreement does not require the  
28 item to be internally consumed or externally applied to the patient in order for the definition to  
29 apply. However, in order to qualify as a drug it must meet at least one of the provisions provided  
30 in A, B, or C of the definition, and it must also meet the basic definition in the first paragraph:  
31 “Drug” means a compound, substance or preparation, and any component of a compound,  
32 substance or preparation, other than “food and food ingredients,” “dietary supplements” or  
33 “alcoholic beverages.”

34 To take the position that an item qualifies as a drug merely because the item is intended to be  
35 used in the diagnosis, cure, mitigation, treatment, or prevention of disease, as described in B of  
36 the definition, would expand the definition of drug to include much of what is defined as durable  
37 medical equipment. For example, dialysis equipment is used in the treatment of disease, but is  
38 not a drug, because it is not a “compound, substance or preparation.”

1 The infectious disease test kits in question contain a chemical (reagents) and other items such as  
2 slides, plastic trays and droppers. The chemicals are also sold separately from the kits.  
3 Committee members agree that the chemicals meet the definition of “drug,” but the other items  
4 in the kit do not. Since the infectious disease test kits contain two or more distinct and  
5 identifiable products and are sold for one non-itemized price, the sale of the test kits may be a  
6 bundled transaction. Business representatives pointed out that the test kits in question are just  
7 one of many different test kits sold by various manufacturers for use by medical professionals.  
8 Each type of kit sold will contain different items with different costs for the components, so the  
9 results may differ for each type of kit. To make a determination about a specific test kit, one  
10 must know the contents of the kit and the seller’s purchase price or sales price of each item  
11 included in the kit. Whether sales and use tax applies to the sale of a bundled transaction, or to  
12 the sale of a transaction that meets the de minimis test, is based on the laws in the state to which  
13 the sale is sourced.

14 Committee members:

15 Larry Wilkie, Committee Chair, Dale Vettel, Vice Chair, Tony Mastin, Andy Sabol, Joe  
16 VanDevender, Myles Vosberg and Delegate John Doyle

17 **Interpretation 2007-02**  
18 **(Adopted September 20, 2007)**  
19

20 This Interpretation Recommendation is made to the Governing Board by the Compliance Review  
21 and Interpretations Committee this 7th day of June, 2007 in accordance with Article IX, Rule  
22 902 of Rules and Procedures adopted by the Streamlined Sales Tax Governing Board, Inc.  
23

24 The party requesting the interpretation is Lafarge North America. The request was made by  
25 letter dated May 14, 2007, and was made pursuant to the provisions for expedited consideration  
26 contained in Rule 902 at subsection (H).  
27

28 Issue:  
29

30 The issue presented is an interpretation of Agreement section 310 (General Sourcing Rules).  
31 The specific question presented was whether the seller’s location is considered the destination  
32 when the terms of the sale are FOB (Free on Board) Plant (origin) regardless of whether the  
33 customer picks up the product in their own or vehicle or sends a third party to pick up the  
34 product.  
35

36 Recommendation:  
37

38 By unanimous consent the Compliance Review and Interpretations Committee submits to the  
39 Governing Board a recommendation that a sale is not considered “received” by the purchaser and  
40 therefore not sourced to the seller’s location when a third party shipping company picks up the  
41 product on behalf of the purchaser.  
42

1 Rationale:

2  
3 A plain reading of Agreement section 310(A) states that the retail sale of a product shall be  
4 sourced to the business location when the product is received by the purchaser at the business  
5 location. Section 311 of the Agreement states that the term “receive” as used in Section 310(A)  
6 does not “include possession by a shipping company on behalf of the purchaser.” The terms of  
7 the sale as FOB (origin) are irrelevant in determining sourcing under the Agreement. Since the  
8 source of the sale in the proposed fact scenario is not determined under subsection (A)(1) of  
9 Section 310, the seller must follow the subsequent paragraphs of subsection (A) to determine the  
10 source of the sale.

11  
12 Committee Members:

13  
14 Myles Vosberg, Andy Sabol, Tony Mastin, Joseph VanDevender, and Dale Vettel.

15  
16 **Interpretation 2007-03**  
17 **(Adopted September 20, 2007)**

18  
19 This Interpretation Recommendation is made to the Governing Board by the Compliance Review  
20 and Interpretations Committee this 21st day of June, 2007 in accordance with Article IX, Rule  
21 902 of Rules and Procedures adopted by the Streamlined Sales Tax Governing Board, Inc.

22  
23 The party requesting the interpretation is Patrick Williams of General Nutrition Centers, Inc.  
24 The request was submitted to the Executive Director on March 20, 2007. Expedited  
25 consideration available under Rule 902, subsection (H) was not requested

26  
27 Issue:

28  
29 The issue presented is an interpretation of the definition of candy. The question presented was  
30 whether flour includes flour substitutes and if the presence of a flour substitute within a food  
31 product would prevent that food product from meeting the definition of candy.

32  
33 Public Comment:

34  
35 No written public comments were received.

36  
37 Recommendation:

38  
39 By unanimous consent the Compliance Review and Interpretations Committee submits to the  
40 Governing Board a recommendation that the same labeling standards used by the food industry  
41 be used to determine what constitutes flour for the purpose of defining candy. A product does  
42 not contain flour unless the product label specifically lists “flour” as an ingredient.

43  
44 Rationale:

1 The definition of candy found in Appendix C, Part II of the Streamlined Sales and Use Tax  
2 Agreement states candy shall not include any preparation containing flour, but does not define  
3 what constitutes flour. It is reasonable to accept the food industry’s labeling standards and not  
4 consider any ingredient to be flour unless it is listed as such on the product label.

5  
6 Committee Members:

7  
8 Larry Wilkie, Committee Chair; John Doyle, Tony Mastin, Andy Sabol, Joseph VanDevender,  
9 Dale Vettel, and Myles Vosberg.

10  
11 **Interpretive Opinion 2008-01**  
12 **(Adopted April 2, 2008)**  
13

14 This Interpretive Opinion recommendation is made to the Governing Board by the Compliance  
15 Review and Interpretations Committee this 13<sup>th</sup> day of March, 2008 in accordance with Article  
16 IX, Rule 902 of the Rules and Procedures adopted by the Streamlined Sales Tax Governing  
17 Board, Inc.

18  
19 The party requesting the interpretation is Mr. Drew Gruenburg, Senior Vice President of the  
20 Society of American Florists of Alexandria, Virginia. The request was made on January 30,  
21 2008.

22  
23 Issue:

24  
25 Significant numbers of floral orders are placed through arrangements whereby a florist in one  
26 location (“Accepting Florist”) takes an order from a customer to deliver floral orders (flowers,  
27 floral arrangements, potted plants, floral containers or any other article common to the floral  
28 business) to a third party recipient in another location. The Accepting Florist transmits a floral  
29 order to another florist (“Delivering Florist”) for delivery to the third party recipient. The  
30 question presented asks who is the seller for sales and use tax purposes, the Accepting Florist or  
31 the Delivering Florist.

32  
33 Public Comment:

34  
35 Additional written comments were received from Mr. Paul Goodman representing the Society of  
36 American Florists.

37  
38 Recommendation:

39  
40 By unanimous consent of the participating members, the Compliance Review and Interpretations  
41 Committee submits to the Governing Board a recommendation that the seller in the scenario  
42 described is the Accepting Florist.

43  
44 Rationale:  
45

1 The Governing Board took action at its inaugural meeting on October 1, 2005 related to a similar  
2 request for interpretation from the floral industry. That action was recorded in the minutes of the  
3 meeting as: “A motion for an interpretation of who is the seller for floral orders through floral  
4 delivery networks was moved by South Dakota, seconded by Oklahoma and passed.” No other  
5 formal record of this action has been located. Action on this interpretation recommendation will  
6 create a record through the same process by which subsequent interpretations have been handled.  
7

8 Agreement Section 212 defines the term “seller” as “a person making sales, leases, or rentals of  
9 personal property or services.” This definition was established for application within the  
10 Agreement, therefore the provisions of the Agreement applicable to the Library of Definitions,  
11 including Section 327, do not apply.  
12

13 Agreement Section 309.B.4 provides that the general sourcing provisions of Section 310 do not  
14 apply to sales or use taxes levied on florist sales until December 31, 2009. Issues of sourcing are  
15 separate and distinct, and are not addressed in this interpretation recommendation in any way.  
16

17 Participating Committee Members:

18  
19 John Doyle, Committee Chair, Larry Wilkie, Myles Vosberg, Tony Mastin, Joseph  
20 VanDevender, and Dale Vettel  
21

22 **Interpretive Opinion 2008-2**  
23 **(Adopted September 5, 2008)**  
24

25 This Interpretive Opinion recommendation is made to the Governing Board by the Compliance  
26 Review and Interpretations Committee this day of June 5, 2008 in accordance with Article IX,  
27 Rule 902 of the Rules and Procedures adopted by the Streamlined Sales Tax Governing Board,  
28 Inc.  
29

30 The party requesting the interpretation is Software Finance & Tax Executives Council (SoFTEC)  
31 represented by Mark Nebergall. The request was made on April 7, 2008.  
32

33 Issue:  
34

35 SoFTEC raises an issue associated with the direct mail definition in Appendix C of the  
36 Agreement. The fact pattern presented involves a company in the data processing business. The  
37 company electronically receives accounts receivable information from its customers, processes  
38 the information on its computers to develop billing information, and creates billing statements.  
39 The company prints and mails the billing statements along with return envelopes to the  
40 individual account holders. The issue presented is whether this activity constitutes “direct mail”  
41 as the term is defined by the Agreement in those states that treat this activity as a data processing  
42 or billing service.  
43

44 Public Comment:  
45

1 No state or public written comments were received.

2  
3 Recommendation:

4  
5 By a vote of five to two, the Compliance Review and Interpretations Committee submits to the  
6 Governing Board a recommendation that the transactions outlined in the issue section above are  
7 not direct mail.

8  
9 Rationale:

10  
11 The Agreement defines “direct mail” as “printed material delivered or distributed by United  
12 States mail or other delivery service to a mass audience or to addresses on a mailing list provided  
13 by the purchaser or at the direction of the purchaser when the cost of the items are not billed  
14 directly to the recipients.” Although printed material is distributed in the fact pattern, the  
15 development of the billing information is the majority of the work performed. Many states take  
16 the position that this transaction is a sale of a service and not of tangible personal property. It is  
17 necessary to look at the transaction and how it is characterized. In those states that treat the  
18 transaction as a sale of a service, it would not be a sale of direct mail as printed material is not  
19 what is being sold.

20  
21 Participating Committee Members:

22  
23 This interpretation was supported by Larry Wilkie, Andy Sabol, Tony Mastin, Joe Vandevender  
24 and John Doyle. This interpretation was not supported by Myles Vosberg and Dale Vettel.

25  
26 **Interpretive Opinion 2009-1**  
27 **(Adopted May 12, 2009)**

28  
29 This Interpretive Opinion recommendation is made to the Governing Board by the Compliance  
30 Review and Interpretations Committee this day of January 15, 2009 in accordance with Article  
31 IX, Rule 902 of the Rules and Procedures adopted by the Streamlined Sales Tax Governing  
32 Board, Inc.

33 The party requesting the interpretation is Software Finance & Tax Executives Council (SoFTEC)  
34 represented by Mark Nebergall. The request was made on January 11, 2008.

35 Issue:

36 SoFTEC raises an issue associated with the purchase of additional software licenses. The fact  
37 pattern presented involves a purchaser acquiring prewritten computer software under a license  
38 that limits its ability to use the software in one of three ways: (1) the license only permits the  
39 purchaser to make a set number of copies, (2) the license only permits a set number of users to  
40 use the software concurrently, or (3) the license only permits the purchaser to load the software  
41 onto a computer with a specified computing power. If the purchaser wants to make additional  
42 copies of the software, allow additional users to use the software concurrently, or to migrate the  
43 software to more powerful computer, it must upgrade the license and pay an additional license

1 fee. Once the fee is paid, the seller provides the purchaser by telephone with an alphanumeric  
2 code which, when entered into the computer, permits the making of additional copies of the  
3 software, permits additional concurrent users, or causes the software to function on the more  
4 powerful machine. The seller delivers no additional software to the purchaser. The issue  
5 presented is whether a software license upgrade (as opposed to an upgrade of the software itself)  
6 constitute “tangible personal property” or “computer software” where the only thing delivered to  
7 the purchaser is an alphanumeric code.

8  
9 Public Comment:

10  
11 No state or public written comments were received.

12  
13 Recommendation:

14  
15 By a unanimous vote, the Compliance Review and Interpretations Committee submits to the  
16 Governing Board a recommendation that the interpretation proposed by the requester not be  
17 accepted.

18  
19 Rationale:

20  
21 The Agreement defines “tangible personal property” as” personal property that can be seen,  
22 weighed, measured, felt, or touched, or that is in any other manner perceptible to the senses” and  
23 “includes electricity, water, gas, steam, and prewritten computer software.” Although no  
24 physical software or other tangible personal property is distributed in the fact pattern, the  
25 additional license to use the software is the essence of the transaction, not the alphanumeric  
26 code. The alphanumeric code merely facilitates the additional use of the software. The  
27 additional license to use the software should be treated the same as the original purchase of the  
28 software license.

29  
30 Participating Committee Members:

31  
32 Larry Wilkie, Myles Vosberg, Andy Sabol, Tony Mastin, Joe VanDevender.

33  
34 **Interpretive Opinion 2009-2**  
35 **(Adopted September 30, 2009)**

36  
37 This Interpretive Opinion recommendation is made to the Governing Board by the Compliance  
38 Review and Interpretations Committee this day of July 2, 2009 in accordance with Article IX,  
39 Rule 902 of the Rules and Procedures adopted by the Streamlined Sales Tax Governing Board,  
40 Inc.

41  
42 The party requesting the interpretation is Woodman’s Food Markets, Inc. represented by Steve  
43 Kaukl. The request was made on April 10, 2009.

44  
45 Issue:



1  
2 Woodman’s Food Markets, Inc. raises a question associated with the definition of soft drinks.  
3 The State of Illinois currently considers fruit flavored cocktail mixes to be soft drinks because  
4 they can be directly consumed as a non-alcoholic fruit flavored ready to drink beverage. Fruit  
5 flavored cocktail mixes contain no alcohol. The example given was Jose Cuervo Margarita Mix,  
6 which contains no fruit juice and no alcohol. The intended use for the product is to combine it  
7 with liquor to produce an alcoholic cocktail. The issue presented is whether fruit flavored  
8 cocktail mixes are soft drinks under the Agreement definitions. The requester proposes that an  
9 interpretation be made that fruit flavored cocktail drinks are not soft drinks.

10  
11 Public Comment:

12  
13 No state or public written comments were received.

14  
15 Recommendation:

16  
17 By a unanimous vote, the Compliance Review and Interpretations Committee submits to the  
18 Governing Board a recommendation that the interpretation proposed by the requester not be  
19 accepted.

20  
21 Rationale:

22  
23 The Agreement defines “soft drinks” to mean non-alcoholic beverages that contain natural or  
24 artificial sweeteners. The definition provides that “soft drinks” do not include beverages that  
25 include greater than fifty percent of vegetable or fruit juice by volume. The definitions in the  
26 Agreement are meant to be objective tests to determine the classification of an item and the  
27 intent of the user is not relevant. Fruit flavored cocktail mixes meet the definition of “soft drink”  
28 and should be classified as such.

29  
30 Participating Committee Members:

31  
32 Larry Wilkie, Myles Vosberg, Tony Mastin, Tom Atchley, Rep. Deb Peters.

33  
34 **Interpretive Opinion 2009-3**  
35 **(Adopted September 30, 2009)**

36  
37 This Interpretive Opinion recommendation is made to the Governing Board by the Compliance  
38 Review and Interpretations Committee this day of July 2, 2009 in accordance with Article IX,  
39 Rule 902 of the Rules and Procedures adopted by the Streamlined Sales Tax Governing Board,  
40 Inc.

41  
42 The party requesting the interpretation is Woodman’s Food Markets, Inc. represented by Steve  
43 Kaukl. The request was made on April 10, 2009.

44  
45 Issue:



1  
2 Woodman’s Food Markets, Inc. raises an issue associated with the definition of soft drinks.  
3 Ready to drink ice tea can come in an unsweetened and unflavored state. The example given  
4 was Lipton PureLeaf Iced Tea. The issue presented is whether unsweetened and unflavored  
5 ready to drink iced tea would be considered soft drinks under the Agreement definitions. The  
6 requester proposes that an interpretation be made that unsweetened and unflavored ready to drink  
7 iced tea are not soft drinks.

8  
9 Public Comment:

10  
11 No state or public written comments were received.

12  
13 Recommendation:

14  
15 By a unanimous vote, the Compliance Review and Interpretations Committee submits to the  
16 Governing Board a recommendation that the interpretation proposed by the requester be  
17 accepted.

18  
19 Rationale:

20  
21 The Agreement defines “soft drinks” to mean non-alcoholic beverages that contain natural or  
22 artificial sweeteners. Unsweetened, unflavored ready to drink iced tea does not meet the  
23 definition as it contains no sweeteners and falls under the food definition.

24  
25 Participating Committee Members:

26  
27 Larry Wilkie, Myles Vosberg, Tony Mastin, Tom Atchley, Rep. Deb Peters.

28  
29 **Interpretive Opinion 2009-4**  
30 **(Adopted September 30, 2009)**

31  
32 This Interpretive Opinion recommendation is made to the Governing Board by the Compliance  
33 Review and Interpretations Committee this day of July 2, 2009 in accordance with Article IX,  
34 Rule 902 of the Rules and Procedures adopted by the Streamlined Sales Tax Governing Board,  
35 Inc.

36  
37 The party requesting the interpretation is Woodman’s Food Markets, Inc. represented by Steve  
38 Kaukl. The request was made on April 10, 2009.

39  
40 Issue:

41  
42 Woodman’s Food Markets, Inc. raises an issue with regard to the definition of candy. Certain  
43 baking ingredients have the characteristics of candy but are not intended to be consumed as  
44 candy. The example given was M&M’s Baking Bits which are intended to be used as an  
45 ingredient in the making of cookies and other baked desserts. The issue presented is whether

1 baking ingredients such as M&M’s Baking Bits meet the definition of candy under the  
2 Agreement definitions. The requester proposes that an interpretation be made that such baking  
3 ingredients are not candy.

4  
5 Public Comment:

6  
7 No state or public written comments were received.

8  
9 Recommendation:

10  
11 By a unanimous vote, the Compliance Review and Interpretations Committee submits to the  
12 Governing Board a recommendation that the interpretation proposed by the requester not be  
13 accepted.

14  
15 Rationale:

16  
17 The Agreement defines “candy” to mean a preparation of sugar, honey, or other natural or  
18 artificial sweeteners in combination with chocolate, fruits, nuts or other ingredients or flavorings  
19 in the form of bars, drops, or pieces. The definitions in the Agreement are meant to be objective  
20 tests to determine the classification of an item and the intent of the user is not relevant. Baking  
21 ingredients such as M&M’s Baking Bits meet the definition of candy and should be classified as  
22 such.

23  
24 Participating Committee Members:

25  
26 Larry Wilkie, Myles Vosberg, Tony Mastin, Tom Atchley, Rep. Deb Peters.

27  
28 **Interpretive Opinion 2009-5**  
29 **(Adopted December 17, 2009)**

30  
31 This Interpretive Opinion recommendation is made to the Governing Board by the Compliance  
32 Review and Interpretations Committee this day of November 12, 2009 in accordance with  
33 Article IX, Rule 902 of the Rules and Procedures adopted by the Streamlined Sales Tax  
34 Governing Board, Inc.

35  
36 The party requesting the interpretation is James Tilton. The request was made on August 18,  
37 2009.

38  
39 Issue:

40  
41 Mr. Tilton raises an issue with regard to the definition of candy. Cereal and breakfast bars  
42 contain sugar and some contain flour. The example given was Honey Smacks, Rice Krispie  
43 Treats, Coco Krispies, Golden Crisp, Special K, Fruity Pebbles, Carmel Corn Rice Cakes,  
44 Kelloggs Raisin Bran, Wheaties, and Cheerios which all contain sugar but no flour. The issue

1 presented is whether cereals like these meet the definition of candy under the Agreement  
2 definitions. The requester proposes that an interpretation be made that such cereals are candy.

3  
4 Public Comment:

5  
6 The Compliance Review and Interpretations Committee (CRIC) asked the State and Local  
7 Advisory Council (SLAC) to conduct research and to make a recommendation. There were state  
8 and public comments received by SLAC which resulted in a paper that was submitted to CRIC  
9 on November 12, 2009.

10  
11 Recommendation:

12  
13 By a unanimous vote, the Compliance Review and Interpretations Committee submits to the  
14 Governing Board a recommendation that the interpretation proposed by the requester not be  
15 accepted.

16  
17 Rationale:

18  
19 The Agreement defines “candy” to mean a preparation of sugar, honey, or other natural or  
20 artificial sweeteners in combination with chocolate, fruits, nuts or other ingredients or flavorings  
21 in the form of bars, drops, or pieces. The definitions in the Agreement are meant to be objective  
22 tests to determine the classification of an item and the intent of the user is not relevant.

23  
24 (1) Breakfast cereals are **not** candy because they are not sold in the form of bars, drops or pieces.  
25 (2) Natural or artificially sweetened breakfast bars, Carmel Corn Rice Cakes, and Rice Krispie  
26 Treats that do **not** have ingredient labeling specifying flour and do **not** require refrigeration are  
27 candy. These products are sold in the form of bars and meet the objective test in the definition of  
28 candy.

29 (3) Lightly Salted Rice Cakes that do not contain natural or artificial sweeteners according to the  
30 ingredient labeling are food and food ingredients and are not classified as candy.

31  
32 Participating Committee Members:

33  
34 Cathy Wicks for Larry Wilkie, Myles Vosberg, Tony Mastin, Tom Atchley, Rep. Deb Peters and  
35 Senator Luke Kenley.

36  
37 **Interpretive Opinion 2010-01**  
38 **(Adopted April 30, 2010)**

39  
40 This Interpretive Opinion recommendation is made to the Governing Board by the Compliance  
41 Review and Interpretations Committee this day of March 11, 2010, in accordance with Article  
42 IX, Rule 902 of the Rules and Procedures adopted by the Streamlined Sales Tax Governing  
43 Board, Inc.

1 The party requesting the interpretation is Tim Maloney. The request was made on February 17,  
2 2010.

3  
4 Issue:

5  
6 Canton Chair Rental is an Ohio-based company located in Stark County that rents tangible  
7 personal property such as tables, chairs and other party-related items to individuals, families and  
8 companies in Stark County and other adjacent counties, all in Ohio. The normal arrangement is  
9 that these items are rented to the consumer/customer for a fee on a short-term, non-recurring  
10 basis, and not of duration of more than thirty days. The orders are received by Canton Chair  
11 Rental at its Stark County offices and the items rented are delivered to the customer at the  
12 customer's home or business by Canton Chair Rental. The issue presented is whether a renter of  
13 tangible personal property in Ohio, which has local jurisdictions that levy or receive sales or use  
14 taxes pursuant to Section 310.1, can utilize origin-based sourcing. The requester proposes that  
15 an interpretation be made that such rentals should qualify for origin based sourcing.

16  
17 Public Comment:

18  
19 Written comments were received from Mr. Bill Riesenberger of the state of Ohio, the Equipment  
20 Leasing and Finance Association, and from Mr. Tim Maloney.

21  
22 Recommendation:

23  
24 By a unanimous vote, the Compliance Review and Interpretations Committee submits to the  
25 Governing Board a recommendation that the interpretation proposed by the requester not be  
26 accepted.

27  
28 Rationale:

29  
30 Subsection 310.1(B) provides: "A member state may source retail sales, **excluding lease or**  
31 **rental**, of tangible personal property or digital goods to the location where the order is received  
32 by the seller if: ...".

33  
34 The Administrative Definitions in Part I of Appendix C of the Agreement define "lease or rental"  
35 to mean "any transfer of possession or control of tangible personal property for a fixed or  
36 indeterminate term for consideration." The transaction highlighted in Mr. Maloney's  
37 interpretation request clearly falls within the definition of "lease or rental". Since leases or  
38 rentals are excluded under Subsection 310.1(B), the sourcing for such sales must be done by the  
39 member state under the provisions of Section 310 of the Agreement. Subsection 310(B)(2)  
40 states: "For a lease or rental that does not require recurring periodic payments, the payment is  
41 sourced the same as a retail sale in accordance with the provisions of subsection 310(A)."

42  
43 Subsection 310(A) sources sales on the location where the customer receives the property.  
44 These transactions are excluded from the origin sourcing election provided in Section 310.1. As  
45 such, they are to be sourced according to Subsection 310(B). If the lease payments are structured

1 such that it falls under Subsection 310(B)(2) as outlined in the situation provided, the payment is  
2 then sourced under the hierarchy provided in Subsection 310(A).

3  
4 Participating Committee Members:

5  
6 Larry Wilkie, Myles Vosberg, Tom Atchley, Rep. Deb Peters, and Richard Cram.  
7

8 **Interpretive Opinion 2010-02**  
9 **(Adopted August 17, 2010)**

10  
11 This Interpretive Opinion recommendation is made to the Governing Board by the Compliance  
12 Review and Interpretations Committee this day of May 27, 2010 in accordance with Article IX,  
13 Rule 902 of the Rules and Procedures adopted by the Streamlined Sales Tax Governing Board,  
14 Inc.  
15

16 The Governing Board requested the interpretation as a result of the issue being raised during the  
17 2009 recertification compliance review.  
18

19 Issue:  
20

21 The issue being considered is whether an exemption for one-way paging conflicts with the  
22 Agreement's definition of paging? During the compliance review, the Compliance Review and  
23 Interpretations Committee determined that a number of states were exempting one-way paging.  
24 The Agreement contains a definition of "paging" which includes both one-way and two-way  
25 paging. The Committee decided not to consider the issue as part of the compliance review and to  
26 bring the issue to the attention of the Governing Board. The Governing Board asked the State  
27 and Local Advisory Council (SLAC) to conduct research and to make a recommendation to the  
28 Compliance Review and Interpretations Committee (CRIC).  
29

30 Public Comment:  
31

32 At the Governing Board's request, the SLAC conducted research on the issue. There were state  
33 and public comments received by SLAC which resulted in a paper that was submitted to CRIC.  
34

35 Recommendation:  
36

37 By a unanimous vote, the Compliance Review and Interpretations Committee submits to the  
38 Governing Board a recommendation that the interpretation action proposed by the SLAC be  
39 accepted. No action by the SLAC or the Governing Board to address "one-way paging" is  
40 necessary at this time. States identified in the CRIC's 2009 Compliance Review Report have  
41 expressed the intent to address this matter within their states by eliminating use of the term "one-  
42 way paging" (administratively or legislatively, as appropriate) so that all paging services in those  
43 states (including one-way paging) are either taxed or exempt.  
44

45 Rationale:

1  
2 The Agreement defines “paging service” as “a ‘telecommunications service’ that provides  
3 transmission of coded radio signals for the purpose of activating specific pagers; such  
4 transmissions may include messages and/or sounds.” The Agreement does not contain a  
5 definition for “one-way paging.”  
6

7 Governing Board Rule 327.2, Part D provides that with respect to telecommunications, partial  
8 exclusion of a definition is prohibited. A member state choosing to tax telecommunication  
9 services shall use applicable definitions contained in the Streamlined Sales and Use Tax  
10 Agreement and shall not exclude from imposition a part of any definition or any item included in  
11 such a definition unless the Streamlined Sales and Use Tax Agreement specifically permits such  
12 a variation. There is no such provision for taxing or exempting one type of paging and not the  
13 other.  
14

15 Most transmissions considered as paging now include some capacity for direct response (such as  
16 a text message). True “one-way” paging (where there is no ability to directly respond to the  
17 paging transmission) continues to exist, though perhaps on a very limited basis.  
18

19 Participating Members:  
20

21 Myles Vosberg, Tom Atchley, Rep. Deb Peters and Richard Cram  
22

23 **Interpretive Opinion 2010-03**  
24 **(Adopted October 7, 2010)**  
25

26 This Interpretive Opinion recommendation is made to the Governing Board by the Compliance  
27 Review and Interpretations Committee this day of September 16, 2010 in accordance with  
28 Article IX, Rule 902 of the Rules and Procedures adopted by the Streamlined Sales Tax  
29 Governing Board, Inc.  
30

31 The party requesting the interpretation is Mr. David A. Fruchtman. The request was made on  
32 August 18, 2010.  
33

34 Issue:  
35

36 Mr. Fruchtman asked, on behalf of a client, whether carbon dioxide used to make seltzer for  
37 human consumption qualifies as “food and food ingredients.” According to the facts presented,  
38 the company represented is a distributor and gas refiller of a table top seltzer making system.  
39 The company’s customers initially purchase a table top seltzer making kit, which includes a  
40 reusable seltzer dispenser weighing less than five pounds, two reusable plastic bottles, flavor  
41 samples and a canister filled with beverage-grade carbon dioxide (“canisters”). Customers screw  
42 a canister into the table top seltzer dispenser. To make seltzer at any time, a customer fills one of  
43 the plastic bottles with tap water, attaches the filled bottle to the dispenser, and pushes a button  
44 for one to two seconds, releasing gas into the water. The result is a fresh bottle of seltzer for  
45 human consumption. The carbon dioxide changes the taste of water. The taste of carbonated

1 water is different than the taste of noncarbonated water because of the formation of carbonic acid  
2 when the carbon dioxide is dissolved in water. The seltzer is ingested as part of the beverage.  
3 Customers can add flavorings if they desire. This is the only use for the system. Mr. Fruchtman  
4 requests a ruling that the company's sales of its canisters of beverage-grade carbon dioxide  
5 qualify as sales of "food and food ingredients" as that phrase is used in the Streamlined Sales and  
6 Use Tax Agreement ("SSUTA"), Appendix C.

7  
8 Public Comment:

9  
10 No state or public written comments were received.

11  
12 Recommendation:

13  
14 By a vote of three to one of the members present, the Compliance Review and Interpretations  
15 Committee submits to the Governing Board a recommendation that the interpretation proposed  
16 by the requester be accepted.

17  
18 Rationale:

19  
20 Term "food and food ingredients" means "Substances, whether in liquid, concentrated, solid,  
21 frozen, dried, or dehydrated form, that are sold for ingestion or chewing by humans and are  
22 consumed for their taste or nutritional value."

23  
24 "Food and food ingredients" are substances. The term gas is in fact defined as a "substance."  
25 For example, a gas is "a substance at a temperature above its critical temperature and therefore  
26 not liquefiable with pressure alone.[.]" *Webster's Third International Dictionary, p. 937 (2002)*.  
27 The definition of "food and food ingredients" identifies various forms in which "substances" can  
28 exist. However, the list of described forms is not exclusive. Accordingly, a gas can qualify as a  
29 "substance" as contemplated in the definition of "food and food ingredients."

30  
31 Under the facts presented, the identified beverage grade carbon dioxide gas is sold for ingestion  
32 and is consumed for taste.

33  
34 Based upon the forgoing, the beverage grade carbon dioxide gas qualifies as a "food and food  
35 ingredient" because it is a substance, is sold for ingestion, and is consumed for taste.

36  
37 Participating Committee Members:

38  
39 Myles Vosberg, Rep. Deb Peters, Richard Cram and Tim Jennrich

40  
41 **Interpretive Opinion 2011-01**  
42 **(Adopted December 19, 2011)**

43  
44 This Interpretive Opinion recommendation is made to the Governing Board by the Compliance  
45 Review and Interpretations Committee this day of December 1, 2011 in accordance with Article



1 IX, Rule 902 of the Rules and Procedures adopted by the Streamlined Sales Tax Governing  
2 Board, Inc.

3  
4 Mr. Ken Nogueira requested an interpretation on August 12, 2011.

5  
6 Issue:

7  
8 Mr. Nogueira asked whether wood chunks used for flavoring in cooking qualifies as “food and  
9 food ingredients.” According to the facts presented, the Company is a restaurant company that  
10 features “wood-grilled” items on its menu. The Company purchases Hickory wood chunks to  
11 use as an ingredient to flavor items on its menu. During the cooking process, the Hickory wood  
12 chunks are soaked in water and placed in a smoker under the grill. As the smoldering wood  
13 burns, it releases compounds that impart a unique flavor and are a key ingredient in a number of  
14 “wood-grilled” items on its menu. Mr. Nogueira requests a ruling that the company’s sales of  
15 its wood chunks qualify as sales of "food and food ingredients" as that phrase is used in the  
16 Streamlined Sales and Use Tax Agreement ("SSUTA"), Appendix C.

17  
18 Public Comment:

19  
20 Three states recommended that the interpretation request not be approved.

21  
22 Recommendation:

23  
24 By a unanimous vote of the members present, the Compliance Review and Interpretations  
25 Committee submits to the Governing Board a recommendation that the interpretation proposed  
26 by the requester not be accepted and that wood chunks do not qualify as food and food  
27 ingredients.

28  
29 Rationale:

30  
31 The Agreement defines “food and food ingredients” as "substances, whether in liquid,  
32 concentrated, solid, frozen, dried or dehydrated form, that are sold for ingestion or chewing by  
33 humans and are consumed for their taste or nutritional value." *SSUTA, Appendix C- Library of*  
34 *Definitions, Part II “Product Definitions.”*

35  
36 The wood chunks, even those containing natural compounds or additives that emit a particular  
37 aroma or vapor, are not sold for ingestion or chewing by humans. The wood chunks, when  
38 heated, create smoke which flavors the food item that is smoked, but the wood chunks are not  
39 eaten by humans and do not become a component part of and are not added to the food product.

40  
41 Based upon the forgoing, the wood chunks do not qualify as a “food and food ingredient”  
42 because it is not sold for ingestion or chewing by humans.

43  
44 Participating Committee Members:



1 Tom Atchley, Craig Johnson, Richard Cram, and Tim Jennrich

2  
3 **Interpretive Opinion 2011-02**  
4 **(Adopted December 19, 2011)**  
5

6 This Interpretive Opinion recommendation is made to the Governing Board by the Compliance  
7 Review and Interpretations Committee this day of December 1, 2011 in accordance with Article  
8 IX, Rule 902 of the Rules and Procedures adopted by the Streamlined Sales Tax Governing  
9 Board, Inc.

10  
11 Mr. Eric Wayne of North Carolina requested the interpretation on August 29, 2011.  
12

13 Issue:  
14

15 Mr. Wayne asked whether pencil leads and pen refills qualify as school supplies for sales tax  
16 holiday purposes. Mr. Wayne states that pencils and pens are on the list in Appendix B as  
17 school supplies but pencil leads and pen refills are not on the list. The Department was  
18 contacted before the recent August sales tax holiday and asked if pencil leads and pen refills  
19 were school supplies. Contact was made with Tennessee and Arkansas which also exempt  
20 school supplies during the their sales tax holiday and representatives for Tennessee and  
21 Arkansas were in agreement that pencil leads and pen refills should be included as school  
22 supplies and exempt items for sales tax holiday purposes. Oklahoma does not exempt school  
23 supplies for sales tax holiday purposes. Mr. Wayne requests a ruling that pencil leads and/or  
24 pen refills be considered “school supplies” as that phrase is used in the Streamlined Sales and  
25 Use Tax Agreement (“SSUTA”), Appendix C.  
26

27 Public Comment:  
28

29 Comments were received from one state recommending that the interpretation requested be  
30 accepted.  
31

32 Recommendation:  
33

34 By a vote of three to one of the members present, the Compliance Review and Interpretations  
35 Committee submits to the Governing Board a recommendation that the interpretation  
36 proposed by the requester be accepted.  
37

38 Rationale:  
39

40 Appendix C, Library of Definitions, Part III Sales Tax Holiday Definitions defines “school  
41 supply” as “an item commonly used by a student in a course of study.” Section B. Product  
42 Definitions provides an all-inclusive list of school supplies. Pencils and pens are on the list as  
43 school supplies but pencil leads and pen refills are not on the list. The Agreement does not  
44 define pens and pencils. However, pens and pencils cannot perform in their intended purpose

1 without pen refills and pencil leads. Pen refills and pencil leads are components of pens and  
2 pencils and fall within the meaning of pens and pencils.  
3

4 Participating Committee Members:  
5

6 Tom Atchley, Craig Johnson, Richard Cram, and Tim Jennrich  
7

8 **Interpretive Opinion 2011-03**  
9 **(Adopted December 19, 2011)**

10 This Interpretive Opinion recommendation is made to the Governing Board by the Compliance  
11 Review and Interpretations Committee this day of December 1, 2011 in accordance  
12 with Article IX, Rule 902 of the Rules and Procedures adopted by the Streamlined Sales  
13 Tax Governing Board, Inc.  
14

15 Mr. Bruce Christensen requested the interpretation on August 31, 2011.  
16

17 **Issue:**  
18

19 May a state include its statutory appeal period in the 120-day period required by Section 317 D  
20 (1) of the Agreement? In the following example, must State A wait until the 120-day period has  
21 expired before issuing the audit assessment (i.e., does State A have to wait until after June 28,  
22 2011) or can the 60-day appeal period be included in the 120 days such that State A can issue the  
23 audit assessment at any time after April 28, 2011 since the seller will still have until at least June  
24 28, 2011 (120 days after the request for substantiation was provided to the seller) to provide  
25 those exemption certificates?

26 **Example:**

- 27 • State A issues a request to a seller on March 1, 2011 to substantiate certain exempt sales  
28 the seller claimed.
- 29 • One hundred twenty days from March 1, 2011 is June 28, 2011.
- 30 • Sellers are allowed 60 days after receiving a Notice of Amount Due from State A to  
31 either pay the amount due or file an appeal.
- 32 • If an adjustment to the seller's sales tax liability is made because a seller is missing some  
33 exemption certificates at the time the Notice of Amount Due is issued, State A will allow  
34 the seller to submit those exemption certificates during the 60-day appeal period.
- 35 • State A will treat the receipt of those exemption certificates during the 60-day appeal  
36 period as an appeal, review the exemption certificates to confirm the seller received them  
37 in good faith, and adjust the Notice of Amount Due accordingly.  
38

39 **Public Comment:**  
40

41 One state recommended that the interpretation not be accepted unless including the appeals  
42 period is optional.  
43

1 **Recommendation:**

2  
3 By a unanimous vote of the members present, the Compliance Review and Interpretations  
4 Committee submits to the Governing Board a recommendation that if a state will adjust the  
5 audit assessment during the appeal period if acceptable documentation is provided, the appeal  
6 period can be included as part of the 120 days allowed to provide exemption certificate  
7 information. However, if a state will not adjust the audit assessment during the appeal period for  
8 exemption certificates accepted in good faith, the state may not include the appeal period as part  
9 of the 120 days that must be allowed.

10  
11 **Rationale:**

12  
13 Section 317 D (1) of the Agreement states:

14  
15 “If the seller has not obtained an exemption certificate or all relevant data elements within 90  
16 days subsequent to the date of sale as provided in Section 317, subsection (C), a member state  
17 shall provide the seller with 120 days subsequent to a request for substantiation by a member  
18 state, to either:

19 a. Obtain a fully completed exemption certificate from the purchaser, taken in good faith  
20 which means that the seller obtains a certificate that claims an exemption that:

21 (i) was statutorily available on the date of the transaction in the jurisdiction where the  
22 transaction is sourced,

23 (ii) could be applicable to the item being purchased, and

24 (iii) is reasonable for the purchaser’s type of business; or

25 b. Obtain other information establishing that the transaction was not subject to the tax.

26 A member state may provide for a period longer than 120 days for sellers to obtain the  
27 necessary information.”

28  
29 The Agreement is silent on the issue of whether a state’s appeals period can be included in the  
30 120 day period. If the state allows a seller to provide substantiation during the appeals period  
31 and receive an assessment adjustment, then the requirements of the Agreement have been met  
32 as long as 120 days have been allowed since the request for substantiation. A member state has  
33 the option of using their state’s appeal period as part of the 120 day period if the state will  
34 willingly adjust the audit assessment during the appeal period if acceptable exemption  
35 documentation is provided.

36  
37 **Participating Committee Members:**

38  
39 Tom Atchley, Craig Johnson, Richard Cram, and Tim Jennrich

40  
41  
42 **Interpretive Opinion 2013-1**  
43 **(Adopted October 30, 2013)**  
44

1 This Interpretive Opinion recommendation is made to the Governing Board by the Compliance  
2 Review and Interpretations Committee this 13<sup>th</sup> day of June, 2013, in accordance with Article  
3 IX, Rule 902 of the Rules and Procedures adopted by the Streamlined Sales Tax Governing  
4 Board, Inc.

5  
6 Mr. Thomas Haines of Avalara requested the interpretation on May 28, 2013. Mr. Haines  
7 requested expedited consideration under Streamlined Sales Tax Governing Board (SSTGB)  
8 Rule 902, subsection (H).

9  
10 **Issue:**

11  
12 Are beverages that contain “natural flavor,” “essence,” or “spice” but no sweeteners  
13 includable within the definition of “soft drink?” Two instances arose wherein a Streamline  
14 member state indicated that bottled unsweetened flavored water fell under the “soft drink”  
15 definition. In both instances, “natural flavor” or “essence” was listed in the product’s  
16 ingredients. The product did not contain any sweeteners or fruit juice. In both instances, the  
17 state mentioned that the sweetener is present within the “natural flavor” or “essence.”

18  
19 The following is a sample listing of bottled waters that contain flavor but no sweeteners:  
20

- 21 • Metromint (all varieties)
- 22 • Canada Dry Sparkling Seltzer Water Lemon Lime Twist
- 23 • Canada Dry Sparkling Seltzer Water Refreshingly Raspberry
- 24 • Vintage Lemon Lime Seltzer
- 25 • Vintage Raspberry Seltzer
- 26 • Adirondack Lemon Lime Seltzer
- 27 • Adirondack Raspberry Lemon Seltzer

28  
29 All of these products, at the time this request was considered, were labeled as containing water  
30 and “natural flavor” or “essence.” The Food and Drug Administration (FDA) issues regulations  
31 governing labeling requirement under Title 21 of the Code of Federal Regulation. Section  
32 101.22 of Title 21 defines certain terms that may appear on the product’s list of ingredients. The  
33 term “natural flavor” is defined in 21 CFR 101.22(a)(3). In short, “natural flavors” are  
34 concentrated additives to food “Whose significant function in food is flavoring rather than  
35 nutritional” (emphasis added). The term “spice” is defined in 21 CFR 101.22(a)(2). “Spices”  
36 function in a similar manner to natural flavor; they are a “seasoning” rather than a nutritional  
37 element in food. A listing of approved common spices is provided in 21 CFR 182.10.

38  
39 Among the products listed above, the Canada Dry, Vintage, and Adirondack bottled waters list  
40 water and “natural flavor” in their list of ingredients in compliance with 21 CFR 101.22(a)(3).  
41 The Metromint bottled waters list water, mint and flavor “essence” in their list of ingredients.  
42 Metromint uses the common term “mint” instead of the specific terms “peppermint” and  
43 “spearmint,” which are listed as “spices” in 21 CFR 182.10. The “essence” in Metromint  
44 products appears to be similar to “natural flavor” as defined in 21 CFR 101.22(a)(3).

1 Additionally, Metromint states that their products contain “No sugar and no sweeteners of any  
2 kind” (see last item on manufacturer’s “FAQ” webpage).

3  
4 The “soft drink” definition includes those products wherein the list of ingredients specifically  
5 list natural sweeteners, artificial sweeteners, or fruit juices. Mr. Haines requests a ruling that  
6 products containing no specifically listed sweetener but include “natural flavor,” “essence,” or  
7 “spice” among its list of ingredients shall not be deemed includable under the “soft drink”  
8 definition.

9  
10 **Public Comment:**

11  
12 The American Beverage Association submitted comments in support of the proposed  
13 interpretation that the types of unsweetened flavored water referenced in the request do not fall  
14 within the definition of “soft drinks.” The comments highlighted the Streamlined Sales and Use  
15 Tax Agreement’s “bottled water” definition that applies to beverages with flavors, spices, or  
16 essences without sweeteners as follows: “Bottled water is calorie free and does not contain  
17 sweeteners or other additives except that it may contain: (i) antimicrobial agents; (ii) fluoride; (iii)  
18 carbonation; (iv) vitamins, minerals, and electrolytes; (v) oxygen; (vi) preservatives; and (vii) only  
19 those flavors, extracts, or essences derived from a spice or fruit.

20  
21 **Recommendation:**

22  
23 By a unanimous vote of the members present, the Compliance Review and Interpretations  
24 Committee submits to the Governing Board a recommendation that the interpretation  
25 proposed by the requestor be accepted. Beverages that do not include natural or artificial  
26 sweeteners, including juices, do not fit the definition of soft drinks.

27  
28 **Rationale:**

29  
30 Appendix C, Library of Definitions, Part II Product Definitions defines “soft drinks” to mean  
31 “non-alcoholic beverages that contain natural or artificial sweeteners. “Soft drinks” do not  
32 include beverages that contain milk or milk products, soy, rice or similar milk substitutes, or  
33 greater than fifty percent of vegetable or fruit juice by volume.” “Natural flavors” are  
34 concentrated additives to food whose significant function in food is flavoring rather than  
35 nutritional. “Spices” function in a similar manner; they are a “seasoning” rather than a  
36 nutritional element in food. Natural flavors and spices are not sweeteners. Both the  
37 Streamlined definitions for “candy” and “soft drinks” use the term “natural or artificial  
38 sweeteners.” SSTGB Rule 327.8 addresses “natural and artificial sweeteners” in the context of  
39 “candy”. The recommendation is consistent with SSTGB Rule 327.8. The FDA requires all  
40 ingredients to be listed on the label. If the label does not list a natural or artificial sweetener, the  
41 product is not a soft drink under the Agreement definition. None of the products listed in Mr.  
42 Haines request lists a natural or artificial sweetener as an ingredient as labeled at the time of this  
43 recommendation. Therefore, none of these products are considered to be a soft drink.

44  
45 **Participating Committee Members:**

1  
2 Myles Vosberg, Tom Atchley, Richard Cram, Larry Paxton, Harry Fox, and Tim Jennrich  
3  
4

5 **Interpretive Opinion 2013-2**  
6 **(Adopted October 30, 2013)**  
7

8 This Interpretive Opinion recommendation is made to the Governing Board by the Compliance  
9 Review and Interpretations Committee this 1st day of August, 2013, in accordance with Article  
10 IX, Rule 902 of the Rules and Procedures adopted by the Streamlined Sales Tax Governing  
11 Board, Inc.  
12

13 Mr. Timothy Larsen of Scentsy, Inc. requested the interpretation on June 27, 2013. Mr. Larsen  
14 requested expedited consideration under Streamlined Sales Tax Governing Board (SSTGB) Rule  
15 902, subsection (H).  
16

17 **Issue:**  
18

19 Scentsy, Inc. sells fondue chocolate pouches branded as "Velata, Fun fondue" through home  
20 parties held by its direct selling consultants (see [www.velata.net](http://www.velata.net)). The Company believes the  
21 classification of the fondue chocolate to be a food item and that it is not considered candy or a  
22 confectionary since it is not readily consumable without additional preparatory steps which cause  
23 it to be treated as a food item for home consumption. A ruling is sought for verification. The  
24 fact pattern outlining the manufacturing, distribution, and marketing of the chocolate is below:  
25

26 The raw chocolate is made in a wafer form by a Belgium chocolate manufacturer and shipped to  
27 New Jersey for insertion in a microwaveable pouch by a third party in amounts of 170g and  
28 shipped to Scentsy distribution centers. Scentsy direct sales consultants selling under the brand  
29 Velata order the chocolate along with a warmer for use at a home party designed to enjoy the  
30 chocolate, while encouraging participants to also purchase the chocolate and warming devices  
31 for their own use and satisfaction.  
32

33 When a home party is held at which the chocolate will be enjoyed, the pouch must be  
34 microwaved for 1 minute so that the wafers are melted and able to be released in a liquid form  
35 through the pouch spout into a warming dish. The warming dish maintains the chocolate in a  
36 liquid form so that home party participants can dip and enjoy fruit, pretzels, or other items.  
37

38 Specific instructions on the pouch read as follows:  
39

- 40 1) Switch on your Velata warmer
- 41 2) Microwave Velata pouch for one minute
- 42 3) Knead pouch until chocolate becomes smooth. If lumps remain, reheat for 15 seconds.
- 43 4) If necessary, repeat Step 3. Empty pouch contents into preheated Velata warmer.

44 The Company seeks confirmation of its interpretation of the fondue chocolate being classified as  
45 food for home consumption.

1  
2 **Public Comment:**

3  
4 No state or public written comments were received.

5  
6 **Recommendation:**

7  
8 By a unanimous vote, the Compliance Review and Interpretations Committee submits to the  
9 Governing Board a recommendation that the interpretation proposed by the requester not be  
10 accepted.

11  
12 **Rationale:**

13  
14 The central question before the Compliance Review and Interpretations Committee is whether  
15 the products discussed are “food and food ingredients” or “candy” as defined by the Agreement.  
16 The Agreement defines “candy” to mean a preparation of sugar, honey, or other natural or  
17 artificial sweeteners in combination with chocolate, fruits, nuts or other ingredients or flavorings  
18 in the form of bars, drops, or pieces that do not include flour and require no refrigeration. The  
19 definitions in the Agreement are meant to be objective tests to determine the classification of an  
20 item and the intent of the user is not relevant. Chocolate fondue meets the definition of candy  
21 because it contains a sweetener, is combined with chocolate or other ingredients or flavorings,  
22 does not contain flour, does not require refrigeration and is sold in the form of bars, drops or  
23 pieces. The wafers are “pieces” of chocolate.

24  
25 **Participating Committee Members**

26  
27 Tom Atchley, Richard Cram, Harry Fox, Tim Jennrich, and Larry Paxton

28  
29  
30 **Interpretive Opinion 2013-3**  
31 **(Adopted May 14, 2014)**

32  
33 This Interpretive Opinion recommendation is made to the Governing Board by the Compliance  
34 Review and Interpretations Committee this 17th day of October 2013 in accordance with Article  
35 IX, Rule 902 of the Rules and Procedures adopted by the Streamlined Sales Tax Governing  
36 Board, Inc.

37  
38 Mr. David Steines of the Wisconsin Department of Revenue and Mr. Mike Herold of Clifton,  
39 Larson, Allen Company originally submitted the interpretation request on August 15, 2013.  
40 (Note: Mr. Herold withdrew his request for the interpretation on April 16, 2014, but the request  
41 by Mr. Steines was not withdrawn.)

42  
43 **Issue:**

44  
45 Do take and bake pizzas meet the definition of "prepared food" based on the following facts?



1  
2 **Facts:**

- 3 • The seller of take and bake pizzas makes the pizzas on-site. They are not pre-made by  
4 someone other than the seller.
- 5 • Pizzas are not heated by the seller or sold in a heated state.
- 6 • No food is sold on the premises in a heated state.
- 7 • The seller creates the pizzas by adding sauces, cheeses, and toppings to a selected crust.
- 8 • Only the pizza dough is made on site. The meats, cheese and sauce are food products  
9 prepared and packaged by another business. The meats come pre-sliced and the cheese  
10 is shredded in the store.
- 11 • All meats used by the seller are pre-cooked by someone other than the seller.
- 12 • The crust used by the seller does not contain egg or raw animal foods requiring cooking  
13 by the consumer as recommended by the Food and Drug Administration.
- 14 • It is not the seller's practice to provide utensils with the pizza. Utensils are not made  
15 available.
- 16 • No customer seating is available.
- 17 • Take and bake pizzas are not ready for immediate consumption as they require  
18 additional preparation as instructed by the seller.
- 19 • The pizzas are sold by size and not sold by weight or volume.
- 20 • The smallest pizza contains 8 servings.
- 21 • For food safety, it is recommended the pizzas be heated to over 140 degrees.
- 22 • The seller's NAICS classification is not manufacturing in sector 311.
- 23 • The requestor asserts that payments under the federal Supplemental Nutrition Assistance  
24 Program (previously known as "food stamps") can be used to purchase the unbaked  
25 pizzas whereas other prepared food found in a deli or fast food restaurant or pizzerias  
26 are considered "food sold hot at point of sale" and not covered.

27  
28 Mr. Steines requests a ruling that take and bake pizzas meet the definition of "prepared food."  
29 There is no exclusion from the definition of prepared food for additional preparation required by  
30 the purchaser. The take and bake pizza does not require cooking per the food code since it  
31 contains no egg or raw meat or seafood.

32  
33 Mr. Herold requests a ruling that take and bake pizzas do not meet the definition of "prepared food."  
34 Mr. Herold states meat, cheese, fruit and vegetable trays are currently exempt from the definition of  
35 prepared food and require a number of similar tasks found in making unbaked pizzas. The food  
36 trays require slicing, shredding, peeling, assembly and packaging. Cheese and meats, fruits and  
37 vegetables might be combined on a platter along with sauces or dips— possibly prepared by the store  
38 or not – and sold as a single product. This process is similar to making a take and bake pizza.  
39 However, the platters are ready for immediate consumption, but the consumer must still bake the  
40 pizza.

41  
42 The Committee's discussion did not address whether fruit and vegetable trays are prepared food.  
43 However, it was indicated that regardless such fruit and vegetable trays are not comparable because



1 the components of these trays remain physically distinct within the tray at the time of sale whereas  
2 the components of the take and bake pizzas are combined to form a physically integrated product.

3  
4 **Public Comment:**

5  
6 Numerous public comments were received from sellers and consumers of take and bake pizzas in  
7 support of Mr. Herold's position that these pizzas are not "prepared food." Most of the public  
8 comments pointed out that the take and bake pizzas could be purchased with EBT cards/food  
9 stamps and also had dough that needed to be cooked by the consumer before eating.

10  
11 The Minnesota Department of Revenue responded that take and bake pizzas would meet the  
12 definition of prepared food; however, Minnesota's position goes beyond the plain language of  
13 the definition and does not impose tax on food that otherwise meets the definition of "prepared  
14 food" if it is not ready to eat at the time of sale. Even though the seller may have heated the food  
15 at some time or may have mixed or combined two or more food ingredients to make the food, a  
16 take and bake pizza is only partially cooked and needs to be fully cooked to be eaten and is  
17 therefore not ready-to-eat at the time of sale.

18  
19 The Kentucky Department of Revenue provided written testimony supporting Mr. Steines'  
20 position. The testimony stated take and bake pizzas do meet the definition of prepared food  
21 because the seller combines two or more ingredients together as one product, the pizzas do not  
22 require additional cooking under the Food and Drug Administration code, and use of food stamps  
23 have no impact on the definition of prepared food.

24  
25 **Recommendation:**

26  
27 By a vote of six to one, the Compliance Review and Interpretations Committee submits to the  
28 Governing Board a recommendation that the take and bake pizzas as specifically described in  
29 this request meet the definition of "prepared food." The take and bake pizzas are two or more  
30 ingredients mixed or combined by the seller for sale as a single item and there is no exclusion  
31 in the definition of "prepared food" that would remove these take and bake pizzas from that  
32 definition.

33  
34  
35 **Rationale:**

36  
37 The SSUTA, Appendix C, Library of Definitions, defines "prepared food" as:

- 38  
39 A. Food sold in a heated state or heated by the seller;  
40 B. Two or more food ingredients mixed or combined by the seller for sale as a single item;  
41 or  
42 C. Food sold with eating utensils provided by the seller, including plates, knives, forks,  
43 spoons, glasses, cups, napkins, or straws. A plate does not include a container or packaging  
44 used to transport the food.  
45

1 “Prepared food” in B does not include food that is only cut, repackaged, or pasteurized by  
2 the seller, and eggs, fish, meat, poultry, and foods containing these raw animal foods  
3 requiring cooking by the consumer as recommended by the Food and Drug Administration  
4 in chapter 3, part 401.11 of its Food Code so as to prevent food borne illnesses.

5  
6 Based on the above definition and the facts provided, the take and bake pizzas clearly fall within  
7 the definition of “prepared food.” These pizzas are the product of two or more ingredients  
8 mixed or combined by the seller for sale as a single item. The take and bake pizzas do not  
9 contain eggs, fish, meat, poultry, or foods containing these raw animal foods requiring cooking  
10 under the Food and Drug Administration’s Food Code. The fact that the pizzas are taken home  
11 for baking before consumption does not alter the classification as “prepared food” since there is  
12 no exclusion from the definition of “prepared food” for items requiring additional preparation  
13 by the purchaser. The fact that take and bake pizza may qualify for purchase with federal food  
14 stamps is not a factor in determining whether the pizzas meet the definition of “prepared food.”  
15 The take and bake pizzas meet the definition of “prepared food” and do not meet the criteria for  
16 any of the exclusions provided.  
17

18 **Participating Committee Members:**

19  
20 Myles Vosberg, Tom Atchley, Richard Cram, Larry Paxton, Harry Fox, and Tim Jennrich  
21 supported this recommendation. Dan Noble did not support this recommendation.  
22  
23

24 **Interpretive Opinion 2015-1**  
25 **(Adopted May 12, 2015)**  
26

27 This Interpretive Opinion recommendation is made to the Governing Board by the Compliance  
28 Review and Interpretations Committee this 2nd day of April, 2015, in accordance with  
29 Article IX, Rule 902 of the Rules and Procedures adopted by the Streamlined Sales Tax  
30 Governing Board, Inc.  
31

32 Ms. Suzanne Beaudeliare requested the interpretation on March 4, 2015. Ms. Beaudeliare  
33 requested expedited consideration under Streamlined Sales Tax Governing Board (SSTGB)  
34 Rule 902, subsection H. (Compiler’s Note: Ms. Beaudelaire requested to withdraw her request  
35 after CRIC had already held the public hearing and developed its recommendation. However,  
36 the SSTGB still adopted this Interpretive Opinion as recommended by the CRIC.)  
37

38 **Issue:**

39  
40 The issue is whether all or parts of a continuous glucose monitoring (CGM) system meet the  
41 SSUTA definition of prosthetic device or durable medical equipment (DME). The CGM system  
42 includes: (1) a single-use sensor probe, inserted under the skin and replaced weekly that  
43 contains an enzyme on the sensor which converts the glucose in tissue fluids into an electronic  
44 signal picked up by a reusable transmitter; (2) a reusable transmitter worn on the abdomen and  
45 attached to the probe which, at preprogrammed intervals measures and sends signals to a

1 wireless receiver; (3) a wireless receiver which converts the signal to a glucose reading on the  
2 receiver screen display and which may be carried in the person's pocket or an optional carrying  
3 case; and (4) an optional clip/strap-on carrying case.  
4

5 **Facts:**  
6

7 Ms. Beaudeliare requests an interpretation that all four parts of the CGM system meet the  
8 SSUTA definition of "prosthetic device." The interpretive request states that the CGM is a  
9 system of devices some of which "...are worn on or in the body to support a person with a  
10 missing or malfunctioning pancreas by providing sensory cues to help them prevent physical  
11 malfunction of other organs and systems caused by episodes of hyperglycemia or hypoglycemia  
12 which can occur when the body's normal warning signals go undetected, such as is sometimes  
13 caused by central and autonomic nervous system dysfunction. Components (1) through (3) are  
14 all necessary for the system to function, as is item (4) when the person is on the go and has no  
15 pocket, to keep the receiver in close proximity to the Transmitter and the person to continually  
16 remain in use."  
17

18 In the alternative, if the CGM system does not meet the definition of "prosthetic device," Ms.  
19 Beaudeliare requests an interpretation that the "[r]eceiver meets the definition of DME, because  
20 it may be placed near the body (in a purse, on a desk, etc.), as long as it stays within 20 feet of  
21 the Transmitter. Note: future CGM systems may offer a software app in lieu of a Receiver to  
22 enable the display of glucose levels on the person's existing smart-phone," But that software  
23 app is not yet available for general use and consideration of software app, is excluded from the  
24 Interpretive Request and this Interpretive Opinion recommendation.  
25

26 The CGM operates as a system; however, because each component of that system has a  
27 different useful life, each of the four items may be sold for a separate price and in separate  
28 transactions. At the initial sale, the sensor probe, the transmitter, and the wireless receiver are  
29 normally sold at the same time. The sensor probe, which attaches to the person's abdomen, has  
30 to be replaced weekly. The transmitter, which attaches to the sensor probe, lasts from three to  
31 six months. The receiver lasts for a year or more depending on the degree of wear and tear it  
32 goes through. The armband carrying case for the receiver is the only optional piece and is  
33 designed for active persons who participate in activities like jogging where the user's clothing  
34 has no pocket to securely carry the receiver; it has no other use.  
35

36 **Public Comment:**  
37

38 No written comments were submitted prior to the CRIC's meeting to discuss the interpretation  
39 request.  
40

41 During the CRIC meeting, Ellen Thompson of Nebraska provided comments on the historical  
42 background concerning the prosthetic device definition. In particular, how the inclusion of  
43 orthotics and similar items influenced the current definition of prosthetic device.  
44

1 In addition, Patricia Calore of Michigan inquired if the CGM system should be viewed as a  
2 single product rather than as separate products. If the four items in the system are viewed as a  
3 single product, separate purchases of the different CGM items might be purchases of repair or  
4 replacement parts for the system and treated for sales tax purposes in the same manner as the  
5 system purchase. After further discussion, the committee members concluded none of the items  
6 either alone or together constituted a prosthetic device because of their function. Moreover, these  
7 items could reasonably be separated with respect to the DME definition consistent with the  
8 current practice of separately identifying some DME products that are useful only when  
9 combined or used with other health care products.

10  
11 **Recommendation:**

12  
13 By a unanimous vote of the members present, the Compliance Review and Interpretations  
14 Committee (CRIC) submits to the Governing Board a recommendation that the interpretation  
15 proposed by the requestor not be accepted in part. The CRIC recommends that the  
16 Governing Board find that the single-use sensor probe and reusable transmitter are not defined  
17 under the Agreement and that the wireless receiver and carrying case meet the definition of  
18 DME.

19 The definition of a bundled transaction found in Appendix C of the Agreement specifically  
20 excludes transactions that contain durable medical equipment or medical supplies as one or  
21 more of the distinct and identifiable products if the seller's purchase price or sales price of the  
22 taxable tangible personal property is 50 percent or less of the total purchase price or sales price  
23 of the combined products; therefore, a purchase of the sensor probe, the transmitter, and the  
24 wireless receiver in a single transaction for one non-itemized price may or may not qualify as a  
25 bundled transaction depending on the mix of taxable and nontaxable products. As a result, tax  
26 treatment by states that do not tax or exempt all of these products in the same manner will be  
27 determined by each member state's law when the products are sold together for one non-  
28 itemized price.

29  
30 **Rationale:**

- 31  
32 1. Elements of prosthetic device not met.

33  
34 Appendix C, Library of Definitions, Part II Product Definitions defines "prosthetic device" to  
35 mean "a replacement, corrective, or supportive device including repair and replacement parts  
36 for same worn on or in the body to:

- 37 A. Artificially replace a missing portion of the body;  
38 B. Prevent or correct physical deformity or malfunction; or  
39 C. Support a weak or deformed portion of the body."

40  
41 *Worn on the body:*

42 The sensor probe and transmitter are worn in or on the body. The receiver is not worn in or on  
43 the body.

44  
45 *Replacement, corrective, or supportive device:*

1 The sensor probe, transmitter, receiver monitor blood glucose levels and send an alert to the  
2 receiver if the glucose levels are out of range. The user will then review this information to  
3 determine if insulin is needed and decide whether to self-administer insulin. The sensor probe,  
4 transmitter, and receiver act as diagnostic items. As such, none of these items artificially  
5 replace a missing portion of the body; prevent or correct physical deformity or malfunction; or  
6 support a weak or deformed portion of the body.

7  
8 Accordingly, the sensor probe, transmitter, and receiver do not meet the requirements of A, B,  
9 or C of the definition of prosthetic device and so would not qualify as a prosthetic device. For  
10 similar reasons, the optional carrying case would not be a prosthetic device.

11  
12 2. Receiver and carrying case are DME, while sensor probe and transmitter are not defined.

13  
14 Appendix C, Library of Definitions, Part II Product Definitions defines “durable medical  
15 equipment” to mean “equipment including repair and replacement parts for same, but does not  
16 include “mobility enhancing equipment,” which:

- 17 A. Can withstand repeated use; and
- 18 B. Is primarily and customarily used to serve a medical purpose; and
- 19 C. Generally is not useful to a person in the absence of illness or injury; and
- 20 D. Is not worn in or on the body.”

21  
22 a. Sensor probe and transmitter

23 The sensor probe and transmitter when in use are physically attached and are worn in or on the  
24 body, and therefore, do not meet requirement D of the DME definition and so would not qualify  
25 as DME.

26  
27 b. Receiver and an optional carrying case

28 The receiver can be used continuously for longer than a year to take repeated measurements  
29 over such time, and therefore, meets the requirement to withstand repeated use. The receiver is  
30 used to alert the user of abnormal glucose levels to help the user avoid a diabetic episode,  
31 meeting the medical purpose requirement. The receiver cannot be used for other purposes and  
32 would not be useful to a person that does not have diabetes, which might properly be  
33 characterized as an illness. Finally, during discussion it was determined that the receiver is not  
34 worn in or on the body; although, an optional carrying case is available to allow such  
35 portability. Therefore, both the receiver and associated carrying case that is used only with the  
36 receiver would be DME.

37  
38 **Participating Committee Members:**

39  
40 Myles Vosberg, Tom Atchley, Dan Noble, David Steines and Tim Jennrich

41  
42 **Interpretive Opinion 2015-2**  
43 **(Adopted September 16, 2015)**  
44

1 This Interpretive Opinion recommendation is made to the Governing Board by the Compliance  
2 Review and Interpretations Committee this 9th day of July, 2015, in accordance with Article IX,  
3 Rule 902 of the Rules and Procedures adopted by the Streamlined Sales Tax Governing Board,  
4 Inc. Mr. Val Gibson of AMCS, LLC requested the interpretation on June 16, 2015. Mr. Gibson  
5 requested expedited consideration under Streamlined Sales Tax Governing Board (SSTGB) Rule  
6 902, subsection H.

7  
8 **Issue:**

9  
10 The central issue is whether there is any transportation occurring during the delivery of ready  
11 mix concrete based on the facts provided. Four questions were asked:

12 1. Does the term “transportation” as stated in the definition of “delivery charges” as defined by  
13 the Streamlined Sales and Use Tax Agreement (SSUTA) include ready mixed concrete as  
14 defined below? If not, how and where is it excluded?  
15

16 2. Can “transportation” as stated in the definition of “delivery charges” in the SSUTA be  
17 separately stated? If not, why?  
18

19 3. Do the terms “handling, crating, packing, preparation for mailing or delivery, and similar  
20 charges” contained in the definition of “delivery charges” in the SSUTA include the term  
21 manufacturing? If so, why and where is that stated?  
22

23 4. If a state’s sales and use taxability matrix indicates that the state excludes “transportation,  
24 shipping, postage, and similar charges” from the definition of “sales price,” does this mean that  
25 the transportation of concrete is excluded from the sales price if it is separately stated? If not,  
26 why?  
27

28 (Note: AMCS has asked the Nevada Department of Taxation if the delivery of ready mixed  
29 concrete is subject to tax. According to Mr. Gibson, the response from the Department of  
30 Taxation, as confirmed by the Commissioners of the Department of Taxation, is that there is no  
31 delivery in ready mixed concrete, only manufacturing and therefore, delivery cannot be  
32 separately stated because there is no delivery. Since AMCS does not believe this is correct or in  
33 compliance with the SSUTA, they felt answers to the above questions need to be clearly  
34 provided. Mr. Gibson has also filed a complaint with the Executive Director of the SSTGB  
35 alleging that Nevada is not in compliance with the SSUTA relating to this issue.)  
36

37 **Background Provided by Mr. Gibson (Summarized):** The company owns and operates a  
38 couple of ready mixed concrete locations in the Las Vegas, Nevada area. The company has  
39 plants that are mixer plants (wet batched plants) where the concrete is fully mixed and then  
40 dumped into the truck for transport to the purchaser. It also has plants where ingredients are  
41 dumped into the truck where various types of mixing have been done and the truck then  
42 completes the mixing process at the plant (dry batch plants). Once the mixing has been  
43 completed the truck then transports the concrete to the purchaser. In both cases, the trucks agitate  
44 the concrete during the transportation. In both cases, there are a number of methods that can be  
45 used to transport the concrete to the purchaser, but the most common method is a mixer truck,



1 which is the method used in this case. A mixer truck keeps the material in an unhardened state  
2 contained within the drum. The other methods do not have that ability. The mixer truck can  
3 unload the material in a method more suitable to the purchaser than the other methods of  
4 transporting concrete. In all cases, the purchaser of the concrete has the ability to arrange or  
5 transport the material.

6  
7 **Public Comment:**

8  
9 Nevada Department of Taxation (Summarized) - The Nevada Department of Taxation provided  
10 comments on the request by Mr. Gibson. The Department noted that Mr. Gibson had sent two  
11 requests for advisory opinions regarding the delivery of concrete and appealed the decision of the  
12 Department. The Department's ruling has been upheld by the Commissioners. Efforts to resolve  
13 the issue have been unsuccessful.

14  
15 The batching of ready mixed concrete is an exacting process. All of the processes must be  
16 performed so that the concrete has the required strength. Once it is batched, concrete cannot be  
17 transported without some processing during the transportation process. Courts in other states find  
18 that the processing of concrete is not complete until the concrete has been poured and molded  
19 into its final form at the jobsite. Most states have found that the manufacturing of concrete takes  
20 place in the mixer truck during delivery. It is also very telling that when a state offers a tax  
21 exemption for equipment used in the manufacturing process, the ready mix concrete industry  
22 argues that the mixer trucks should be exempt because the mixing is part of the manufacturing  
23 process. Under Nevada law, delivery charges which include preparation and delivery is a taxable  
24 event, and only delivery charges which are solely transportation may be tax exempt when  
25 separately stated. Any service that is part of the sale or necessary to complete a sale, is subject to  
26 tax. In addition, handling is a taxable service when associated with a sale. Both the applicable  
27 Nevada statutes and regulations dictate that delivery charges are not always non-taxable even if  
28 they are separately stated. Reading all the statutes together, delivery charges are considered a tax  
29 exempt service only when they are not part of the sale or necessary to complete the sale of  
30 tangible personal property. Only when delivery charges do not include any services that are part  
31 of the sale or necessary to complete the sale, would the delivery charges not be subject to tax if  
32 they are separately stated. In other words, if the delivery charges are separately stated and only  
33 include "transportation" they would not be subject to tax. At this point, the Nevada Tax  
34 Commission has affirmed the Advisory Opinions as they were written. However, the Department  
35 has suggested to the Requestor and the Requestor's counsel that the proper procedure to change a  
36 regulation is through the regulatory process.

37  
38 Response to State's Comment Provided by Mr. Val Gibson (Summarized) - Mr. Gibson  
39 provided a rebuttal to the state's comments. He noted that Paulina Oliver, who has represented  
40 the state on every call, has stated that there is transportation, yet no written response has  
41 indicated that. That is why he is requesting the interpretive opinion, so both parties have an  
42 understanding of if there is transportation in the ready mix industry. In the request, the  
43 transportation charges are separately stated and that is the only requirement that the state of  
44 Nevada requires for the transportation to not be taxable. The State of Nevada describes the  
45 moving of the ready mix from the seller's location to the purchaser's location as manufacturing

1 and not transportation. Therefore, we are coming before this committee to have them answer the  
2 question according to the definitions adopted in the SSUTA on whether there is transportation or  
3 not. The State of Nevada is stating that the delivery of ready mix is a necessary part of the sale.  
4 And because it is so required it is taxable. Yes it is true that delivery and specifically  
5 transportation is a part of every sale. If the product can never be transported from the seller's  
6 location to the purchaser's location, how could a sale ever take place? That would be true for  
7 any product. The term necessary to complete the sale usually does not include delivery because  
8 the purchaser has the right to pick up the product. We are asking in our private letter ruling  
9 about the taxation of transportation and or delivery of ready mix. If a purchaser picks up the  
10 product (ready mixed concrete) at the seller's location, there is no delivery, so the taxation of  
11 delivery is not a question because it is not applicable. The State of Nevada states that a  
12 purchaser does not have the right or ability to pick it up at the seller's location. This is simply  
13 not true and it does happen, but it is just not what we are asking an opinion on. If the purchaser  
14 can pick the product up at the seller's location then the transportation is simply not, nor can it be,  
15 a requirement to make the sale. The state is relying upon the fact that the Nevada Tax  
16 Commission ruled that the private letter ruling is accurate in that there is no transportation or  
17 delivery in ready mix. Again, as outlined above, there has to be delivery and transportation in  
18 the manufacturing of ready mixed concrete. The mere fact that the Nevada Tax Commission has  
19 said that there is no transportation does not make it so. If that were the case, there would be no  
20 appeal rights to their decisions and there would be no cases remanded back to them to correct  
21 their decision from higher courts. Having cases remanded back to the Nevada Tax Commission  
22 happens on regular basis. Having this interpretative opinion clarifies the issue of if there is  
23 transportation in the ready mix industry.

24  
25 **Recommendation:**

26  
27 By a unanimous vote of the members present, the Compliance Review and Interpretations  
28 Committee (CRIC) submits to the Governing Board a recommendation that the interpretation  
29 proposed by the requestor be accepted in part. With respect to the first question, CRIC  
30 recommends that the Governing Board find that transportation does include ready mix concrete.  
31 With respect to the second question, CRIC recommends that the Governing Board find that the  
32 transportation as a component of delivery charges can be separately stated. CRIC did not feel  
33 that a ruling could be made with respect to the third question in its current form as the term  
34 "manufacturing" is not defined in the Agreement. Finally, with respect to the fourth question,  
35 CRIC recommends that the Governing Board find that if a state's taxability matrix indicates that  
36 it excludes transportation from the definition of "sales price," then transportation would be  
37 excluded if it is separately stated. With respect to the second and fourth questions, this answer  
38 does not mean that CRIC agrees that there is a separately stated charge solely for  
39 "transportation" under the facts provided. The determination of whether there is something more  
40 than transportation included in this charge with respect to ready mix concrete would need to be  
41 determined by the individual state.

42  
43 **Rationale:**



1 1. “Transportation” is not defined in the Agreement. However, the Merriam-Webster Dictionary  
2 defines transportation to be the act or process of moving people or things from one place to  
3 another. Nevada does not deny there is movement of product in the delivery of ready mix  
4 concrete. The concrete has to be moved from the plant to the purchaser’s location. Therefore,  
5 “transportation” is involved when ready mix concrete is delivered from the plant to the  
6 customer’s location.

7  
8 2. The Agreement defines “sales price” to mean “...the measure subject to sales tax and means  
9 the total amount of consideration, including cash, credit, property, and services, for which  
10 personal property or services are sold, leased, or rented, valued in money, whether received in  
11 money or otherwise, without any deduction for the following:

- 12
- 13 A. The seller's cost of the property sold;
- 14 B. The cost of materials used, labor or service cost, interest, losses, all costs of
- 15 transportation to the seller, all taxes imposed on the seller, and any other expense of the
- 16 seller;
- 17 C. Charges by the seller for any services necessary to complete the sale, other than
- 18 delivery and installation charges;
- 19 D. Delivery charges;
- 20 E. Installation charges; and
- 21 F. Credit for any trade-in, as determined by state law.
- 22

23 States may exclude from “sales price” the amounts received for charges included in paragraphs  
24 (C) through (F) above, if they are separately stated on the invoice, billing, or similar document  
25 given to the purchaser.”

26  
27 The Agreement defines “delivery charges” to mean “...charges by the seller of personal property  
28 or services for preparation and delivery to a location designated by the purchaser of personal  
29 property or services including, but not limited to, transportation, shipping, postage, handling,  
30 crating, and packing.

- 31
- 32 A. A member state may exclude all delivery charges from the sales price of all personal
- 33 property and services, or choose to exclude from the sales price of personal property or
- 34 services one or more of the following components, and may amend the definition of delivery
- 35 charges accordingly:
  - 36 1. Handling, crating, packing, preparation for mailing or delivery, and similar charges; or
  - 37 2. Transportation, shipping, postage, and similar charges.”
- 38

39 It is clear from the definitions that “transportation” as a component of delivery charges can be  
40 separately stated. (Note: Although CRIC agreed that “transportation” of ready mix concrete can  
41 be separately stated, CRIC is not addressing whether the amounts indicated in the facts presented  
42 are (1) solely for “transportation” or (2) for a combination of “transportation” and other  
43 services/elements of sales price. That determination needs to be made by the individual state.)  
44

1 3. The Agreement does not define “manufacturing.” Manufacturing is defined differently on a  
2 state-by-state basis. Therefore, CRIC is not able to answer this question. A uniform definition of  
3 “manufacturing” would first need to be developed and added to the Agreement, which is beyond  
4 the scope of the CRIC process.

5  
6 4. The Taxability Matrix provides information on how the state treats products for which a  
7 definition is in the Agreement. In Section 328 of the Agreement, it provides that a “member state  
8 shall relieve sellers and CSPs from liability to the member state and its local jurisdictions for  
9 having charged and collected the incorrect amount of sales or use tax resulting from the seller or  
10 CSP relying on erroneous data provided by the member state in the taxability matrix.

11  
12 Section A of the Taxability Matrix requires the state’s to indicate whether “transportation,  
13 shipping, postage and similar charges” are included in or excluded from “sales price.” If a state’s  
14 Taxability Matrix excludes transportation, then transportation would be excluded if it is  
15 separately stated on the invoice or similar billing document given to the purchaser. (Note:  
16 Although CRIC agreed that “transportation” of ready mix concrete can be separately stated,  
17 CRIC is not addressing whether the amounts indicated in the facts presented are (1) solely for  
18 “transportation” or (2) for a combination of “transportation” and other services/elements of sales  
19 price. That determination needs to be made by the individual state.)

20  
21 **Participating Committee Members:**

22 Myles Vosberg, Tom Atchley, Dan Noble, Richard Cram, David Steines and Tim Jennrich

23  
24  
25 **Interpretive Opinion 2015-3**  
26 **(Adopted September 16, 2015)**

27  
28 This Interpretive Opinion recommendation is made to the Governing Board by the Compliance  
29 Review and Interpretations Committee this 3rd day of September, 2015, in accordance with  
30 Article IX, Rule 902 of the Rules and Procedures adopted by the Streamlined Sales Tax  
31 Governing Board, Inc. Ms. Deborah Bierbaum from AT&T requested the interpretation on July  
32 28, 2015. Ms. Bierbaum requested expedited consideration under Streamlined Sales Tax  
33 Governing Board (SSTGB) Rule 902, subsection H.

34  
35 **Issue:**

36  
37 The issue is whether prepaid wireless calling services as defined in Section 315 and Appendix C  
38 of the Streamlined Sales and Use Tax Agreement (SSUTA) include “rollover amounts,” if the  
39 wireless provider’s customer replenishes his or her service in advance and carryover the unused  
40 data from one month to the next.

41  
42 **Background Provided by Ms. Bierbaum (Summarized):** Wireless providers are offering  
43 prepaid wireless customers the ability to carryover their balance of unused data service that was  
44 originally purchased as a prepaid wireless calling service from one month to the next if the  
45 customer replenishes their service before the current service period expires. The marketing plan

1 as described effectively offers an amount of additional data service (i.e., the “rollover amount”)  
2 when a customer makes a subsequent purchase before the current service period expires. The  
3 prepaid wireless calling service and the accompanying “rollover” will decline and expire unless  
4 the customer makes the purchase in advance to continue his/her right to utilize the service. The  
5 “rollover amount” offered in this marketing plan is the specific amount of unused data that the  
6 vendor offers from the initial/earlier purchase that would otherwise expire. The definition of  
7 prepaid wireless calling service in Section 315 and in Appendix C of the SSUTA includes the  
8 condition that the service “must be paid for in advance and that it is sold in predetermined units  
9 or dollars of which the number declines with use in a known amount.” Rule 327.2 further  
10 explains that the term “predetermined unit” includes but is not limited to units measured by  
11 dollars, events, time or combinations thereof. The “rollover amount” is therefore a part of the  
12 rights granted in the “predetermined units” of time that are offered in the subsequent purchase.  
13

#### 14 **Public Comment:**

15  
16 No written public comments were received. During the teleconference, Mr. Rick Walters (IL)  
17 inquired to make sure he had an understanding of the facts. He presented an example in which a  
18 person buys 120 minutes of prepaid wireless calling services and data, uses 60 of those minutes  
19 and then before the end of the month, purchases another 120 minutes of prepaid wireless calling  
20 services and data. He wanted to confirm that what we were talking about was the remaining 60  
21 minutes and unused data. Ms. Bierbaum indicated that it is really just the unused data that they  
22 are asking about.  
23

24 Various other comments were made and questions were asked including whether there is any  
25 additional charge for the “rollover amount.” Ms. Bierbaum indicated that there is no additional  
26 charge for the rollover amount but the customer knows if they have an amount to rollover and if  
27 they prepay for the next month they will get to roll that amount over. If they do not prepay for  
28 the next month before the current period expires, the rollover amount is lost. Mr. Walters asked  
29 if the amount does not expire, then is this really prepaid? Ms. Bierbaum indicated that the  
30 “month” is the unit and that does expire. Tom Atchley (AR) indicated that another way to look at  
31 this is that what is rolled over was purchased and already paid for and if you extend, maybe you  
32 are really just amending the time period covered by the original transaction. Pat Calore indicated  
33 that the language talks about paying in advance and as long as the next month is paid for prior to  
34 hitting the expiration (whether due to reaching the end of the month, using up all the data, etc.),  
35 when you make the purchase for the next month, you really are just getting more data/minutes  
36 for the same price.  
37

#### 38 **Recommendation:**

39  
40 By a unanimous vote of the members present, the Compliance Review and Interpretations  
41 Committee (CRIC) submits to the Governing Board a recommendation that the interpretation  
42 proposed by the requestor be accepted and as such, “prepaid wireless calling service” includes an  
43 offer of a specific amount of additional data service characterized as “rollover data” (or similarly  
44 worded language) that is added to and included in the amount of predetermined units or dollars

1 that are paid for in advance when a customer makes a subsequent purchase to continue the right  
2 to utilize their prepaid wireless calling service.

3  
4 **Rationale:**

5  
6 At the time the customer made the initial purchase, the customer purchased prepaid wireless  
7 calling services that expired at the end of the month. When the customer purchased prepaid  
8 wireless calling services for the next month that included a “rollover amount,” the customer was  
9 again purchasing prepaid wireless calling service sold in predetermined units that will decline  
10 with use in a known amount. No additional payment is paid for the rollover amount. The  
11 customer is just getting more prepaid minutes/data for the same monthly charge.

12  
13 **Participating Committee Members:**

14 Myles Vosberg, Tom Atchley, David Steines and Tim Jennrich. Absent were Dan Noble,  
15 Senator Wayne Harper and Richard Cram.

1 **APPENDIX E**

2  
3 **LIBRARY OF TAX ADMINISTRATION PRACTICES**

4  
5 **Disclosed Practice Number 1 – Vouchers (Adopted October 29, 2013)**

6  
7 *This document is limited to the specific types of transactions described herein.*

8  
9 As used herein, a voucher is an instrument that is:

- 10  
11 a. issued to a purchaser for an amount that is less than the face value and both the face  
12 value and amount paid by the purchaser are noted on the voucher;
- 13 b. redeemable for personal property or services in a single visit only at the seller’s  
14 business;
- 15 c. redeemable either for a specific product or for a certain dollar amount towards the  
16 purchase price of any product sold by the seller;
- 17 d. issued, marketed, or distributed by a third party pursuant to a specific agreement with  
18 the seller, and the seller determines the price at which the voucher is to be issued and  
19 allows redemption of the specific voucher for personal property or services (“third  
20 party agreement”);
- 21 e. not a digital code as defined by the Agreement or its Rules;
- 22 f. not a ticket for an admission to a specific performance or event on a specific date and  
23 time;
- 24 g. not a gift card or gift certificate nor is it convertible, in whole or in part, to gift cards,  
25 gift certificates or cash;
- 26 h. not usable in combination with other promotions or coupons offered by the seller; and  
27 i. not a prepaid calling service or a prepaid wireless calling service.

28  
29 Vouchers may be provided to purchasers in the form of an electronic instrument that is scanned  
30 by the seller from the purchaser’s electronic device.

31  
32 **Disclosed Practice 1.1**

33 The member state administers the difference between the value of a voucher allowed by the  
34 seller and the amount the purchaser paid for the voucher as a discount that is not included in the  
35 sales price (i.e., same treatment as a seller’s in-store coupon), provided the seller is not  
36 reimbursed by a third party, in money or otherwise, for some or all of that difference.

37  
38 **Example A.** A voucher is issued for \$20 by Third Party pursuant to an agreement with  
39 Seller B that entitles the purchaser to \$50 towards the purchase of any food and drink sold by  
40 Seller B. The agreement provides that Third Party will retain \$10 of the amount paid by the  
41 purchaser for advertising and marketing the voucher. The voucher identifies the amount paid  
42 by the purchaser, the face value of the voucher, and the expiration date for the period that the  
43 discount is available. The purchaser buys \$100 of food and drink prior to the expiration of  
44 the \$30 discount offered by the seller and tenders the voucher plus enough money to pay for

1 the food and drink. The measure (sales price) subject to sales tax is \$70 which is made up of  
2 the \$20 in consideration received by Third Party from the issuance of the voucher and the  
3 additional \$50 paid in cash by the purchaser directly to Seller B.  
4

5 **Example B.** \$20 worth of deal certificates are issued to Purchaser by Third Party for \$10.  
6 Purchaser is issued two \$10 deal certificates by Third Party for a specific seller. The two \$10  
7 deal certificates do not disclose the amount paid by Purchaser for each deal certificate.  
8 Purchaser presents \$20 of taxable items to the seller and tenders the two \$10 deal certificates  
9 to pay for the items. Since the amount paid by Purchaser to Third Party is not disclosed on  
10 the face of the deal certificate, the deal certificate is not a “voucher.” If the seller can  
11 substantiate the amount Purchaser paid to Third Party for the deal certificates, the member  
12 state would only require the seller to charge sales tax on the amount Purchaser paid for the  
13 deal certificates, regardless of the value of the certificates.  
14

15 **Example C.** A voucher is issued for \$20 by Third Party which entitles Purchaser to \$50  
16 towards food and drinks for a specific seller. The face value of the voucher is \$50 and the  
17 amount paid (\$20) by Purchaser to Third Party is indicated on the voucher. Purchaser  
18 redeems the voucher for \$50 of food and drinks after the stated expiration date. The seller  
19 honors the voucher for the face value of \$50. Pursuant to the agreement between Third Party  
20 and the seller, Third Party retains the \$20 paid by Purchaser and does not remit any of the  
21 \$20 purchase price to the seller. The sales price would be \$20. Since the voucher indicates  
22 the amount the purchaser paid for it, the difference (\$30) between the face value of the  
23 voucher allowed by the seller (\$50) and the amount Purchaser paid to Third Party for the  
24 voucher (\$20) is not included in the sales price.  
25

26 **Example D.** A voucher is issued for \$19 which entitles Purchaser to \$99 of services for a  
27 specific seller. The face value of \$99 and the amount paid by Purchaser (\$19) is indicated on  
28 the voucher. Upon ordering \$99 of services, Purchaser attempts to redeem the voucher after  
29 the stated expiration date. The seller only honors the voucher in the amount of \$19 and  
30 Purchaser pays the remaining \$80 in cash. Pursuant to the agreement between Third Party  
31 and the seller, Third Party retains the \$19 paid by Purchaser and does not remit any of the  
32 purchase price to the seller.  
33

34 The entire \$99 is subject to sales tax because the voucher indicates the face value of \$99 and  
35 the amount Purchaser paid for the voucher. The \$19 paid for the voucher issued by Third  
36 Party and the additional \$80 paid by Purchaser to the seller are included in sales price.  
37 Amounts reimbursed by the Third Party, if any, are not relevant in determining consideration  
38 included in sales price.  
39

#### 40 **Disclosed Practice 1.2**

41 The member state provides that when the discount on a voucher will be fully reimbursed by a  
42 third party the seller is to use the face value of the voucher (i.e., same as the treatment of a  
43 manufacturer's coupon) and not the price paid by the purchaser as the measure (sales price) that  
44 is subject to tax.  
45

1 **Example.** A voucher is issued for \$20 by Third Party pursuant to an agreement with Seller B  
2 that entitles Purchaser to \$50 towards the purchase of any food and drink sold by Seller B.  
3 The agreement provides that Third Party will retain \$10 of the amount paid by Purchaser for  
4 advertising and marketing the voucher. Seller B also receives consideration from another  
5 party reimbursing Seller B for the \$30 discount taken by Purchaser. The measure (sales  
6 price) subject to sales tax is \$100 which is made up of the \$20 received from the sale of the  
7 voucher, the \$30 in consideration received as a direct reimbursement of the discount and the  
8 \$50 paid in cash by Purchaser directly to Seller B.  
9

### 10 **Disclosed Practice 1.3**

11 The member state provides that costs and expenses of the seller are not deductible from the sales  
12 price and are included in the measure (sales price) that is subject to tax. Further, reductions in the  
13 amount of consideration received by the seller from the third party that issued, marketed, or  
14 distributed the vouchers, such as advertising or marketing expenses, are costs or expenses of the  
15 seller.  
16

17 **Example.** A \$20 voucher is issued by Third Party for \$10 for a specific seller. The voucher  
18 indicates a face value of \$20 and that Purchaser paid \$10 for the voucher. By contract, the  
19 Third Party is required to remit \$8 to the seller and allowed to retain \$2 for advertising and  
20 marketing the voucher. Purchaser presents \$20 of taxable items to the seller and tenders the  
21 \$20 voucher to pay for the items. The sales price on which the sales tax is levied is \$10,  
22 which includes the \$2 retained by Third Party. The difference (\$10) between the value of the  
23 voucher (\$20) and the amount Purchaser paid to Third Party (\$10) is a discount that is not  
24 included in the sales price.  
25  
26

### 27 **Disclosed Practice Number 2 - Tax Credits (Adopted May 15, 2014)**

#### 28 **Term definitions for use in this Appendix**

29 A. **“Product”** includes tangible personal property, a digital good or product transferred  
30 electronically, or a service.  
31

32 B. **“Sales or use taxes”** mean the taxes that are commonly referred to as sales or use taxes  
33 that are paid to a state, local jurisdiction or to the District of Columbia that are based on a  
34 percentage of the sales price or purchase price. The states of Alaska, Delaware, New Hampshire,  
35 Montana, and Oregon do not impose taxes commonly referred to as state sales or use tax. Sales  
36 or use taxes do not include “similar tax”.  
37  
38

39 C. **“Similar tax”** means a tax that is:

- 40 1. Imposed on the seller or purchaser;
- 41 2. Required to be, or which may be, collected from the purchaser at the time of the sale;
- 42



- 1 3. Based on a percentage of the sales price or purchase price of the product; and  
2 4. Required to be paid by the purchaser directly to the state, if the seller was not required  
3 to remit the tax and the purchaser stored, used or otherwise consumed the product in the  
4 state.

5  
6 Examples that may be similar taxes:

- 7 • motor vehicle excise taxes  
8 • highway use taxes  
9 • scrap tire taxes  
10 • mill machinery taxes  
11 • data center taxes  
12 • manufacturing taxes  
13 • farm and irrigation equipment excise taxes

14  
15 D. **“Tax paid”** means the tax that was (1) paid and (2) previously due from either the seller  
16 or the purchaser when the sale of that product is taxable in that state and it was properly sourced  
17 based on that state’s sourcing rules. “Tax paid” includes tax that was (1) paid and (2) previously  
18 due from the purchaser (or seller, if applicable) because the purchaser moved the product to a  
19 different jurisdiction. “Tax paid” does not include the portion of tax paid that is currently  
20 eligible for a credit or refund or tax paid that is eligible for refund under a tax-incentive program  
21 or agreement

22  
23 E. “Sales or use taxes paid” means the “sales or use taxes” that are “tax paid”.

24  
25 Use of the term “State” in each practice refers to the state completing the Matrix.

26  
27 The credit provided by a State will not exceed the total state and/or local sales or use tax due on a  
28 product in that State unless that state indicates otherwise.

29  
30 Example of “Tax Paid” to Subsequent State:

- 31 • Purchaser receives a taxable product in State A for \$1,000 and pays State A’s 5%  
32 sales tax, \$50, to the seller.



- 1 • Purchaser uses the product in State B where the state sales and use tax rate is 6%.  
2 State B provides credit for sales or use tax paid on the initial purchase. Purchaser  
3 owes and pays State B \$10 for sales or use tax. (( $\$1000 \times 6\% = \$60$ ) -  $\$50 = \$10$ )
- 4 • Purchaser then uses the product in State C where the state's sales and use tax rate is  
5 7%. State C provides credit for sales or use tax paid on the initial purchase and for  
6 taxes paid on use in a previous state. Purchaser owes State C \$10 sales or use tax, as  
7 applicable. ( $\$1000 \times 7\% = \$70$ ) -  $\$60 = \$10$ )

8  
9 Example of "Tax Paid" Eligible for Refund:

- 10 • A purchaser buys, takes delivery of, and uses a piece of equipment in State A, which  
11 imposes a 5% sales tax.
- 12 • State A exempts equipment used in manufacturing. While purchaser's use of the  
13 equipment qualifies for the exemption, the purchaser does not provide the seller with  
14 an exemption certificate. Therefore, the seller collects State A's 5% tax on the sales  
15 price of the equipment.
- 16 • The purchaser uses the equipment in State B, where the sales and use tax rate is 6%.  
17 State B does not exempt the purchaser's equipment from its sales and use tax.
- 18 • The purchaser can apply for and receive a refund of the 5% sales tax from State A.
- 19 • The purchaser owes State B 6% sales or use tax on the equipment.

20  
21 **Disclosed Practice 2.1 - Credit Against Use Tax**

22  
23 The State imposing tax provides credit for "sales or use taxes paid" on a product against the  
24 State's use tax.

25  
26 **Disclosed Practice 2.2 - Credit Against Sales Tax**

27  
28 The State imposing tax provides credit for the "sales or use taxes paid" on a product against the  
29 State's sales tax.

30  
31 Credit for taxes paid on lease and rental transactions is provided for in Practices 2.14 – 2.16.  
32

33 **Disclosed Practice 2.3 - Reciprocity**

1 2.3.a. The credit the State provides in 2.1 and 2.2 applies regardless of whether another state  
2 provides a reciprocal credit.

3  
4 2.3.b. The credit the State provides in 2.1 and 2.2 only applies when the other state where the tax  
5 was paid provides a reciprocal credit.

6  
7 **Disclosed Practice 2.4 - State and Local Sales and Use “Tax Paid”**

8  
9 2.4.a. The credit provided for in 2.1 and 2.2 is for the combined amount of state and local “tax  
10 paid” to another state or local jurisdiction against both the state and local taxes due to the State.

11  
12 2.4.b. The credit provided for in 2.1 and 2.2 is for only the state “tax paid” to another state  
13 against the taxes due to the State (i.e., no credit for local tax against state tax). If the State has  
14 local sales or use taxes, it only provides credit for state tax against state tax and local tax against  
15 local tax.

16  
17 **Example A**

- 18 • Purchaser buys a taxable product from Seller in State A for \$1,000.  
19 • Purchaser takes possession of the product at Seller's location in State A.  
20 • Seller collects State A's 5% state sales tax (\$50) and 2% local sales tax (\$20) on  
21 the transaction.  
22 • Purchaser takes the product to State B where the state use tax rate is 4% (\$40) and  
23 the local use tax rate is 4% (\$40).  
24 • State B gives credit for State A's 5% state tax paid against its 4% state use tax and  
25 gives credit for State A's 2% local sales tax paid against its 4% local use tax.  
26 • State B will receive \$20 in local use tax (\$40 - \$20) on this transaction.  
27 • Purchaser paid a total of \$90 in sales and use tax (\$70 in State A and \$20 in State  
28 B).

29  
30 **Disclosed Practice 2.5 - Credit for “Similar Tax” Paid to Another Jurisdiction**

31  
32 The credit provided for in 2.1 and 2.2 includes “similar taxes” that were (1) paid and (2)  
33 previously due to another state or local jurisdiction against the sales or use taxes due.

34  
35 Credits for “similar taxes” are subject to the same restrictions and “tax paid” definitions in the  
36 tax administration practices matrix as the credit for “sales or use taxes paid.”  
37

1 The State should list the “similar taxes” for which credit is allowed that are known to the State.  
2 The State should also indicate any other taxes it provides credit for even if such tax does not  
3 meet the definition of a “similar tax.”

4  
5 Example B

- 6 • State A imposes a 7% sales tax and State B imposes a 6% agricultural excise tax.
- 7 • The purchaser buys, takes delivery of, and uses farm machinery in State B and pays  
8 State B the agricultural excise tax.
- 9 • The purchaser subsequently uses the equipment in State A.
- 10 • State A imposes its tax on the machinery and provides credit for the agricultural  
11 excise tax paid to State B.
- 12 • The purchaser owes 1% sales or use tax to State A.

13  
14 **Disclosed Practice 2.6 - Credit Against “Similar Taxes” Imposed by the State**

15  
16 The credit provided for in 2.1 and 2.2 includes “sales or use taxes paid” to another state or local  
17 jurisdiction against “similar taxes” due.

18  
19 A state that provides credit against specific “similar taxes”, but not all, should identify the  
20 “similar taxes” for which it provides credit against in the comments section of the Matrix. The  
21 State should indicate any other taxes it provides credit against even if such tax does not meet the  
22 definition of a “similar tax.”

23  
24 Example C

- 25 • State A imposes a 7% sales tax and State B imposes a 6% agricultural excise tax.
- 26 • The purchaser buys and takes delivery of farm machinery in State A and pays 7%  
27 sales tax to State A.
- 28 • The purchaser immediately moves the farm equipment to State B.
- 29 • State B allows credit for sales tax paid State A against the agricultural excise tax due  
30 on the farm machinery. No additional tax is due State B.

31  
32 **Disclosed Practice 2.7 - Sourcing when Receipt Location is Known**

1 The credit provided for in 2.1 and 2.2 applies when the other state’s “sales or use taxes” were (1)  
2 paid and (2) previously due based on: i) that other state’s sourcing rules, or ii) the purchaser’s  
3 location of use of a product subsequent to the initial sale.

4  
5 **Disclosed Practice 2.8 - Sourcing when Receipt Location is Unknown**

6  
7 Except as provided in Disclosed Practice 2.13, the credit provided for in 2.1 and 2.2 applies  
8 when the seller sources the initial sale pursuant to the SSUTA Sections 310.A.3, 310.A.4, or  
9 310.A.5, because the location where the product was received by the purchaser was unknown to  
10 the seller.

11  
12 **Example D**

- 13 • A purchaser buys a digital product but does not provide seller with a delivery address.  
14 The seller collects 5% sales tax based on the purchaser’s billing address in State A  
15 pursuant to SSUTA Section 310.A.3.
- 16 • The purchaser downloads the product in State B, where the sales tax rate is 7%.
- 17 • State B would allow credit for the 5% sales tax paid against the 7% use tax due. The  
18 purchaser would pay State B 2% use tax on the purchase.

19  
20 **Disclosed Practice 2.9 - Characterization of Sale**

21  
22 The credit provided for in 2.1 and 2.2 applies regardless of the other state’s characterization of  
23 the product as tangible personal property, a service, digital good, or product delivered  
24 electronically.

25  
26 **Disclosed Practice 2.10 - Sales Price Components**

27  
28 *2.10.a. - Full Credit Allowed*

29  
30 The credit provided for in 2.1 and 2.2 applies to all components of the SSUTA “sale price”  
31 definition, taxable and nontaxable in the State.

32  
33 **Example E**

- 34 • State A includes delivery charges in its definition of “Sales Price”.
- 35 • State B does not include delivery charges in its definition of “Sales Price”.

- 1 • The purchaser buys equipment that is delivered in State A. The sales price of the
- 2 product is \$11,000, which includes \$1,000 for delivery.
- 3 • The purchaser pays \$550 sales tax to State A ( $\$11,000 \times 5\% = \$550$ ).
- 4 • The purchaser uses the property in State B where the tax rate is 7%.
- 5 • State B provides full credit for \$550 sales tax paid to State A.
- 6 • The purchaser pays an additional \$150 use tax to State B. ( $(\$10,000 \times 7\% = \$700) -$
- 7  $\$550 = \$150$ ).

8  
9 **2.10.b. - Partial Credit Allowed**

10  
11 When taxable and non-taxable charges are itemized on the invoice, the credit provided for in 2.1  
12 and 2.2 is only for the “tax paid” on the taxable components of the sales price in the State.

13  
14 **Example F**

- 15 • State A includes delivery charges in its definition of “Sales Price”.
- 16 • State B does not include delivery charges in its definition of “Sales Price”.
- 17 • The purchaser buys a product that is delivered in State A. The sales price of the
- 18 product is \$11,000, which includes \$1,000 for delivery. The delivery charge is
- 19 itemized.
- 20 • The purchaser pays \$550 sales tax to State A ( $\$11,000 \times 5\% = \$550$ ).
- 21 • The purchaser uses the property in State B where the tax rate is 7%.
- 22 • State B provides credit for \$500 sales tax paid to State A ( $\$10,000 \times 5\% = \$500$ ).
- 23 • The purchaser pays an additional \$200 use tax to State B ( $(\$10,000 \times 7\% = \$700) -$
- 24  $\$500 = \$200$ ).

25  
26 **Disclosed Practice 2.11 - Transactions with Taxable and Exempt Products**

27  
28 **2.11.a. - Full Credit Allowed**

29  
30 The credit provided for in 2.1 and 2.2 applies to the full amount of “tax paid” on a transaction  
31 consisting of taxable and exempt products.

1  
2 Example G

- 3 • Purchaser has a piece of equipment repaired in State A that imposes 4% sales and use  
4 tax on repair parts and repair labor. The purchaser pays \$60 in sales or use tax, \$500  
5 for parts and \$1,000 for labor (4% X \$1,500 = \$60).
- 6 • The purchaser uses the equipment in State B.
- 7 • State B imposes tax on repair parts at the rate of 7%; however, repair labor is not  
8 taxed.
- 9 • The tax due in State B on the repair parts is \$35 (7% X \$500).
- 10 • State B gives credit for the total tax paid to State A (\$60) resulting in no additional  
11 tax being due in State B.

12  
13 2.11.b. - *Partial Credit Allowed*

14  
15 When taxable and non-taxable products are itemized on the invoice the credit provided for in 2.1  
16 and 2.2 is only for the “tax paid” on the taxable products of a transaction in the State.  
17

18 Example H

- 19 • Purchaser has a piece of equipment repaired in State A that imposes 4% sales and use  
20 tax on repair parts and repair labor. The purchaser pays \$60 in sales or use tax, \$500  
21 for parts and \$1,000 for labor (4% X \$1,500 = \$60).
- 22 • The purchaser uses the property in State B and uses it in a taxable manner. State B  
23 taxes repair parts at the rate of 7% but repair labor is not taxed.
- 24 • The tax due in State B on the repair parts is \$35 (7% X \$500 = \$35).
- 25 • State B gives credit for the tax paid to State A on the repair parts (\$500 X 4% = \$20)  
26 resulting in \$15 additional tax due State B (\$35 - \$20 = \$15).

27  
28 Example I

- 29 • Purchaser has equipment repaired in State A that imposes a 7% sales and use tax on  
30 repair parts, but excludes repair labor. The sale includes \$500 for parts and \$1000 for  
31 labor.
- 32 • The repair shop in State A collects and remits from the purchaser \$35 sales tax on the  
33 parts (\$500 X 7% = \$35).

- 1 • The purchaser takes the equipment to State B that imposes sales and use tax on both  
2 repair parts and labor at 4%.
- 3 • The purchaser has a taxable use in State B that imposes \$60 tax on the entire  
4 transaction for repair parts and repair labor ( $\$1,500 \times 4\% = \$60$ ).
- 5 • State B gives credit for the tax paid to State A on the repair parts but only up to the  
6 rate imposed in State B or 4% of \$500 or \$20. This results in \$ 40 additional tax due  
7 on the labor ( $\$60 - \$20$ ).

8

9 **Disclosed Practice 2.12 - Audit Sampling**

10

11 The credit provided for in 2.1 and 2.2 applies when the sale or purchase of the product was part  
12 of the population sampled pursuant to an audit sampling method.

13

14 **Disclosed Practice 2.13 - Direct Mail**

15

16 The credit provided for in 2.1 and 2.2 applies when the seller sources the sale of Advertising and  
17 Promotional Direct Mail pursuant to Section 313.A.4.

18

19 **Disclosed Practice 2.14 - Accelerated Payments on Lease/Rentals**

20

21 The credit provided for in 2.1 and 2.2 includes the “tax paid” to another state or local jurisdiction  
22 on a lease/rental transaction based on the sum of the lease payments (“accelerated basis”),  
23 against the “sales or use taxes” due on the balance of the lease/rental payments.

24

25 **Example J**

- 26 • A purchaser enters into a leasing agreement in State A where the state tax rate is 5%.  
27 The agreement is for a three-year period with monthly lease payments of \$1,000.
- 28 • State A imposes sales tax on an accelerated basis; collecting \$1,800 in sales tax at the  
29 inception of the lease ( $\$36,000 \times 5\% = \$1,800$ ). The property remains in State A for  
30 12 months.
- 31 • In month 13, the purchaser moves the property to State B where the state tax rate is  
32 8%.
- 33 • State B also imposes tax on an accelerated basis.
- 34 • The purchaser owes use tax at the rate of 8% on the remaining 24 lease payments or  
35 \$1,920 ( $\$24,000 \times 8\% = \$1,920$ ).

- 1 • State B allows credit for the \$1,800 paid to State A. The purchaser owes an  
2 additional \$120 to State B (\$1,920 - \$1,800).

3  
4 Example K

- 5 • The same fact pattern as above except that State B imposes tax on the stream of lease  
6 payment each month.
- 7 • When the property is moved to State B in month 13, State B begins imposing tax on  
8 each payment or \$80 per month.
- 9 • State B allows credit against the use tax due on the monthly payments until such time  
10 as the credit is exhausted; any remaining lease payments are subject to tax at the 8%  
11 rate.

12  
13 **Disclosed Practice 2.15 - Inception-Deferred Collection on Lease/Rentals**

14  
15 The credit provided for in 2.1 and 2.2 includes the “tax paid” to another state or local jurisdiction  
16 on a lease/rental transaction based on a deferred collection/remittance method against the “sales  
17 or use taxes” due on the balance of the lease/rental payments.

18  
19 Example L

- 20 • A purchaser enters into a leasing agreement in State A where the state tax rate is 5%.  
21 The agreement is for a three-year period with monthly lease payments of \$1,000.
- 22 • State A imposes sales tax at the inception of the lease but allows for deferred  
23 collection of the tax.
- 24 • The property remains in State A for 12 months; then is moved to State B where the  
25 tax rate is 8%. State A collects tax during the life of the lease.
- 26 • In month 13, the purchaser moves the property to State B where the state tax rate is  
27 8.0%. State A continues to impose its 5% tax on the lease.

28 The lease payments which become due once the property is moved are subject to an additional  
29 3% tax ( $8\% - 5\% = 3\%$ ).

30  
31 **Disclosed Practice 2.16 - Lessor Acquisition**

32  
33 The credit provided for in 2.1 and 2.2 includes the “tax paid” by the lessor to another state or  
34 local jurisdiction on the acquisition of the product against the “sales or use taxes” due on the



1 balance of the lease/rental payments provided the tax reimbursement is documented and  
2 disclosed to the lessee.

3  
4 Example M

- 5 • A lessor purchases a piece of equipment in State A that will be leased to third parties.  
6 The tax rate in State A is 6%.
  
- 7 • State A allows the lessor to pay tax on its purchase price, \$15,000, in lieu of  
8 collecting tax on the lease payments. The lessor pays \$900 sales tax to State A  
9 (\$15,000 X 6% = \$900).
  
- 10 • The equipment is leased to a company for three years and the amount of tax paid is  
11 disclosed to the lessee.
  
- 12 • The lessee moves the equipment to State B which has a 7% state tax rate.
  
- 13 • State B would provide credit of \$25 ( $\$900/36 = \$25$ ) each month against the use tax  
14 due in State B.

15  
16 **Disclosed Practice Number 3 – Liability Relief (Adopted September 16, 2015)**

17  
18 Note: These tax administration practices address whether a member state provides liability relief  
19 when the state is only required to provide relief “to the extent possible,” as specified in section  
20 328(C) and (D) of the Agreement.

21  
22 **Disclosed Practice 3.1 – Liability relief for erroneous information in the tax administration  
23 practices section of the taxability matrix**

24  
25 The State provides sellers and CSPs with liability relief for tax, interest and penalties if the  
26 sellers and CSPs charged and collected the incorrect tax due to erroneous information in the tax  
27 administration practices section of the taxability matrix.

28  
29 **Example 1:** A state indicates when completing its tax administration practice for vouchers that it  
30 complies with voucher practice 1.1 and does not include the discount provided by the voucher as  
31 part of the sales price. The state subsequently amends its response to indicate that it does include  
32 the discount provided by the voucher as part of the sales price. Sellers and CSPs that relied on  
33 that response before the state changed its response would not be liable for any additional tax,  
34 interest or penalties relating to this practice.

35  
36 **Disclosed Practice 3.2 – Extended liability relief for changes to the tax administration  
37 practices section of the taxability matrix**

1 When the State makes a change to its tax administration practice section of the taxability matrix,  
2 the State provides sellers and CSPs with liability relief for the tax, interest and penalties for  
3 having charged and collected the incorrect tax until the first day of the calendar month that is at  
4 least 30 days after notice of the change to the state's tax administration practices section of the  
5 taxability matrix is submitted to the governing board, provided the seller or CSP relied on the  
6 prior version of the taxability matrix.

7  
8 **Example 2:** Same as Example 1 and assume the change to tax administration practices section of  
9 the member state's taxability matrix is made on May 15<sup>th</sup>. Sellers and CSPs would not be liable  
10 for any additional tax, interest, or penalty in reliance on the prior version of the taxability matrix  
11 until July 1<sup>st</sup>.

12  
13 **Disclosed Practice 3.3 – Extended liability relief for changes to the library of definitions**  
14 **section of the taxability matrix**

15  
16 When the State makes a change to the library of definitions section of its taxability matrix, the  
17 State provides sellers and CSPs with liability relief for the tax, interest and penalties for having  
18 charged and collected the incorrect tax until the first day of the calendar month that is at least 30  
19 days after notice of the change to the member state's library of definitions section of the  
20 taxability matrix is submitted to the governing board, provided the seller or CSP relied on the  
21 prior version of the taxability matrix.

22  
23 **Example 3:** A state indicates when completing its library of definitions section of the taxability  
24 matrix that it does not impose tax on durable medical equipment. The state subsequently amends  
25 its response on May 15<sup>th</sup> to indicate that tax is imposed on durable medical equipment without a  
26 prescription. Sellers and CSPs will not be liable for any additional tax, interest, or penalty if it  
27 relied on the prior version of the taxability matrix until July 1<sup>st</sup>.

28  
29 **Disclosed Practice Number 4 - Limited Power of Attorney/Agent Authorization (Adopted**  
30 **December 16, 2016)**

31 **Background:** Pursuant to Section 501.A. of the Agreement, the governing board has certified  
32 various certified service providers (CSPs) and, pursuant to Section 501.B.6., has entered into  
33 contracts with those CSPs to perform the services listed in Section 501 for sellers. In performing  
34 those services, it is frequently necessary for the CSP, through its employees, to discuss issues  
35 with the member states regarding returns filed and payments made by or on behalf of a seller.  
36 Those discussions may involve the disclosure by the state of confidential information.  
37 Accordingly, each state generally requires written authorization from the seller to disclose that  
38 information to the CSP and its employees. In addition, taxpayer representatives other than CSPs  
39 may represent sellers in a similar capacity and may have the same need to discuss returns filed  
40 and payments made by or on behalf of a seller with the member states and receive confidential  
41 information.

42 The Fundamental Purpose of the SSUTA, set out in Section 102, is to simplify and modernize  
43 sales and use tax administration in the member states in order to substantially reduce the burden

1 of tax compliance for all sellers. In furtherance of that purpose the governing board has  
2 approved a form of Limited Power of Attorney/Agent Authorization to authorize the states to  
3 disclose confidential information (Form F0023). There is no requirement that a state accept this  
4 form. It is anticipated that changes to the form may be made by the Executive Committee from  
5 time to time, with prior notice to the states to allow them adequate time to review. The revised  
6 version of the form will be posted on the governing board's website. Each member state may  
7 then update its response to this disclosed practice to indicate whether it will accept the revised  
8 form.

9 **Disclosed Practice 4.1.**

10 The member state will accept a signed copy of the Limited Power of Attorney/Agent  
11 Authorization form posted to the governing board's website, as sufficient authority for the state  
12 to disclose to the CSP any confidential information of the seller necessary to allow the CSP to  
13 fulfill its obligations under its contract with the governing board and to fulfill its responsibilities  
14 to the seller under Section 501 of the Agreement.

15 **Disclosed Practice 4.2.**

16 The member state will accept a signed copy of the Limited Power of Attorney/Agent  
17 Authorization form posted to the governing board's website, as sufficient authority for the state  
18 to disclose to the seller's appointed agent, other than a CSP, any confidential information of the  
19 seller as authorized on the form to allow the agent to fulfill its obligations to the seller.

20 **Note:** *Adoption of this Disclosed Practice by the member state does not require the state to, or*  
21 *prevent the state from, using the form for any other purpose that may fall within the terms of the*  
22 *form. Acceptance of the form by a member state does not require the state to allow the Agent to*  
23 *represent a seller at an administrative hearing.*

24 **Disclosed Practice Number 5 – Post Transaction Issues (Adopted May 10, 2017)**

25 Note: These tax administration practices address various scenarios that may occur after the initial  
26 sale has taken place, including scenarios in which customers are returning or exchanging  
27 products. The practices are intended to provide general guidance on how a seller can obtain a  
28 refund or credit from the state for the tax refunded to a customer.

29 Unless indicated otherwise throughout Disclosed Practice 5:

- 30 • Use of the word "tax" means the sales or use tax paid by the customer to the seller which  
31 was timely remitted by the seller to the state;
- 32 • Use of the word "refund" includes a credit unless otherwise stated;
- 33 • Unless otherwise stated, the refund is being claimed within the state's statute of  
34 limitations;
- 35 • Unless otherwise stated, the seller has refunded the tax to the customer;
- 36 • The tax rates used in the examples are for illustrative purposes only and are presumed to  
37 be correct;

- The seller is not engaged in fraud or making intentional misrepresentations;
- The seller maintains proper books and records to substantiate taxes collected and remitted based on the applicable state's requirements;
- The disclosed practices do not apply to sales of motor vehicles;
- The disclosed practices relate to products voluntarily returned by the customer and accepted by the seller (*e.g.*, does not include repossessed products) and;
- **The disclosed practices only provide general guidance and assume there are no other unique circumstances that apply.**

### **Disclosed Practice 5.1 – Refund Procedure Document**

*Explanation:* Some states have written procedures on their websites to explain how sellers and customers can properly obtain a refund of tax when a product is returned to the seller or subsequently determined to not be taxable.

**Disclosed Practice 5.1** - Does your state have written guidance on your website, or otherwise, that explains how sellers and/or customers can properly obtain a tax refund from your state? (If “yes”, please provide a website link and/or indicate how a person can obtain guidance in the comments.)

### **Disclosed Practice 5.2 - Initiation of the State’s Statute of Limitations for a Seller to Claim a Tax Refund for Returned Products**

*Explanation:* Each state’s statute of limitations differs as to when it begins for a seller to obtain a refund of tax paid for products returned by a customer. It can be based on:

- The due date of the tax return on which the tax was required to be reported by the seller to the state;
- The date the tax on the sale was due by the seller to the state;
- The date the tax was remitted to the state or the due date of the tax return, whichever is later;
- The date the customer returns the product (such as a rescission of sale) to the seller and receives the refund from the seller.

### **Example 5.2**

- Seller is located in your State and makes a \$100 sale on January 21, 2016, of one product.
- Customer takes possession of the product in your State on the date of the sale.
- The transaction is subject to a 6% sales tax, including any applicable local sales taxes.
- Seller collects \$106 from the customer.
- Seller reports the \$100 sale and remits the \$6 in sales tax owed to the state and local jurisdiction on its January tax return which was due on February 20, 2016, but was filed with and submitted to the state on February 21, 2016.
- Customer returns the product on March 25, 2016, and receives a full refund of the purchase price (\$100) and sales tax paid to Seller (\$6).
- The Seller makes a request for a refund/credit of the \$6 in tax with your State after having refunded the sales tax to the customer.

1 **Disclosed Practice 5.2 - When does your state’s statute of limitations begin for a seller to obtain**  
2 **a refund of tax paid for products returned by a customer?**

3  
4 **Post Transaction 5.2.A. - It begins on the due date of the tax return on which the tax was**  
5 **required to be reported by the seller to the state (February 20, 2016, in Example 5.2**  
6 **above).**

7  
8 **Post Transaction 5.2.B. - It begins on the date the tax on the sale was due by the seller to**  
9 **the state (February 20, 2016, in Example 5.2 above).**

10  
11 **Post Transaction 5.2.C. - It begins on the date the tax was remitted to the state or the**  
12 **due date of the tax return, whichever is later (February 21, 2016, in Example 5.2 above).**

13  
14 **Post Transaction 5.2.D. – It begins on the date the customer returns the product (such as**  
15 **a rescission of sale) to the seller and receives the refund from the seller (March 25, 2016,**  
16 **in Example 5.2 above).**

17  
18 **Post Transaction 5.2.E. - Other – If the state’s answers to 5.2.A. – 5.2.D. were all “no”,**  
19 **check “yes” and explain when the statute of limitations for a seller’s claim begins in the**  
20 **comments section.**

21  
22 **Disclosed Practice 5.3 – Statute of Limitations for a Seller to Claim a Tax Refund**

23  
24 ***Explanation: Most states have either a three- or four-year statute of limitations for refunds***  
25 ***related to when a seller can obtain a refund of tax paid for products returned by a customer.***

26  
27 **Disclosed Practice 5.3 –How long is your state’s statute of limitations time period for a seller to**  
28 **claim a tax refund on products returned by a customer?**

29  
30 **Post Transaction 5.3.A. - A three-year statute of limitations (that begins based on the**  
31 **state’s response in 5.2) for a seller to make a refund request to the state.**

32  
33 **Post Transaction 5.3.B. - A four-year statute of limitations (that begins based on the**  
34 **state’s response in 5.2) for a seller to make a refund request to the state.**

35  
36 **Post Transaction 5.3.C.- If the answers to both 5.3.A. and 5.3.B., were “no” indicate**  
37 **“yes” and provide your state’s time period for a seller to make a refund request to the**  
38 **state in the comments section.**

39  
40 **Disclosed Practice 5.4 – Documentation to Prove Refund of Tax to Customer**

41  
42 ***Explanation: States differ on what records are required to be retained to prove tax was paid by***  
43 ***the customer and refunded to the customer. The seller retains information that identifies the***  
44 ***product purchased, the date purchased, the tax collected, the product returned, the date returned***

1 and the tax refunded to the customer. Note: A state's answer to this question does not impact the  
2 use of sampling, as authorized by the state, in an audit to ascertain liability.

3  
4 **Disclosed Practice 5.4** - Will your state accept the seller's electronic sales receipts that identify  
5 the product purchased, the date purchased, the tax collected, the product returned, the date  
6 returned and the tax refunded to the customer as sufficient documentation to prove that a  
7 customer paid tax?

8  
9 **Disclosed Practice 5.5 – Credit on Tax Return, Subsequent Tax Return or Refund Claim**

10  
11 **Explanation:** States differ on how they will allow a seller to claim credit for tax refunded to its  
12 customers. If the product return was made prior to the tax return being filed, some states will  
13 allow a credit on the tax return. Some states, subject to a state's statute of limitations, will allow  
14 a credit to be claimed on a subsequent tax return filed by a seller, while other states may require  
15 or allow a seller to file an amended tax return/refund claim to claim a credit.

16  
17 **Disclosed Practice 5.5 – How does a seller obtain a refund of tax refunded to their customer?**

18  
19 **Example 5.5.A.**

- 20 • Seller is located in your State and sells a product for \$100 on January 21, 2016.
- 21 • Customer takes possession of the product at the seller's location on the date of the sale.
- 22 • The transaction is subject to a 6% sales tax, including any applicable local sales taxes.
- 23 • Seller collects \$106 from the customer.
- 24 • Customer returns the product to the seller at the seller's location on February 7, 2016, and  
25 receives a full refund of the purchase price and sales tax paid to the seller.
- 26 • The January tax return is due on February 20, 2016.

27  
28 **Post Transaction 5.5.A.** – Does your state allow a seller to take a credit (or net) on its tax  
29 return to report the original sale if the product was returned prior to the seller filing that  
30 tax return?

31 (Note: A "Yes" answer means the seller could take a credit (or net) on the January  
32 return. If this is required, state that in the comments section.)

33  
34 **Example 5.5.B.**

- 35 • Seller is located in your State and sells a product for \$100 on January 21, 2016.
- 36 • Customer takes possession of the product at the seller's location on the date of the sale.
- 37 • The transaction is subject to a 6% sales tax, including any applicable local sales taxes.
- 38 • Seller collects \$106 from the customer.
- 39 • Customer returns the product to the seller at the seller's location on May 10, 2016, and  
40 receives a full refund of the purchase price and sales tax paid to the seller.

41  
42 **Post Transaction 5.5.B.** - Subject to the state's statute of limitations, does your state  
43 allow a seller to take a credit (or net) during the reporting period when the product was

1 returned (May 10) if the product is returned in a different reporting period than the  
2 original sale?

3 *(Note: a “Yes” answer means the seller could take a credit (or net) on the May return. If  
4 this is required, state that in the comments section.)*

5  
6 **Example 5.5.C.**

- 7 • Seller is located in your State and sells a product for \$100 on January 21, 2016.
- 8 • Customer takes possession of the product at the seller’s location on the date of the sale.
- 9 • The transaction is subject to a 6% sales tax, including any applicable local sales taxes.
- 10 • Seller collects \$106 from the customer.
- 11 • Customer returns the product to the seller at the seller’s location on May 10, 2016, and  
12 receives a full refund of the purchase price and sales tax paid to the seller.
- 13 • The January tax return is due on February 20, 2016.

14  
15 **Post Transaction 5.5.C.** – Subject to the state’s statute of limitations, does your state  
16 allow the seller to file an amended tax return and/or refund claim when the product is  
17 returned after the seller filed its tax return to the state to report the original sale?

18 *(Note: a “Yes” answer means the seller could file an amended January return or refund  
19 claim. If this is required, state that in the comments section.)*

20  
21 **Disclosed Practice 5.6 – Single Transaction for a Refund with Netting for Additional  
22 Required Charges**

23  
24 ***Explanation:** Some states have a general requirement that a seller must provide a customer with  
25 a full refund of the sales price and associated tax of the product returned. Other states will allow  
26 sellers to net a refund for additional charges (e.g. restocking/return fees) required to make the  
27 return (with any applicable tax on those charges being required to be collected and remitted by  
28 the seller).*

29  
30 **Disclosed Practice 5.6 – May the seller process the refund and additional charges in one  
31 transaction on a single invoice?**

32  
33 **Post Transaction 5.6.A.-** Does your state allow the seller to obtain a refund from the  
34 state if the seller subtracts from the original sales price any charges imposed by the seller  
35 to make a return (understanding the tax must be collected on any taxable charges)? If  
36 your state has exceptions note those exceptions in the comments section.

37  
38 **Post Transaction 5.6.B.-** If the answer to 5.6.A was “no,” does your state allow the  
39 seller to obtain a refund from the state if it provides a full refund, including the tax, but  
40 subsequently imposes any service charges (and imposing any applicable tax) to the  
41 customer as a separate transaction on a separate invoice?

42  
43 **Disclosed Practice 5.7 - Taxability of Return Fees**

44  
45 **Disclosed Practice 5.7 – Are restocking or return fees taxable in your state?**



1  
2 **Post Transaction 5.7.A.** – Does your state impose tax on restocking fees or return fees  
3 that are not directly associated with the use of a returned product?  
4

5 **Post Transaction 5.7.B.** – Does your state impose tax on a charge for the use (e.g. wear  
6 and tear) of a product?  
7

#### 8 **Disclosed Practice 5.8 - Cash/Credit Refund versus Store Credit**

9  
10 ***Explanation:** Some sellers, when accepting a returned product will not provide cash or credit to  
11 a customer's credit card or debit card based on seller's return policies. Instead, a store gift  
12 card/voucher is provided for the entire purchase amount, including tax.*  
13

14 **Disclosed Practice 5.8.** Does your state treat the refund in the form of store credit the same as a  
15 cash refund for returned products?  
16

#### 17 **Disclosed Practice 5.9 - Simultaneous Return and Sale**

18  
19 ***Explanation:** This disclosed practice addresses whether a state will allow a seller to claim credit  
20 (or net) for a returned product with a simultaneous purchase of another product in a single  
21 transaction.*  
22

#### 23 **Example 5.9.A.**

- 24 • Seller is located in your State and sells a product for \$100.
- 25 • The transaction is subject to a 6% tax, including any applicable local taxes.
- 26 • Seller collects \$106 from the customer.
- 27 • Customer later returns the product and simultaneously purchases another product for  
28 \$150, subject to a 6% tax, including any applicable local taxes; and
- 29 • Seller collects \$53 from the customer and remits \$3 of tax to the state.  
30

31 **Disclosed Practice 5.9.A.** - Does your state allow the seller to only collect and remit the  
32 additional tax on the price difference of a returned product when the replacement product  
33 costs more? **If no, explain in the comments section.**  
34

#### 35 **Example 5.9.B.**

- 36 • Seller is located in your State and sells a product for \$100.
- 37 • The transaction is subject to a 6% tax, including any applicable local taxes.
- 38 • Seller collects \$106 from the customer.
- 39 • Customer later returns the product and simultaneously purchases another product for \$50,  
40 subject to a 6% tax, including any applicable local taxes; and
- 41 • Seller refunds \$53 to the customer and requests \$3 tax refund from the state.  
42



1 **Disclosed Practice 5.9.B.** - Does your state allow the seller to obtain a refund from the state  
2 for the price difference of a returned product when the replacement product costs less? **If no,**  
3 **explain in the comments.**

4  
5 **Disclosed Practice 5.10 - Refund Pending State Approval**

6  
7 *Explanation:* After completing a transaction and reporting and paying that tax on the  
8 transaction to the state, a seller may be notified by a customer that a transaction was not  
9 taxable. Seller will not refund tax to the customer until the state approves the seller's refund  
10 request.

11  
12 **Disclosed Practice 5.10.A.** - Will your state refund or credit a seller for tax erroneously  
13 collected and remitted to the state prior to the seller refunding the customer the tax if the seller  
14 does not have a written agreement to refund the tax to the customer?

15  
16 **Disclosed Practice 5.10.B.** - If you answered "no" to disclosed practice 5.10.A., if the seller has  
17 a written agreement that it will refund the tax to the customer if the state approves the refund,  
18 will your state refund or credit a seller for tax erroneously collected and remitted to the state  
19 prior to the seller refunding the customer the tax?

20  
21 **Disclosed Practice 5.10.C.** - Does your state require the seller to refund the tax to the customer  
22 prior to obtaining a refund from the state?

23  
24 **Disclosed Practice 5.11 - Seller Refund When Customer Did Not Pay Tax**

25  
26 *Explanation:* The seller paid tax to the state prior to receiving payment from the customer. The  
27 customer subsequently refuses to pay the tax. The transaction is not subject to tax. Seller files for  
28 a refund, providing the customer's reasons for why the tax is not owed.

29  
30 **Disclosed Practice 5.11**

31 Can the seller, who remitted the tax to the state, obtain a refund of the tax paid to the state  
32 if the customer refuses to pay the tax because the customer correctly asserted the  
33 transaction was exempt under the state's laws?

34  
35 **Disclosed Practice 5.12 - Returned Product to Seller in Another State**

36  
37 *Explanation:* Customer buys a product sourced to State A and returns the product to seller's  
38 location in State B. Seller at location in State B refunds full amount of State A's tax to the  
39 customer and claims a refund with State A for the tax.

40  
41 **Disclosed Practice 5.12** - The customer has the original sales receipt indicating your  
42 state's tax was charged. If the product is returned in another state, will your state allow  
43 the seller to claim the refund of the tax paid to your state?

1 **Disclosed Practice 5.13 - Returned Product to Seller in Another Local Jurisdiction Within**  
2 **the Same State**

3  
4 *Explanation:* Customer buys a product sourced to Local Jurisdiction X in State A and returns  
5 the product in Local Jurisdiction Y in State A. The seller refunds the full amount of Local  
6 Jurisdiction X and State A’s tax to the customer and claims a refund for the local and state tax  
7 paid to State A.  
8

9 **Disclosed Practice 5.13** - The customer has the original sales receipt indicating the tax  
10 was charged for a local jurisdiction in your state. The product is returned in your state in  
11 a different local jurisdiction. Does your state require the seller to claim the refund of the  
12 tax paid to the original local jurisdiction? If the state has no local jurisdictions, enter NA  
13 in the comment section.  
14

15 **Disclosed Practice 5.14 - Returned Product with No Receipt**

16  
17 *Explanation:* Some sellers allow customers to return a product without a receipt. Seller has no  
18 idea where product was originally purchased (both location and seller). In that situation, sellers’  
19 policy is to provide a credit for the product based on the returned product’s current selling price  
20 in the store, plus the tax rate at that store.  
21

22 **Disclosed Practice 5.14** - If a seller refunds tax to a customer, without a receipt, using  
23 the tax rate at the store where the return was made and the price of the returned product at  
24 the store at that time, will your state allow the seller to receive a refund or credit of this  
25 tax from the state? Note in the comments section any special documentation the seller  
26 needs to provide the state.  
27

28 **Disclosed Practice 5.15 - Customer Directly Filing for a Refund**

29  
30 *Explanation:* Sometimes a customer either cannot find the seller or the seller refuses to file a tax  
31 refund claim on behalf of the customer. In that situation, a customer wants to file a tax refund  
32 claim directly with the state. The states’ procedures on whether they will refund the tax to the  
33 customer vary.  
34

35 **Disclosed Practice 5.15.A.** - Does the state give customers the option to request a tax  
36 refund directly from the state (*i.e.*, the customer is not required to make the request  
37 through the seller)? Note any special requirements that may apply, such as minimum  
38 dollar thresholds, in the comment section.  
39

40 **Disclosed Practice 5.15.B.** - If the answer to disclosed practice 5.15.A was “no,” does  
41 the state allow a customer to obtain a tax refund from the state when the seller cannot be  
42 found or refuses to refund the tax to a customer? If “yes”, provide details in the comment  
43 section.  
44

**Disclosed Practice Number 6 –Voluntary Disclosure Agreements (Adopted May 10, 2017)**

1 **Background:**

2 A seller considering registering with a state for sales and use tax may have identified a possible  
3 past sales and use tax liability in that state. The seller has started the process of entering into a  
4 voluntary disclosure agreement (VDA) with your state to address any potential past liability.  
5 Although in many cases the seller wants to register and start collecting the appropriate sales and  
6 use taxes as soon as possible, it is concerned that registering may adversely affect the VDA it is  
7 working on with the that state.  
8

9 The purpose of these disclosed practices is to assist sellers in determining the earliest date the  
10 seller may register without that registration adversely impacting the outcome of the VDA(s).  
11

12 **Disclosed Practice 6.1 – Determining the Earliest Possible Date to Register Without It**  
13 **Adversely Affecting a Voluntary Disclosure Agreement**

14  
15 **VDA 6.1.a.** A seller’s registration prior to the seller (or its representative) submitting the  
16 state’s voluntary disclosure agreement (VDA) application will adversely affect the seller’s VDA  
17 with the state.  
18

19 **VDA 6.1.b.** A seller’s registration after the seller (or its representative) submits the state’s  
20 voluntary disclosure agreement (VDA) application, but before either the seller or the state signs  
21 the actual VDA will adversely affect the VDA with the state.  
22

23 **VDA 6.1.c.** A seller’s registration after the state signs the voluntary disclosure agreement  
24 (VDA) but before the seller signs the VDA will adversely affect the VDA.  
25  
26  
27  
28  
29

## Compiler's Notes

In accordance with the Streamlined Sales and Use Tax Governing Board (SSTGB) Rules and Procedures 806.1.7, the following Compiler's Notes address each of the amendments, changes and additions to the Streamlined Sales and Use Tax Agreement (SSUTA) that have been made from April 16, 2005 to the present. The compiler's notes are in order based on the Section of the SSUTA that was amended, changed or added. Unless noted otherwise, the date indicated in each note represents the date of the SSTGB meeting which resulted in the amendment, change or addition to the SSUTA.

### **Section 204: ENTITY-BASED EXEMPTION**

*Compiler's note: On October 1, 2005 Section 204 was amended by adding the second sentence. Each member state shall comply with the October 1, 2005 amendment to this section no later than January 1, 2008.*

### **Section 205: MODEL 1 SELLER**

*Compiler's note: On September 30, 2009 Section 205 was amended by adding "registered under the Agreement" after the first "seller." The amendment became effective upon its adoption.*

### **Section 206: MODEL 2 SELLER**

*Compiler's note: On September 30, 2009 Section 206 was amended by adding "registered under the Agreement" after the first "seller." The amendment became effective upon its adoption.*

### **Section 207: MODEL 3 SELLER**

*Compiler's note: On September 30, 2009 Section 207 was amended by adding "registered under the Agreement" after the first "seller." The amendment became effective upon its adoption.*

### **Section 207.1: MODEL 4 SELLER**

*Compiler's note: On September 30, 2009 Section 207.1 was adopted and became effective upon its adoption.*

### **Section 212: SELLER**

*Compiler's note: The Governing Board issued Interpretative Opinion 2008-01 relating to the definition of "seller." That interpretation can be found in the Library of Interpretations in Appendix D.*

### **Section 213: STATE**

*Compiler's note: On April 18, 2006 Section 213 was amended as follows: "Any state of the United States, ~~and~~ the District of Columbia and the Commonwealth of Puerto Rico." The amendment to this section became effective upon adoption.*

### **Section 214: USE-BASED EXEMPTION**

1 *Compiler's note: On October 1, 2005 Section 214 was amended as follows: "An exemption based on a specified use*  
2 *of the product by the purchaser's use of the product." Each member state shall comply with the October 1, 2005*  
3 *amendment to this section no later than January 1, 2008.*

#### 4 **Section 301: STATE LEVEL ADMINISTRATION**

5 *Compiler's note: On April 30, 2010 Section 301 was amended by adding subsection (B) and amending the first*  
6 *subsection as follows:*

7 *A. Each member state shall provide state level administration of sales and use taxes subject to the*  
8 *Agreement. The state level administration may be performed by a member state's Tax Commission,*  
9 *Department of Revenue, or any other single entity designated by state law. Sellers and purchasers are only*  
10 *required to register with, file returns with, and remit funds to the state level authority. Each*  
11 *The state level*  
12 *authority of a member state shall provide for collection of any local taxes and distribution of them to the*  
13 *appropriate taxing jurisdictions. Each member*  
14 *The state level authority shall conduct, or authorize others*  
15 *may be authorized to conduct on its behalf, subject to the provisions of subsection (B), all audits of the*  
16 *sellers and purchasers registered under the Agreement for that state's tax and the tax of its local*  
17 *jurisdictions. Except as provided herein, and local jurisdictions shall not conduct independent sales or use*  
18 *tax audits of sellers and purchasers registered under the Agreement.*

17 *This amendment became effective upon its adoption.*

#### 18 **Section 302: STATE AND LOCAL TAX BASES**

19 *Compiler's note: (a) On December 13, 2010 Section 302 was amended as follows:*

20 *~~Through December 31, 2005, if a member state has local jurisdictions that levy a sales or use tax, all local~~*  
21 *~~jurisdictions in the state shall have a common tax base. After December 31, 2005, the~~ The tax base for local*  
22 *jurisdictions shall be identical to the state tax base unless otherwise prohibited by federal law. This section does not*  
23 *apply to sales or use taxes levied on fuel used to power motor vehicles, aircraft, locomotives, or watercraft, or to*  
24 *electricity, piped natural or artificial gas or other fuels delivered by the seller and the retail sale or transfer of*  
25 *motor vehicles, aircraft, watercraft, modular homes, manufactured homes, or mobile homes.*

26 *(b) On October 14, 2016, Section 302 was amended to add the definition of energy so that it may excluded from the*  
27 *uniform state and local tax base requirement.*

#### 28 **Section 303: SELLER REGISTRATION**

29 *Compiler's note: On September 30, 2009 Section 303 was amended by deleting "is" and inserting "shall be" in*  
30 *subsection (A), the addition of a new subsection (B), renumbering the preexisting B, C, D and E, and the addition of*  
31 *subsections (G), (H),(I),(J), and (K). This amendment became effective upon its adoption.*

#### 32 **Section 304: NOTICE FOR TAX CHANGES**

33 *Compiler's note: On September 5, 2008 Section 304 was amended by the addition of subsection (C), (D) and (E).*  
34 *This amendment became effective upon its adoption.*

#### 35 **Section 305: LOCAL RATE AND BOUNDARY CHANGES**

1 Compiler's note: (a) On October 1, 2005 the following amendments were made to Section 305:

- 2 1. In Section 305 (F) "or CSP" was added after each "seller." In addition, in two places "~~of a purchaser~~"  
3 was replaced with "applicable to a purchase."
- 4 2. Section 305 (G) was amended as follows: "~~Participate with other member states in the development of an~~  
5 Have the option of providing address-based ~~system~~ database records for assigning taxing jurisdictions and  
6 their associated rates which shall be in addition to the requirements of subsection (F) of this section. The  
7 ~~system~~ database records must be in the same approved format as the database records pursuant to  
8 subsection (F) of this section and must meet the requirements developed pursuant to the federal Mobile  
9 Telecommunications Sourcing Act (4 U.S.C. Sec. 119) (4 U.S.C.A. Sec.119 (a)). The governing board may  
10 allow a member state to require sellers that register under this Agreement to use an address-based ~~system~~  
11 database provided by that member state. If any member state develops an address-based assignment ~~system~~  
12 database records pursuant to the ~~Mobile Telecommunications Sourcing Act Agreement~~, a seller or CSP  
13 may use ~~that system~~ those database records in place of the ~~system~~ five and nine-digit zip code database  
14 records provided for in subsection (F) of this section. If a seller or CSP is unable to determine the  
15 applicable rate and jurisdiction using an address-based database record after exercising due diligence, the  
16 seller or CSP may apply the nine digit zip code designation applicable to a purchase. If a nine-digit zip  
17 code designation is not available for a street address or if a seller or CSP is unable to determine the nine  
18 digit zip code designation applicable to a purchase after exercising due diligence to determine the  
19 designation, the seller or CSP may apply the rate for the five digit zip code area. For the purposes of this  
20 section, there is a rebuttable presumption that a seller or CSP has exercised due diligence if the seller or  
21 CSP has attempted to determine the tax rate and jurisdiction by utilizing software approved by the  
22 governing board that makes this assignment from the address and zip code information applicable to the  
23 purchase".
- 24 3. Section 305 (H) was added.

25 The amendment to this section became effective upon adoption.

26 (b) On June 23, 2007 subsection (I) was added.

## 27 **Section 306: RELIEF FROM CERTAIN LIABILITY**

28 Compiler's note: On October 1, 2005 Section 306 was amended as follows: "Each member state shall relieve sellers  
29 and CSPs using databases pursuant to subsections (F), (G) and (H) from liability to the member state and local  
30 jurisdictions for having charged and collected the incorrect amount of sales or use tax resulting from the seller or  
31 CSP relying on erroneous data provided by a member state on tax rates, boundaries, or taxing jurisdiction  
32 assignments. After providing adequate notice as determined by the governing board, a A member state that provides  
33 an address-based ~~system~~ database for assigning taxing jurisdictions pursuant to Section 305, subsection (G) ~~or~~  
34 pursuant to the federal Mobile Telecommunications Sourcing Act will not be required to provide or (H) may cease  
35 providing liability relief for errors resulting from the reliance on the ~~information~~ database provided by the member  
36 state under the provisions of Section 305, subsection (F). If a seller demonstrates that requiring the use of the

1 address-based database would create an undue hardship, a member state and the governing board may extend the  
2 relief from liability to such seller for a designated period of time.”

3 *The amendment to this section became effective upon adoption.*

#### 4 **Section 307: DATABASE REQUIREMENTS AND EXCEPTIONS**

5 *Compiler’s note: On October 1, 2005 the following amendments were made to Section 307:*

6 *Section 307 (A) was amended by adding the last three sentences.*

7 *Section 307 (C) was amended by adding “and (G)” after “(F),” deleting the second sentence (~~The~~  
8 ~~governing board shall establish the effective dates for availability and use of the databases.~~) and adding*  
9 *the last two sentences.*

10 *The amendment to this section became effective upon adoption.*

#### 11 **Section 308: STATE AND LOCAL TAX RATES**

12 *Compiler’s note: (a) On April 18, 2006 Section 308A was amended by deleting “after December 31, 2005”*  
13 *following “or services” and by adding the second sentence. The amendment to this section became effective upon*  
14 *adoption.*

15 *(b) On December 13, 2010 Section 308C was amended as follows:*

16 *C. The provisions of this section do not apply to sales or use taxes levied on fuel used to power motor vehicles,*  
17 *aircraft, locomotives, or watercraft, or to electricity, piped natural or artificial gas, or other ~~heating~~ fuels delivered*  
18 *by the seller, or the retail sale or transfer of motor vehicles, aircraft, watercraft, modular homes, manufactured*  
19 *homes, or mobile homes.*

20 *(c) On October 14, 2016, Section 308 was amended to add a reference to the definition of energy contained in*  
21 *Section 302 so that it is excluded from the state and local tax rates requirement.*

#### 22 **Section 309: APPLICATION OF GENERAL SOURCING RULES AND EXCLUSIONS** 23 **FROM THE RULES**

24 *Compiler’s note: (a) On October 1, 2005 Section 309 (B)(4) was amended by deleting 2005 and inserting 2007. The*  
25 *amendment to this section became effective upon adoption.*

26 *(b) On December 14, 2006 Section 309 (b) was amended as follows: “~~Section Sections 310 and 312 does do~~”, and*  
27 *309 (B) (3) was amended by adding “and ancillary services” following “services” and “and Internet access*  
28 *service” before “shall”.*

29 *(c) On June 23, 2007 the date in subsection (B)(4) was changed from “December 31, 2007” to December 31, 2009.”*

30 *(d) On September 5, 2008 Section 309 (B)(4) was amended to delete “Until December 31, 2009,” at the beginning*  
31 *of the first sentence and to replace “Prior to this date, these items” at the start of the second sentence with “Such*  
32 *sales.” The amendment became effect upon its adoption.*

33 *(e) On October 7, 2010, subsection (A) was amended by inserting “or Section 310.1” at the end of the first sentence*  
34 *and after “Section 310” in third sentence; the first clause was added in the second and third sentences; and “to all*



1 sales” was added after “apply” in the second sentence. In addition, number 5 was added to subsection (B). The  
2 amendments to this section became effective upon their adoption.

### 3 **Section 310: GENERAL SOURCING RULES**

4 *Compiler’s note: (a) The Governing Board issued Interpretation 2006-03 on April 18, 2006 relating to the sourcing*  
5 *of initial lease payments made to dealers. That interpretation can be found in the Library of Interpretations in*  
6 *Appendix D.*

7 *(b) The Governing Board issued Interpretation 2007-02 on September 20, 2007 relating to the sourcing of sales*  
8 *when a third party shipping company picks up the product at the seller’s location. That interpretation can be found*  
9 *in the Library of Interpretations in Appendix D.*

10 *(c) On December 12, 2007 Section 310 (A) was amended as follows: “~~The~~ Except as provided in Section 310.1, the*  
11 *retail sale, excluding lease or rental, of a product shall be sourced as follows:”. The amendment was effective upon*  
12 *its adoption.*

### 13 **Section 310.1: ELECTION FOR ORIGIN-BASED SOURCING**

14 *Compiler’s note: (a) On December 12, 2007 Section 310.1 was adopted. This section becomes effective on and after*  
15 *January 1, 2010. (b) On September 30, 2009 Section 310.1 was amended to delete “On or after January 1, 2010, a”*  
16 *in D 2 and to delete the following after “2010” in D 3: “, provided that at least five (5) states which are not full*  
17 *member states on December 31, 2007, have been found to be in substantial compliance with each of the provisions*  
18 *of the Agreement other than sourcing sales of tangible personal property and digital goods pursuant to Section 310*  
19 *of the Agreement and have notified the governing board of an election pursuant to paragraph 8 of subsection (C) of*  
20 *this section to source sales pursuant to this section and have been found to be in substantial compliance with the*  
21 *provisions of this section. States electing to source sales under this section after that time may become full member*  
22 *states if all other requirements for membership are satisfied”. This amendment became effective upon its adoption.*

23 *(c) On October 7, 2010 “product” was replaced by “sale” in the first sentence of C 2; “on that sale” was added to*  
24 *the end of the second sentence in C2; and “from the purchaser” was added to the second sentence in C 5. The*  
25 *amendments to this section were effective upon their adoption.*

26 *(d) On May 23, 2012 the following section D was repealed. This amendment was effective upon adoption:*

27 *“D. Compliance with the provisions of this section shall satisfy a state’s eligibility for membership in this*  
28 *Agreement as follows:*

- 29 *1. If a state is in substantial compliance with each of the provisions of this Agreement other than*  
30 *sourcing of sales of tangible personal property and digital goods as provided in Section 310 and elects*  
31 *to source sales of tangible personal property and digital goods pursuant to this section, such state may*  
32 *become an associate member state in the same manner as provided for states to become full member*  
33 *states pursuant to Article VIII of this Agreement.*
- 34 *2. A state which becomes an associate member state pursuant to this subsection shall automatically*  
35 *become a full member state, provided that at least five (5) states which are not full member states on*  
36 *December 31, 2007, have been found to be in substantial compliance with each of the provisions of the*



1            *Agreement other than sourcing sales of tangible personal property and digital goods pursuant to*  
2            *Section 310 of the Agreement and have notified the governing board of an election pursuant to*  
3            *paragraph 8 of subsection (C) of this section to source sales pursuant to this section and have been*  
4            *found to be in substantial compliance with the provisions of this section.*

5            3. *The provisions of this section shall be fully effective for all purposes on or after January 1, 2010.”*

6            **Section 312: MULTIPLE POINTS OF USE (Repealed)**

7            *Compiler’s note: (a) The following is the section that would have gone into effect on January 1, 2008 had it not been*  
8            *repealed:*

9            *Notwithstanding the provisions of Section 310, a business purchaser that is not a holder of a direct pay permit*  
10            *that knows at the time of its purchase of a digital good, computer software, or a service that the digital*  
11            *good, computer software, or service will be concurrently available for use in more than one jurisdiction*  
12            *shall deliver to the seller in conjunction with its purchase an exemption certificate claiming multiple points*  
13            *of use or meet the requirements of Section 312, subsections (B) or (C). Computer software, for purposes of*  
14            *this section includes, but is not limited to computer software delivered electronically, by load and leave, or*  
15            *in tangible form. Computer software received in-person by a business purchaser at a business location of*  
16            *the seller is not included.*

17            *Upon receipt of an exemption certificate claiming multiple points of use, the seller is relieved of all obligation*  
18            *to collect, pay, or remit the applicable tax and the purchaser shall be obligated to collect, pay, or remit the*  
19            *applicable tax on a direct pay basis.*

20            *A purchaser delivering an exemption certificate claiming multiple points of use may use any reasonable, but*  
21            *consistent and uniform, method of apportionment that is supported by the purchaser's books and records as*  
22            *they exist at the time the transaction is reported for sales or use tax purposes.*

23            *A purchaser delivering an exemption certificate claiming multiple points of use shall report and pay the*  
24            *appropriate tax to each jurisdiction where concurrent use occurs. The tax due will be calculated as if the*  
25            *apportioned amount of the digital good, computer software or service had been delivered to each*  
26            *jurisdiction to which the sale is apportioned pursuant to Section 312, subdivision (A)(2).*

27            *The exemption certificate claiming multiple points of use will remain in effect for all future sales by the seller to*  
28            *the purchaser (except as to the subsequent sale's specific apportionment that is governed by the principles*  
29            *of Section 312, subdivisions (A)(2) and (A)(3)) until it is revoked in writing.*

30            *Notwithstanding Section 312, subsection (A), when the seller knows that the product will be concurrently*  
31            *available for use in more than one jurisdiction, but the purchaser does not provide an exemption certificate*  
32            *claiming multiple points of use as required in subsection (A), the seller may work with the purchaser to*  
33            *produce the correct apportionment. The purchaser and seller may use any reasonable, but consistent and*  
34            *uniform, method of apportionment that is supported by the seller’s and purchaser’s business records as*  
35            *they exist at the time the transaction is reported for sales or use tax purposes. If the purchaser certifies to*  
36            *the accuracy of the apportionment and the seller accepts the certification, the seller shall collect and remit*

1           the tax pursuant to Section 312, subdivision (A)(3). In the absence of bad faith, the seller is relieved of any  
2 further obligation to collect tax on any transaction where the seller has collected tax pursuant to the  
3 information certified by the purchaser.

4           When the seller knows that the product will be concurrently available for use in more than one jurisdiction and  
5 the purchaser does not have a direct pay permit and does not provide the seller with an exemption  
6 certificate claiming multiple points of use exemption as required in Section 312, subsection (A), or  
7 certification pursuant to Section 312, subsection (B), the seller shall collect and remit the tax based on the  
8 provisions of Section 310.

9           A holder of a direct pay permit shall not be required to deliver an exemption certificate claiming multiple points  
10 of use to the seller. A direct pay permit holder shall follow the provisions of Section 312 subdivisions (A)(2)  
11 and (A)(3) of this section in apportioning the tax due on a digital good, computer software, or a service  
12 that will be concurrently available for use in more than one jurisdiction.

13           Nothing in this section shall limit a person's obligation for sales or use tax to any state in which the qualifying  
14 purchases are concurrently available for use, nor limit a person's ability under local, state, federal, or  
15 constitutional law, to claim a credit for sales or use taxes legally due and paid to other jurisdictions.

16  
17 (b) The following is the section as first enacted:

18           Notwithstanding the provisions of Section 310, a business purchaser that is not a holder of a direct pay permit  
19 that knows at the time of its purchase of a digital good, computer software delivered electronically, or a service  
20 that the digital good, computer software delivered electronically, or service will be concurrently available for  
21 use in more than one jurisdiction shall deliver to the seller in conjunction with its purchase a form disclosing  
22 this fact ("Multiple Points of Use or MPU" Exemption Form).

23           A.    Upon receipt of the MPU Exemption Form, the seller is relieved of all obligation to collect, pay, or remit  
24 the applicable tax and the purchaser shall be obligated to collect, pay, or remit the applicable tax on a  
25 direct pay basis.

26           B.    A purchaser delivering the MPU Exemption Form may use any reasonable, but consistent and uniform,  
27 method of apportionment that is supported by the purchaser's business records as they exist at the time of  
28 the consummation of the sale.

29           C.    The MPU Exemption Form will remain in effect for all future sales by the seller to the purchaser (except  
30 as to the subsequent sale's specific apportionment that is governed by the principle of subsection (B) and  
31 the facts existing at the time of the sale) until it is revoked in writing.

32           D.    A holder of a direct pay permit shall not be required to deliver a MPU Exemption Form to the seller. A  
33 direct pay permit holder shall follow the provisions of subsection (B) in apportioning the tax due on a  
34 digital good or a service that will be concurrently available for use in more than one jurisdiction.

### 35   **Section 313: DIRECT MAIL SOURCING**

1 *Compiler's note: On September 30, 2009 Section 313 was replaced in its entirety. The following is the section as it*  
2 *was previously:*

- 3 A. *"Notwithstanding Section 310, a purchaser of direct mail that is not a holder of a direct pay permit shall*  
4 *provide to the seller in conjunction with the purchase either a Direct Mail Form or information to show*  
5 *the jurisdictions to which the direct mail is delivered to recipients.*
- 6 *1. Upon receipt of the Direct Mail Form, the seller is relieved of all obligations to collect, pay, or*  
7 *remit the applicable tax and the purchaser is obligated to pay or remit the applicable tax on a direct*  
8 *pay basis. A Direct Mail Form shall remain in effect for all future sales of direct mail by the seller*  
9 *to the purchaser until it is revoked in writing.*
- 10 *2. Upon receipt of information from the purchaser showing the jurisdictions to which the direct mail is*  
11 *delivered to recipients, the seller shall collect the tax according to the delivery information provided*  
12 *by the purchaser. In the absence of bad faith, the seller is relieved of any further obligation to*  
13 *collect tax on any transaction where the seller has collected tax pursuant to the delivery information*  
14 *provided by the purchaser.*
- 15 B. *If the purchaser of direct mail does not have a direct pay permit and does not provide the seller with*  
16 *either a Direct Mail Form or delivery information, as required by subsection (A) of this section, the seller*  
17 *shall collect the tax according to Section 310, subsection (A)(5). Nothing in this paragraph shall limit a*  
18 *purchaser's obligation for sales or use tax to any state to which the direct mail is delivered.*
- 19 C. *If a purchaser of direct mail provides the seller with documentation of direct pay authority, the purchaser*  
20 *shall not be required to provide a Direct Mail Form or delivery information to the seller."*

21 *The amendment to this section became effective upon its adoption.*

## 22 **Section 313.1: ELECITON FOR ORIGIN-BASED DIRECT MAIL SOURCING**

23 *Compiler's note: (a) On September 5, 2008 Section 313.1 was adopted. This section became effective upon its*  
24 *approval.*

25 *(b) On September 30, 2009 a new subsection (D) was added, those subsections following were renumbered and*  
26 *subsections (B) and (C) were amended as follows:*

- 27 B. *If the purchaser provides the seller with a direct pay permit or ~~an exemption~~ an Agreement certificate*  
28 *of exemption claiming direct mail (or other written statement approved, authorized or accepted by the*  
29 *state), the seller, in the absence of bad faith, is relieved of all obligations to collect, pay, or remit the*  
30 *applicable tax ~~and on any transaction involving "direct mail."~~ The purchaser is obligated to pay*  
31 *~~or remit the~~ must report and pay any applicable tax ~~on a direct pay basis~~ due. ~~An exemption~~ An*  
32 *Agreement certificate of exemption claiming direct mail shall remain in effect for all future sales of*  
33 *direct mail by the seller to the purchaser until it is revoked in writing.*
- 34 C. *Except as provide in subsection (B) and the second sentence of this subsection, the seller shall collect*  
35 *the tax according to Section 310, ~~subsection (A)(5)~~ A.5. To the extent the seller knows that a portion of*

1           *the sale of direct mail will be delivered or distributed to a location in another state, the seller shall*  
2           *collect the tax on that portion according to Section 313.”*

3   **Section 314: TELECOMMUNICATION AND RELATED SOURCING RULE**

4   *Compiler’s note: (a) On April 16, 2005 Section 314, subdivision (C)(3) was amended by inserting “or a sale of a*  
5   *prepaid wireless calling service” after “service” in the first line; and by deleting “mobile telecommunications*  
6   *service that is a prepaid telecommunications” and inserting “prepaid wireless calling” in its place. Member states*  
7   *shall comply with this amendment no later than January 1, 2008.*

8   *(b) On December 14, 2006 Section 314 was amended by the addition of D and E.*

9   **Section 315: TELECOMMUNICATION SOURCING DEFINITIONS**

10   *Compiler’s note: (a) On April 16, 2005 Section 315 (J) was amended by inserting “, except a prepaid wireless*  
11   *calling service,” after “telecommunications service in the second sentence. The former 315 (L) and (M) were*  
12   *renumbered 315 (M) and (N) and a new Section 315 (L) was inserted. The cross references in 315 (N) were*  
13   *changed to account for the renumbering. Member states shall comply with amendments to this section no later than*  
14   *January 1, 2008.*

15   *Compiler’s note: (b) On December 14, 2006 Section 315 was amended to add a new subsection (B) “ancillary*  
16   *services” and a renumbering of the remaining subsections and cross references.*

17   *Compiler’s note: (c) On September 16, 2015, the Governing Board issued Interpretive Opinion 2015-03 which can*  
18   *be found in the Library of Interpretations in Appendix D.*

19   **Section 316: ENACTMENT OF EXEMPTIONS**

20   *Compiler’s note: (a) On October 1, 2005 all of Section 316 was repealed and replaced with the current language.*  
21   *The following language was repealed:*

22           *A member state may enact a product-based exemption without restriction if the Agreement does not have a*  
23           *definition for the product or for a term that includes the product. If the Agreement has a definition for the*  
24           *product or for a term that includes the product, a member state may exempt all items included within the*  
25           *definition but shall not exempt only part of the items included within the definition unless the Agreement*  
26           *sets out the exemption for part of the items as an acceptable variation.*

27           *A member state may enact an entity-based or a use-based exemption without restriction if the Agreement*  
28           *does not have a definition for the product whose use or purchase by a specific entity is exempt or for a term*  
29           *that includes the product. If the Agreement has a definition for the product whose use or specific purchase*  
30           *is exempt, a member state may enact an entity-based or a use-based exemption that applies to that product*  
31           *as long as the exemption utilizes the Agreement definition of the product. If the Agreement does not have a*  
32           *definition for the product whose use or specific purchase is exempt but has a definition for a term that*  
33           *includes the product, a member state may enact an entity-based or a use-based exemption for the product*  
34           *without restriction.*

1           For purposes of complying with the requirements in this section, the inclusion of a product within the  
2           definition of tangible personal property is disregarded.

3  
4   (b) The following was the section prior to January 1, 2008.

5           A.   A member state may enact a product-based exemption without restriction if the Agreement does not have a  
6           definition for the product or for a term that includes the product. If the Agreement has a definition for the  
7           product or for a term that includes the product, a member state may exempt all items included within the  
8           definition but shall not exempt only part of the items included within the definition unless the Agreement  
9           sets out the exemption for part of the items as an acceptable variation.

10          B.   A member state may enact an entity-based or a use-based exemption without restriction if the Agreement  
11          does not have a definition for the product whose use or purchase by a specific entity is exempt or for a  
12          term that includes the product. If the Agreement has a definition for the product whose use or specific  
13          purchase is exempt, a member state may enact an entity-based or a use-based exemption that applies to  
14          that product as long as the exemption utilizes the Agreement definition of the product. If the Agreement  
15          does not have a definition for the product whose use or specific purchase is exempt but has a definition for  
16          a term that includes the product, a member state may enact an entity-based or a use-based exemption for  
17          the product without restriction.

18          C.   For purposes of complying with the requirements in this section, the inclusion of a product within the  
19          definition of tangible personal property is disregarded.

## 20   **Section 317: ADMINISTRATION OF EXEMPTIONS**

21   *Compiler's note: (a) On April 16, 2005 Subsection (A)(8) was added. Subsection (B) was amended to delete "any"*  
22   *and insert "the" after "from" in the first sentence and by inserting all the material after "claim an exemption" in*  
23   *the second sentence. Subsection (C) was inserted. Each member state shall comply with the April 16, 2005*  
24   *amendments to this section no later than January 1, 2008.*

25   *(b) On December 14, 2006 Section 312 was repealed making the last clause in the January 1, 2008 version of*  
26   *Section 317 B obsolete.*

27   *(c) On April 30, 2010 "After December 31, 2007," was deleted from subsection (A)(8); " ; or to a seller who accepts*  
28   *an exemption certificate claiming multiple points of use for tangible personal property other than computer software*  
29   *for which an exemption claiming multiple points of use is acceptable under Section 312 " was deleted from the last*  
30   *sentence of subsection (B); "A member state may provide for a period longer than 90 days for the seller to obtain*  
31   *necessary information." was added to the end of subsection (C); subsection (G) was added; and subsection (C) was*  
32   *changed as follows:*

33           C.    Each state shall relieve a seller of the tax otherwise applicable if the seller obtains a fully  
34           completed exemption certificate or captures the relevant data elements required under the Agreement  
35           within 90 days subsequent to the date of sale. A member state may provide for a period longer than 90  
36           days for the seller to obtain necessary information.

1 D.

2 1. *If the seller has not obtained an exemption certificate or all relevant data elements as provided in*  
3 *Section 317, subsection (C) a member state shall provide the seller ~~may, within~~ with 120 days*  
4 *subsequent to a request for substantiation by a member state, to either prove that the transaction was*  
5 *not subject to tax by other means or obtain:*

6 *a. Obtain a fully completed exemption certificate from the purchaser, taken in good faith-*  
7 *For purposes of this section, member states may continue to apply their own standards of good*  
8 *faith until such time as a uniform standard for good faith is defined in the Agreement which means*  
9 *that the seller obtain a certificate that claims an exemption that (i) was statutorily available on the*  
10 *date of the transaction in the jurisdiction where the transaction is sourced, (ii) could be applicable*  
11 *to the item being purchased, and (iii) is reasonable for the purchaser's type of business; or*

12 *b. Obtain other information establishing that the transaction was not subject to the tax.*

13 *A member state may provide for a period longer than 120 days for sellers to obtain the necessary*  
14 *information.*

15 *2. If the seller obtains the information described in subsection (D)(1) of this section, the member*  
16 *state shall relieve the seller of any liability for the tax o the transaction unless it is discovered through*  
17 *the audit process that the seller had knowledge or had reason to know at the time such information was*  
18 *provided that the information relating to the exemption claimed was materially false or the seller*  
19 *otherwise knowingly participated in activity intended to purposefully evade the tax that is properly due*  
20 *o the transaction. The state must establish that the seller had knowledge or had reason to know at the*  
21 *time the information was provided that the information was materially false.*

22 E. *Nothing in this section shall affect the ability of member states to require purchasers to update*  
23 *exemption certificate information or to reapply with the state to claim certain exemptions.*

24 F. ~~*Notwithstanding the aforementioned, each*~~ *Each member state shall relieve a seller of the tax*  
25 *otherwise applicable if it obtains a blanket exemption certificate ~~for~~ from a purchaser with which the seller*  
26 *has a recurring business relationship. ~~States~~ Notwithstanding the provisions of subsection (E) of this*  
27 *section, a member state may not request from the seller renewal of blanket certificates or updates of*  
28 *exemption certificate information or data elements when there is a recurring business relationship between*  
29 *the buyer and seller. For purposes of this section a recurring business relationship exists when a period of*  
30 *no more than twelve months elapses between sales transactions.*

31 *The amendments to this section became effective upon their adoption.*

32 *(d) On December 19, 2011 the Governing Board issued Interpretative Opinion 2011-03 related to the meaning of*  
33 *“120 days” in Section 317.D 1. That interpretation can be found in the Library of Interpretations in Appendix D.*

### 34 **Section 318: UNIFORM TAX RETURNS**

35 *Compiler's note: (a) On September 20, 2009 Section 318 was amended as follows: “Each member state shall:*



- 1 A. ~~Require that only one~~ a single tax return for each taxing period for each seller be filed for the member  
2 state ~~and to include~~ all the taxing jurisdictions within the member state.
- 3 B. ~~Require that returns be due no sooner than the twentieth day of the month following the month in~~  
4 ~~which the transaction occurred.~~
- 5 C. ~~Allow any Model 1, Model 2, or Model 3 seller to submit its sales and use tax returns in a simplified~~  
6 ~~format that does not include more data fields than permitted by the governing board. A member state~~  
7 ~~may require additional informational returns to be submitted not more frequently than every six~~  
8 ~~months under a staggered system developed by the governing board. Make available to all sellers,~~  
9 ~~whether or not registered under the Agreement, except sellers of products qualifying for exclusion~~  
10 ~~from the provisions of Section 308 of this Agreement, a simplified return that is filed electronically as~~  
11 ~~follows:~~
- 12 1. The simplified electronic return (hereinafter SER) shall be in a form approved by the  
13 governing board and shall contain only those fields approved by the governing board. The  
14 SER shall contain two parts. Part 1 shall contain information relating to remittances and  
15 allocations and part 2 shall contain information relating to exempt sales.
- 16 2. Each member state must notify the governing board if it requires the submission of the part 2  
17 information. Provided, no state may require the submission of part 2 information from a  
18 model 4 seller which has no legal requirement to register in such state.
- 19 3. Returns shall be required as follows:
- 20 a) Certified service providers must file a SER in all member states on behalf of model 1  
21 sellers. Certified service providers, on behalf of such sellers, shall file the audit  
22 reports provided for in Article V of the governing board's rules and procedures for  
23 such states, and in addition, shall be required to file part 1 of the SER each month  
24 for each member state. A state shall allow a model 1 seller to file both part 1 and  
25 the part 2 of the SER. A model 1 seller which chooses to file both part 1 and the part  
26 2 of the SER shall still be required to file the audit reports provided for in Article V  
27 of the governing board's rules and procedures.
- 28 b) Model 2 and model 3 sellers must file a SER in all member states other than states  
29 for which they have indicated that they anticipate making no sales. Such sellers  
30 shall file part 1 or the SER every month for all states in which they anticipate making  
31 sales. Such sellers need not file part 2 information until January 1, 2012. After such  
32 date they shall have the following options for meeting their obligation to furnish part  
33 2 information:
- 34 i. File part 2 of the SER together with part 1 of the SER every month; or  
35 ii. File part 2 of the SE at the same time part 1 of the SER for the month of  
36 December is due. Part 2 information filed pursuant to this option shall

1 cover the month of December and all previous months of the same calendar  
2 year and shall only require annual and not monthly totals.

3 Such sellers shall only be required to file part 2 of the SER for any state which  
4 has notified the governing board that it will require the submission of the part 2  
5 information pursuant to paragraph 2 of this subsection.

6 C. No later than January 1, 2011, every member state shall allow model 4 sellers to  
7 file a SER. Such sellers shall file part 1 of the SER every month unless a state allows less  
8 frequent filing. Model 4 sellers which have a legal requirement to register in such state  
9 shall have the following options for meeting their obligation to furnish part 2  
10 information:

11 i) File part 2 of the SER together with part 1 of the SER; or

12 ii) File part 2 of the SER at the same time part 1 of the SER for the month  
13 of December is due. Part 2 information filed pursuant to this option shall cover the  
14 months of December and all previous months of the same calendar year and shall only  
15 require annual and not monthly totals.

16 Such sellers shall only be required to file part 2 of the SER for any state which has  
17 notified the governing board that it will require the submission of the part 2 information  
18 pursuant to paragraph 2 of this subsection. Model 4 sellers which elect not to file a SER  
19 shall file returns in the form and pursuant to schedules afforded to sellers not registered  
20 under the Agreement according to the requirements of each member state.

21 d. No later than January 1, 2013 every member state shall allow sellers not  
22 registered under the Agreement that are registered in the state to file a SER. Such sellers  
23 shall file part 1 of the SER every month unless a state allows less frequent filing and shall  
24 have the following options for meeting their obligation to furnish part 2 information:

25 i) File part 2 of the SER together with part 1 of the SER; or

26 ii) File part 2 of the SER at the same time part 1 of the SER for the month  
27 of December is due. Part 2 information filed pursuant to this option shall cover the  
28 month of December and all previous months of the same calendar year and shall only  
29 require annual and not monthly totals.

30 Such seller shall only be required to file part 2 of the SER for any state which has notified  
31 the governing board that it will require the submission of the part 2 information pursuant  
32 to paragraph 2 of this subsection.

33 4. A state which requires the submission of part 2 information pursuant to paragraph 2 of this  
34 subsection may provide an exemption from this requirement to a seller under terms and conditions set out  
35 by the state.



1 5. A state may require a seller which elects to file a SER to give at least three months notice of the  
2 seller's intent to discontinue filing a SER.

3 ~~D. Allow any~~ Not after January 1, 2010 require the filing of a return from a seller that is registered  
4 under the Agreement which has indicated at the time of registration that it anticipates making no  
5 sales which would be sourced to the state under the Agreement. A seller shall lose such exemption  
6 upon making any taxable sales into such state and shall file a return in the month following such sale.  
7 A state may, but is not required to, allow a seller to regain such filing exemption upon such terms and  
8 condition as the state may impose, which does not have a legal requirement to register in the member  
9 state, and is not a Model 1, 2, or 3 seller, to submit its sales and use tax returns as follows:

- 10 1. Upon registration, a member state shall provide to the seller the returns required by that state.  
11 2. A member state may require a seller to file a return anytime within one year of the month of initial  
12 registration, and future returns may be required on an annual basis in succeeding years.  
13 3. In addition to the returns required in subsection (D)(2), a member state may require sellers to submit  
14 returns in the month following any month in which they have accumulated state and local tax funds for  
15 the state in the amount of one thousand dollars or more.

16 ~~E. Participate with other member states in developing a more~~ Adopt a standardized transmission process to  
17 allow for receipt of uniform sales and use tax return that, when completed, would be available to all sellers  
18 returns and other formatted information as approved by the governing board. Such a process will provide for  
19 the filing of separate returns for multiple legal entities in a single transmission for each state and will not  
20 include any requirement for manual entry or input by the seller of any of the aforementioned information.  
21 This process will allow a certified service provider, a tax preparer, or any other person authorized to do so, to  
22 file returns for more than one seller in a single electronic transmission. However, sellers filing returns for  
23 multiple legal entities may only do so for affiliated legal entities.

24 ~~F. Require, at each member state's discretion, all Model 1, 2, and 3 sellers to file returns electronically. It is~~  
25 ~~the intent of the member states that all member states have the capability of receiving electronically filed~~  
26 ~~returns by January 1, 2004~~ After January 1, 2010 give notice to a seller registered under this Agreement  
27 which has no legal requirement to register in the state, or a failure to file a required return and a minimum of  
28 thirty days to file thereafter prior to establishing a liability amount for taxes based solely on the seller's  
29 failure to timely file a return. Provided, a member state may establish a liability amount for taxes based  
30 solely on the seller's failure to timely file a return if such seller has a history of non-filing or late filing.

31 G. Nothing in this section shall prohibit a state from allowing additional return options or the filing of returns  
32 less frequently." The amendment to this section became effective upon adoption.

33 (b) On December 13, 2010 subsection (B) was amended as follows:

- 34 1. Require that returns be due no sooner than the twentieth day of the month following the  
35 month in which the transaction occurred.

- 1                   2. When the due date for a return falls on a Saturday or Sunday or legal holiday in the subject  
2 member state, the return shall be due on the next succeeding business day. If the return is  
3 filed in conjunction with a remittance and the remittance cannot be made pursuant to Section  
4 319.E.2, the return shall be accepted as timely filed on the same day as the remittance under  
5 that subsection.

6                   (c) On May 4, 2016, Subsection (E) was amended to require state to adopt web services as the standardized  
7 transmission process. States have until January 1, 2019 to comply with this provision.

## 8 **Section 319: UNIFORM RULES FOR REMITTANCES OF FUNDS**

9 *Compiler's note:* (a) On October 1, 2005 the second sentence in subsection (A) was amended as follows: "The state  
10 shall allow the amount of the any additional remittance shall to be determined through a calculation method rather  
11 than actual collections. Any additional remittances and shall not require the filing of an additional return." The  
12 amendment to this section became effective upon adoption.

13 (b) On September 30, 2009 subsection (G) was added and subsections (B) and (C) were amended as follows

14                   "A. Require, at each member state's discretion, all remittances ~~from sellers under Models 1, 2, and 3~~ in  
15 payment of taxes reported on the approved simplified return format to be remitted electronically.

16                   B. Allow for electronic payments by all remitters by both ACH Credit and ACH Debit."

17 The amendment so this section became effective upon adoption.

18 (c) On December 13, 2010 subsection (E) was amended as follows:

- 19                   1. Provide that if a due date for a payment falls on a Saturday, Sunday, or legal banking holiday in a  
20 member state, the payment, including any related payment voucher information, is taxes are due  
21 to that state on the next succeeding business day.
- 22                   2. Additionally, if the Federal Reserve Bank is closed on a due date that prohibits a person from  
23 being able to make a payment by ACH Debit or Credit, the payment shall be accepted as timely if  
24 made on the next day the Federal Reserve Bank is open.

## 25 **Section 321: CONFIDENTIALITY AND PRIVACY PROTECTIONS UNDER MODEL 1**

26 *Compiler's note:* On September 5, 2008 Section 321(D)(2) was amended to add "and proper identification of taxing  
27 jurisdictions" after "purchasers" and Section 321(D)(4) was amended to add "and for documentation of the correct  
28 assignment of taxing jurisdictions" after "purchased." The amendment became effective upon its adoption.

## 29 **Section 322: SALES TAX HOLIDAYS**

30 *Compiler's note:* On September 5, 2008 Section 322(A)(1) was amended to delete the obsolete date and to replace  
31 "the Agreement" with "Part II or Part III(B) of the Library of Definitions." In addition, subdivisions 3 and 4 were  
32 added. The amendment became effective upon its adoption.

## 33 **Section 323: CAPS AND THRESHOLDS**

34 *Compiler's note:* (a) On February 26, 2009 Section 323C was amended as follows:

35 ~~A—Each No member state shall:~~

1 ~~1. Not~~ may have caps or thresholds on the application of state sales or use tax rates or exemptions that are  
2 based on the value of the transaction or item ~~after December 31, 2005. A member state may continue to~~  
3 ~~have caps and thresholds until that date.~~

4 2. ~~Not~~ or have caps that are based on the application of the rates unless the member state assumes the  
5 administrative responsibility in a manner that places no additional burden on the retailer.

6 B ~~Each~~ No member state that has local jurisdictions that levy a sales or use tax ~~shall not~~ may place caps or  
7 thresholds on the application of local rates or use tax rates or exemptions that are based on the value of the  
8 transaction or item ~~after December 31, 2005. A member state may continue to have caps and thresholds until~~  
9 ~~that date.~~

10 C The provisions of this section do not apply to sales or use taxes levied on the retail sale or transfer of motor  
11 vehicles, aircraft, watercraft, modular homes, manufactured homes, or mobile homes or to instances where the  
12 burden of administration has been shifted from the retailer.

13 D For states that have a cap or threshold on clothing before January 1, 2006 the provisions of this section do not  
14 apply to sales or use tax thresholds for exemptions that are based on the value of "essential clothing" except as  
15 provided in the Library of Definitions.

16 This provision became effective upon its approval.

17 (b) On May 3, 2016, Section 323 was amended to read as follows:

18 Section 323: CAPS AND THRESHOLDS

19 A. Except as provided in D. below, No member state may have caps or thresholds on the application  
20 of state sales or use tax rates or exemptions that are based on the value of the transaction or item or have  
21 caps or thresholds that are based on the application of the rates unless the member state assumes the  
22 administrative responsibility in a manner that places no additional burden on the retailer.

23 B. Except as provided in D. below, No member state that has local jurisdictions that levy a sales or  
24 use tax may place caps or thresholds on the application of local ~~rates~~ sales or use tax rates or exemptions  
25 that are based on the value of the transaction or item.

26 C. The provisions of this section do not apply to sales or use taxes levied on the retail sale or transfer  
27 of motor vehicles, aircraft, watercraft, modular homes, manufactured homes, or mobile homes or to  
28 instances where the burden of administration has been shifted from the retailer.

29 D. 1. ~~For s~~ States may only that have a ~~cap or~~ threshold on "clothing" before January 1, 2006  
30 ~~the provisions of this section do not apply to sales or use tax thresholds for exemptions that are based on~~  
31 ~~the value of "essential clothing" except as provided~~ defined in the Library of Definitions. The threshold  
32 must be based on the sales price or purchase price of each individual item of clothing. A state that has a  
33 cap or threshold on "clothing" may either:

34 a. Provide that the entire sales price or purchase price of each individual item of clothing is  
35 taxable if the sales price or purchase price of that item is over a certain dollar threshold; or

1 b. Provide that only the portion of the sales price or purchase price of each individual item  
2 of clothing over a certain dollar threshold is taxable.

3 2. The threshold on the sale price or purchase price of each individual item of clothing may  
4 not be less than \$110, and must apply to both the state and any local sales or use taxes.

5 3. Any state that adopts a clothing cap or threshold must clearly indicate and explain that  
6 treatment in its Certificate of Compliance and Taxability Matrix.

7 4. If a state adopts a clothing threshold under this section of the Agreement and also adopts  
8 a sales tax holiday on “clothing” under Section 322 of the Agreement, the clothing threshold under this  
9 section of the Agreement shall not apply during the sales tax holiday on “clothing.”

10 ~~D.~~ E. A state that adopts a cap or threshold pursuant to this section is not required to eliminate  
11 that cap or threshold unless the federal law authorizing states to require remote sellers to collect and remit  
12 sales and use tax prohibits states from using such caps or thresholds.

13 *This provision became effective upon its approval.*

#### 14 **Section 327: LIBRARY OF DEFINITIONS**

15 *Compiler’s note: (a) The Governing Board issued an interpretation of Section 327C on August 29, 2006. That*  
16 *interpretation can be found in the Library of Interpretations in Appendix D.*

17 *(b) On September 5, 2008 Section 327C was amended by adding “and 332” in the first line; by adding “Part II or*  
18 *Part III(B)” after “each” in line three; by adding “such” after “each” in line four; and by adding the last sentence.*  
19 *This amendment became effective upon its adoption.*

#### 20 **Section 328: TAXABILITY MATRIX**

21 *Compiler’s note: (a) On September 20, 2007 Section 328 was amended as follows. The amendment was effective on*  
22 *January 1, 2008:*

23 *A. To ensure uniform application of terms defined in the Library of Definitions each member state shall*  
24 *complete a taxability matrix adopted by the governing board. The member state’s entries in the matrix shall*  
25 *be provided and maintained in a database that is in a downloadable format approved by the governing*  
26 *board. A member state shall provide notice of changes in the taxability of the products or services listed in*  
27 *the taxability matrix as required by the governing board.*

28 *B. ~~Until such time as sufficient additional definitions are adopted to provide for a uniform application of the~~*  
29 *~~definition of tangible personal property, each member state shall certify to the Governing Board its tax~~*  
30 *~~treatment of photographs delivered electronically. This information shall be included in the taxability~~*  
31 *~~matrix. A uniform application of the definition of tangible personal property requires an amendment to~~*  
32 *~~Section 327 of this Agreement. Notice of changes in the taxability of such goods shall be made in the same~~*  
33 *~~manner as required for notice of changes in the taxability of other products or services listed in the~~*  
34 *~~taxability matrix.~~*

35 ~~€.~~ *A member state shall relieve sellers and CSPs from liability to the member state and its local jurisdictions*  
36 *for having charged and collected the incorrect amount of sales or use tax resulting from the seller or CSP*

1 relying on erroneous data provided by the member state in the taxability matrix ~~or in the certification of the~~  
2 ~~state's tax treatment of photographs delivered electronically.~~

3 D. If a state levies sales and use tax on a specified digital product and provides an exemption for an item  
4 within the definition of such specified digital product pursuant to Section 332 (H) of this Agreement, such  
5 exemption must be noted in the taxability matrix.

6 E. Each state that provides for a sales tax holiday pursuant to Section 322 of this Agreement shall, in a format  
7 approved by the Governing Board, give notice in the taxability matrix of the products for which a tax  
8 exemption is provided.

9 F. For purposes of this section, the term "transferred electronically" means obtained by the purchaser by  
10 means other than tangible storage media.

11 (b) On September 5, 2008 subsection (F) was repealed. This amendment became effective upon its adoption.

12 (c) On October 29, 2013, Section 328 was amended to read as follows and became effective upon its adoption:

13 A. Taxability Matrix

14 (1) Library of Definitions: To ensure uniform application of terms defined in the Library of  
15 Definitions adopted by the governing board pursuant to Section 327, each member state shall complete, to  
16 the best of its ability, Section 1 of the taxability matrix ~~adopted by the governing board.~~

17 (2) Best Practices: To inform the general public of its practices regarding certain products,  
18 procedures, services, or transactions as adopted by the governing board pursuant to Section 335, each  
19 member state shall complete, to the best of its ability, Section 2 of the taxability matrix.

20 B. The member state's entries in the matrix shall be provided and maintained in a database that is in a  
21 downloadable format approved by the governing board. A member state shall provide notice of changes in  
22 the taxability of the products or services listed in the taxability matrix as required by the governing board.

23 ~~BC.~~ A member state shall relieve sellers and CSPs from liability to the member state and its local  
24 jurisdictions for having charged and collected the incorrect amount of sales or use tax resulting from the  
25 seller or CSP relying on erroneous data provided by the member state in the taxability matrix. If a member  
26 state amends an existing provision of its taxability matrix, the member state shall, to the extent possible,  
27 relieve sellers and CSPs from liability to the member state and its local jurisdictions until the first day of  
28 the calendar month that is at least 30 days after notice of a change to a member state's taxability matrix is  
29 submitted to the governing board, provided the seller or CSP relied on the prior version of the taxability  
30 matrix.

31 ~~D.~~ If a state levies sales and use tax on a specified digital product and provides an exemption for an item  
32 within the definition of such specified digital product pursuant to Section 332 ~~40~~ (H) of this Agreement,  
33 such exemption must be noted in the taxability matrix.

1 ~~DE.~~ Each state that provides for a sales tax holiday pursuant to Section 322 of this Agreement shall, in a  
2 format approved by the Governing Board, give notice in the taxability matrix of the products for which a  
3 tax exemption is provided.

4 (d) On May 12, 2015, Section 328 was amended to read as follows and became effective upon its adoption:

5 A. Taxability Matrix

6 (1) Library of Definitions (Library): To ensure uniform application of terms defined in the Library  
7 ~~of Definitions~~ adopted by the Governing Board pursuant to Section 327, each member state shall  
8 complete, to the best of its ability, ~~the section 4~~ of the taxability matrix titled "Library of  
9 Definitions".

10 (2) Tax Administration Practices Best Practices: To inform the general public of its practices  
11 regarding certain tax administration practices ~~products, procedures, services or transactions~~ as  
12 selected ~~adopted~~ by the Governing Board pursuant to Section 335, each member state shall  
13 complete, to the best of its ability, ~~Section 2~~ the section of the taxability matrix titled "Tax  
14 Administration Practices".

15  
16  
17 B. The member state's entries in the taxability matrix shall be provided and maintained in a database that  
18 is in a downloadable format approved by the Governing Board. A member state shall provide notice of  
19 changes in the taxability of the products or services listed in the taxability matrix as required by the  
20 Governing Board.

21  
22 C. A member state shall relieve sellers and CSPs from liability to the member state and its local  
23 jurisdictions for having charged and collected the incorrect amount of sales or use tax resulting from the  
24 seller or CSP relying on erroneous data provided by the member state in the Library section of the  
25 taxability matrix. If a member state amends an existing provision of the Library section of the  
26 taxability matrix, the member state shall, to the extent possible, relieve sellers and CSPs from liability to the member  
27 state and its local jurisdictions until the first day of the calendar month that is at least 30 days after notice  
28 of a change to a member state's Library section of the taxability matrix is submitted to the Governing  
29 Board, provided the seller or CSP relied on the prior version of the taxability matrix.

30  
31 D. To the extent possible, the member state shall relieve sellers and CSPs from liability to the member state  
32 and its local jurisdictions for having charged and collected the incorrect amount of sales or use tax  
33 resulting from the seller or CSP relying on erroneous data provided by the member state in the tax  
34 administration practices section of the taxability matrix. If a member state amends an existing provision of  
35 the tax administration practices section of its taxability matrix, the member state shall, to the extent  
36 possible, relieve sellers and CSPs from liability to the member state and its local jurisdictions until the first  
37 day of the calendar month that is at least 30 days after notice of a change to a member state's tax  
38 administration practices section of the taxability matrix is submitted to the Governing Board, provided the  
39 seller or CSP relied on the prior version of the taxability matrix.

40  
41 ~~E. D.~~ If a state levies sales and use tax on a specified digital product and provides an exemption for an item  
42 within the definition of such specified digital product pursuant to Section 332 (H) of this Agreement, such  
43 exemption must be noted in the Library section of the taxability matrix.

44  
45 ~~F. E.~~ Each state that provides for a sales tax holiday pursuant to Section 322 of this Agreement shall, in a  
46 format approved by the Governing Board, give notice in the Library section of the taxability matrix of the  
47 products for which a tax exemption is provided.

48  
49 **SECTION 330: BUNDLED TRANSACTIONS**



1 *Compiler's note: (a) On April 16, 2005 Section 330 was added. Member States shall comply with the provisions of*  
2 *this Section no later than January 1, 2008.*

3 *(b) On December 6, 2008 Section 330 D was added. This provision became effective upon its adoption.*

#### 4 **SECTION 331: RELIEF FROM CERTAIN LIABILITY**

5 *Compiler's note: (a) On August 29, 2006 Section 331 was added. Member States shall comply with the provisions*  
6 *of this Section no later than January 1, 2009.*

7 *(b) On December 14, 2006 Section 331 was amended by inserting "provided that" in lieu of "except" after "Section*  
8 *331 A," and to add the clause following "Section 328" in B, and by adding the clause starting with "however" in E.*

#### 9 **SECTION 332: SPECIFIED DIGITAL PRODUCTS**

10 *Compiler's note: (a) On September 20, 2007 Section 332 was added and became effective on January 1, 2008.*

11 *(b) On April 2, 2008 Subsection (G) was amended by adding "or product "transferred electronically"" after*  
12 *"specified digital product" in the first sentence and by deleting ""specified digital products" from within one or*  
13 *more specified digital product categories" and inserting "such products" in the third sentence.*

#### 14 **SECTION 333: USE OF SPECIFIED DIGITAL PRODUCTS**

15 *Compiler's note: On September 20, 2007 Section 332 was added and became effective on January 1, 2010.*

#### 16 **SECTION 334: PROHIBITED REPLACEMENT TAXES**

17 *Compiler's note: On May 12, 2009 Section 334 was added and became effective upon its approval.*

#### 18 **SECTION 335: ~~BEST PRACTICES~~ TAX ADMINISTRATION PRACTICES**

19 *Compiler's note: (a) On October 29, 2013, Section 335 was added and became effective upon its approval. (b) The*  
20 *vouchers best practices were adopted on October 29, 2013. See Appendix E. (c) The credits best practices were*  
21 *adopted on May 15, 2014. See Appendix E.*

22 *(b) On May 12, 2015, Section 335 was amended to read as follows and became effective upon its adoption:*

#### 23 **Section 335: ~~BEST PRACTICES~~ TAX ADMINISTRATION PRACTICES**

24 *A. For purposes of this section, "best practices" shall mean those practices as adopted by the governing*  
25 *board as the best practices in administration of the sales and use taxes in the member states regarding*  
26 *~~certain identified products, procedures, services, or transactions.~~*

27 *A. For purposes of this section, tax administration practices consist of the following, as defined in this*  
28 *paragraph:*

29 *(1) Disclosed practice: a tax practice that the governing board selects and requires each member*  
30 *state to disclose pursuant to paragraph B of this section; and*

31 *(2) Best practice: a disclosed practice selected by the governing board as a best practice*  
32 *pursuant to paragraph C of this section.*

33 *B. The governing board will select a disclosed practice using the following procedures:*

34 *5. SLAC shall develop a practice for disclosure pursuant to the guidelines set forth in governing*  
35 *board Rule 335.*

- 1                   6. *The governing board shall provide public notice and opportunity for comment prior to voting*  
2 *on a motion to approve selection of a tax practice for disclosure ~~adopt a best practice~~.*  
3                   7. *If a disclosed practice and a best practice are under concurrent development under Rule 335,*  
4 *the governing board shall first vote on whether the practice is a disclosed practice before*  
5 *proceeding on a vote on whether the practice should be selected as a best practice.*  
6                   8. *A majority vote of the entire governing board is required to approve a motion to select a tax*  
7 *practice for disclosure. ~~adopt a best practices standard.~~*

8 C. The governing board will select a best practice using the following procedures:

- 9  
10                  4. *SLAC shall develop a best practice pursuant to the guidelines set forth in governing board Rule*  
11 *335 only from among the disclosed practices or from tax practices in concurrent development*  
12 *under Subsection B.1.*  
13                  5. *The governing board shall provide notice and opportunity for public comment prior to voting on a*  
14 *motion to approve selection of a best practice.*  
15                  6. *A three-fourths vote of the entire governing board is required to approve a motion to select a best*  
16 *practice.*

17  
18 D. C. Best Tax administration practices ~~adopted by the governing board~~ shall be maintained in an  
19 Appendix to the Agreement.

20  
21 E. No member state shall be found out of compliance with the Agreement because the effect of the state's  
22 laws, rules, regulations, and policies does not follow a tax administration practice. Following a tax  
23 administration practice is voluntary. All member states are encouraged to follow each best practice. ~~D.~~  
24 ~~Conformance by member states to best practices adopted by the governing board shall be voluntary and no~~  
25 ~~state shall be found not in compliance with the Agreement because the effect of the state's laws, rules,~~  
26 ~~regulations, and policies do not follow each of the best practices adopted by the governing board.~~  
27 However, all member states are encouraged to follow the best practices as much as possible.

28  
29 F. Each state must complete and submit to the Executive Director for posting on the governing board's  
30 website the tax administration practices section of the taxability matrix (1) by the first day of the calendar  
31 month that is at least 60 days after the date the governing board approves a motion to selects a disclosed  
32 and/or best practice or (2) the date specified by the governing board, whichever is later. ~~E.~~ States must  
33 complete the best practices matrix by the first day of the calendar month that is at least 30 days after the  
34 date the governing board approves a best practice and submit it to the Executive Director for posting on  
35 the governing board's website. For subsequent best disclosed practices that are selected approved by the  
36 governing board, the states must update their tax administration practice matrix by the first day of the



1 ~~calendar month that is at least 30 days after the date the governing board approves a new best disclosed~~  
2 ~~practice and submit it to the Executive Director for posting on the governing board's website.~~

3  
4 G. Using the procedure for updating the taxability matrix, the Executive Director will shall make the  
5 necessary updates to the taxability matrix template no later than 30 days after the date the governing board  
6 approves a motion to select a disclosed or best practice.

7  
8 H. All best practices existing on May 11, 2015 are disclosed practices. The Executive Director shall  
9 implement this provision without changing any of the member states' responses. A disclosed practice may  
10 subsequently be modified or become a best practice by following the provisions set forth in this section.

## 11 12 **SECTION 402: AMNESTY FOR PARTICIPATION**

13 *Compiler's note: (a) The Governing Board issued interpretations of Section 402B and 402C on April 18, 2006.*  
14 *Those interpretations can be found in the Library of Interpretations in Appendix D.*

15 *(b) The Governing Board issued an interpretation of Section 402 on August 29, 2006. That interpretation can be*  
16 *found in the Library of Interpretations in Appendix D.*

17 *(c) The Governing Board issued two interpretations of Section 402 on December 14, 2006. Those interpretations*  
18 *can be found in the Library of Interpretations in Appendix D.*

## 19 **SECTION 502: STATE REVIEW AND APPROVAL OF CERTIFIED AUTOMATE** 20 **SYSTEM SOFTWARE AND CERTAIN LIABILITY RELIEF**

21 *Compiler's note: (a) On January 13, 2006 Section 502 was added. Member States shall comply with the provisions*  
22 *of this Section no later than January 1, 2008.*

23 *(b) On June 23, 2007 subsections (A) and (D) were amended as follows:*

24 *A. Each member state shall review software submitted to the governing board for certification as a CAS under*  
25 *Section 501. Such review shall include a review to determine that the program ~~adequately classifies the~~*  
26 *~~state's product based exemptions~~ accurately reflects the taxability of the product categories included in the*  
27 *program. Upon ~~completion of the review~~ approval by the state, the state shall certify to the governing*  
28 *board its acceptance of the ~~classifications made by the system~~ determination of the taxability of the product*  
29 *categories included in the program.*

30 *D. The governing board and the member states shall not be responsible for classification of an item or*  
31 *transaction within the ~~product based exemptions~~ product categories certified. The relief from liability*  
32 *provided in this section shall not be available for a CSP or model 2 seller that has incorrectly classified an*  
33 *item or transaction into a ~~product based exemption~~ product category certified by a member state. This*  
34 *paragraph shall not apply to the individual listing of items or transactions within a product definition*  
35 *approved by the governing board or the member states.*

1 (c) On May 10, 2017 subsection (F) was adopted in its entirety based on AM17001A02.

2 **SECTION 603: MONETARY ALLOWANCES FOR MODEL 3 SELLERS AND ALL**  
3 **OTHER SELLERS NOT UNDER MODESL 1 OR 2 (Repealed)**

4 *Compiler's note: The following was repealed on October 7, 2010.*

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

- 7 A. *For a period not to exceed twenty-four months following a voluntary seller's registration through the*  
8 *Agreement's central registration process, a percentage of tax revenue generated for a member state by*  
9 *the voluntary seller for each member state for which the seller does not have a requirement to register*  
10 *to collect the tax.*
- 11 B. *Vendor discounts afforded under each member state's law.*

12 **SECTION 604: ADDITIONAL MONETARY ALLOWANCE REQUIRED FOR**  
13 **MEMBERS MAKING CERTAIN ELECTIONS (Repealed)**

14 *Compiler's note: This section was adopted on December 12, 2007, became effective on January 1, 2010 and was*  
15 *repealed on October 7, 2010.*

16 *In addition to the monetary allowance provided pursuant to Sections 601, 602 and 603 of this Agreement, each*  
17 *state that makes the election by Section 310.1 of this Agreement, upon becoming a full member state, shall*  
18 *provide reasonable compensation for the incremental expenses incurred in establishing or maintaining a*  
19 *uniform origin system for administering, collection and remitting sales and use taxes on origin-based sales.*

20 **SECTION 605: VENDOR COMPENSATION DEFINITIONS (Repealed)**

21 *Compiler's note: (a) This section was adopted on October 7, 2010 and became effective upon its adoption.*

22 *(b) This section was repealed effective October 7, 2012 based on Section 611.*

23 *"The following definitions apply to Sections 606 through Sections 613, inclusive.*

24 A. *"Remote sales" are sales into a state in which the seller would not legally be required to collect sales or use*  
25 *tax, but for the ability of that state to require such "remote seller" to collect sales or use tax under federal*  
26 *authority.*

27 B. *"Remote seller" is a seller that would not register in a state but for the ability of that state to require such*  
28 *"remote seller" to collect sales or use tax under federal authority.*

29 C. *"In-state seller" is any seller that is not a "remote seller" in a state and is legally required to collect sales*  
30 *or use tax in that state.*

31 D. *"New remote seller" is a "remote seller" who registers with the online registration system established*  
32 *pursuant to Section 303 and was not previously required to collect sales or use taxes. A seller merely*  
33 *reincorporating, changing its name or having a change in ownership or any other similar change in its business*  
34 *structure or operations does not constitute a "new remote seller"."*

1 **SECTION 606: COMPENSATION REQUIREMENT (Repealed)**

2 *Compiler’s note: (a) This section was adopted on October 7, 2010 and became effective upon its adoption.*

3 *(b) This section was repealed effective October 7, 2012 based on Section 611.*

4 *“A. 1. A member state may require “remote sellers” to collect state and local sales and use tax on “remote*  
5 *sales” provided such member state authorizes compensation to all sellers in accordance with the requirements*  
6 *of Section 605 through Section 613, inclusive.*

7  
8 *2. A member state shall not be required to comply with the requirements for compensation in Section 605*  
9 *through Section 613, inclusive, but if such member state does not comply with the requirements for*  
10 *compensation, it shall not exercise collection authority over “remote sellers”.”*

11  
12 **SECTION 607: PETITION FRO COLLECTION AUTHORITY AND COMPENSAITON**  
13 **COMPLIANCE DETERMINATIONS (Repealed)**

14 *Compiler’s note: (a) This section was adopted on October 7, 2010 and became effective upon its adoption.*

15 *(b) This section was repealed effective October 7, 2012 based on Section 611.*

16 *“A. Upon a petition by the member state, the governing board shall certify which member states are in*  
17 *compliance with the compensation requirements of the Agreement and shall reevaluate such certification*  
18 *on an annual basis. The process for certification is as follows:*

19 *1. A member state shall petition the governing board for certification that it meets all the*  
20 *compensation requirements of this section. The petition must include the most recent certificate of*  
21 *compliance showing such member state to be in full compliance with the minimum simplification*  
22 *requirements of the Agreement, other than compensation.*

23 *2. A petition for collection authority may be submitted to the governing board at any time but the*  
24 *governing board shall not grant state specific authorization to begin remote seller collections until*  
25 *at least 6 months after the general remote seller collection authority has been granted by federal*  
26 *authority.*

27 *3. Upon certification by the governing board, the member state will be authorized to require*  
28 *collection by remote sellers. This authority will commence for such state on the first day of the*  
29 *next calendar quarter at least 60 days after the date the governing board makes its compensation*  
30 *determination. Such collection authority will continue as long as the member state provides the*  
31 *minimum compensation to all sellers as required or permitted under the Agreement and consistent*  
32 *with subdivision C of this section and maintains its certification and compliance with the*  
33 *Agreement.*

1 *B. The governing board shall establish within its bylaws a compensation certification and review*  
2 *committee comprised of no less than 11 members. Membership shall be drawn from the business advisory*  
3 *council, the state and local advisory council and delegates to the governing board. The chair of the*  
4 *compliance review and interpretations committee shall be ex officio.*

5  
6 *The purpose of this committee is to:*

- 7 *1. Review each member state's petition pursuant to subdivision A of this section;*
- 8 *2. Perform annual reviews of state compensation plans; and*
- 9 *3. Provide timely recommendations to the governing board for action on member states' petitions*  
10 *made pursuant to subdivision 1 of this section.*

11  
12 *C. At any time after the governing board has made the determinations required by the Agreement to grant*  
13 *remote seller collection authority to a member state, any person affected by the Agreement may petition the*  
14 *governing board for a determination of a member state's compliance with the Agreement. Such request*  
15 *shall be deemed a petition for matters of compliance under Section 1002 of the Agreement and shall*  
16 *comply with the rules and procedures for issue resolution in Section 1001 of the Agreement.*

17  
18 *D. Upon final determination by the governing board that a member state's compensation is not in*  
19 *compliance with the compensation requirements of the Agreement, a member state's authority to require*  
20 *collection by remote sellers shall automatically terminate 30 days following the date of such final*  
21 *determination.*

22  
23 *E. Upon final determination by the governing board that a member state is not in compliance with the*  
24 *minimum simplification parts of the Agreement, other than compensation, that member state shall lose its*  
25 *remote seller collection authority on the earlier of:*

- 26 *1. The date specified by the governing board, or*
- 27 *2. The later of the first day of January at least 2 years after the governing board finally*  
28 *determined the member state was not in compliance or the first day of a calendar quarter*  
29 *following the end of one full session of the member state's legislature beginning after the*  
30 *governing board finally determined the state was not in compliance.*

31  
32 *F. Any member state that loses its collection authority must file a petition with the governing board to have*  
33 *its remote seller collection authority restored. The petition, which may be submitted at any time, should*  
34 *identify how the issues which caused loss of certification have been addressed and why certification should*  
35 *be restored. Restoration of collection authority, if granted, will commence for such state on the first day of*

1           *the next calendar quarter at least 60 days after the governing board makes its compensation*  
2           *determination.”*

3  
4   **SECTION 608: STANDARDS FOR COMPENSATION (Repealed)**

5   *Compiler’s note: (a) This section was adopted on October 7, 2010 and became effective upon its adoption.*

6   *(b) This section was repealed effective October 7, 2012 based on Section 611.*

7           *“A. The member state shall provide at least the minimum compensation to all sellers for expenses incurred*  
8           *in administering, collecting, and remitting sales and use taxes (other than taxes paid on goods and services*  
9           *purchased for consumption by the seller) to that member state that is reasonably related to actual costs*  
10           *incurred in collecting and remitting sales and use taxes.*

11  
12           *The governing board may allow compensation to:*

- 13           1. *Vary from state to state;*
- 14           2. *Vary according to collection costs of sellers of different sizes;*
- 15           3. *Vary according to the complexity of a state’s laws, including having a single state rate versus*  
16           *many local jurisdictions, clothing caps or thresholds, intra-state origin sourcing;*
- 17           4. *Exceed the minimum standard;*
- 18           5. *Be reasonably capped;*
- 19           6. *Be adjusted in relationship to changes in the size of the small business exemption adopted by*  
20           *the governing board;*
- 21           7. *Be decreased as additional simplifications and improvements in technology reduce collection*  
22           *costs;*
- 23           8. *Be increased if provisions of the Agreement are adopted that increase collection costs.*

24  
25           *B. Compensation will be paid as a percentage applied to tax remitted on a return. The governing board*  
26           *shall promulgate rules to provide appropriate adjustments to accommodate differing filing periods of*  
27           *member states.*

28  
29           *C. Each member state shall establish three rates of compensation which shall be a percentage of a portion*  
30           *of sales and use taxes remitted by a seller in the reported month. Rate 1 shall be paid on the first \$6,250.00*  
31           *of the sales and use tax remitted by a seller in the reported month. Rate 2, which shall not be less than fifty*  
32           *percent (50%) of a rate 1, shall be paid on the amount of sales and use tax remitted in the reported month*  
33           *exceeding \$6,250.00 and less than or equal to \$62,500.00. Rate 3, which shall not be less than twenty-five*  
34           *percent (25%) of rate 1, shall be paid on the sales and use tax remitted by a seller in the reported month*  
35           *exceeding \$62,500.00.*

1           *Each member state shall establish rates 1, 2, 3 to provide total compensation not less than:*

- 2                     1. *Three-fourths of one percent (0.75%) of state and local sales and use tax collections for states*  
3                     *that require sellers to report tax by local jurisdiction; or*  
4                     2. *One-half of one percent (0.5%) of sales and use tax collections for states that do not require*  
5                     *sellers to report tax by local jurisdiction.*

6  
7           *Calculation of the compensation rate for the next succeeding calendar year shall be based on remittances*  
8           *for the previous 12 months ending June 30 of the immediately prior calendar year and the methodology*  
9           *prescribed in the rules to be promulgated by the governing board.*

10  
11          *D. No member state shall be required by the Agreement to pay compensation to a seller in any month on*  
12          *sales and use taxes remitted for such month in excess of:*

- 13                     1. *Seven hundred fifty thousand dollars (\$750,000.00) for member states with sales and use tax*  
14                     *collections in the twelve month period ending June 30 of the previous calendar year of not more*  
15                     *than one billion dollars (\$1,000,000,000.00); or*  
16                     2. *One million dollars (\$1,000,000.00) for states with sales and use tax collections in the twelve*  
17                     *month period ending June 30 of the previous calendar year of more than one billion dollars*  
18                     *(\$1,000,000,000.00) and not more than two billion five hundred million dollars*  
19                     *(\$2,500,000,000.00); or*  
20                     3. *Three million dollars (\$3,000,000.00) for states with sales and use tax collections in the twelve*  
21                     *month period ending June 30 of the previous calendar year of more than two billion five hundred*  
22                     *million dollars (\$2,500,000,000.00) and not more than five billion dollars (\$5,000,000,000.00); or*  
23                     4. *Five million dollars (\$5,000,000.00) for states with sales and use tax collections in the twelve*  
24                     *month period ending June 30 of the previous calendar year of more than five billion dollars*  
25                     *(\$5,000,000,000.00) and not more than seven billion five hundred million dollars*  
26                     *(\$7,500,000,000.00); or*  
27                     5. *Seven million dollars (\$7,000,000.00) for states with sales and use tax collections in the twelve*  
28                     *month period ending June 30 of the previous calendar year of more than seven billion five*  
29                     *hundred million dollars (\$7,500,000,000.00) and not more than ten billion dollars*  
30                     *(\$10,000,000,000.00); or*  
31                     6. *Ten million dollars (\$10,000,000.00) for member states with sales and use tax collections in*  
32                     *the twelve month period ending June 30 of the previous calendar year of more than ten billion*  
33                     *dollars (\$10,000,000,000.00).*

34  
35          *The governing board may adjust the above caps as necessary due to inflation, growth in sales tax revenues*  
36          *or other relevant factors. The compensation certification and review committee must review any proposed*

1           *adjustments to these caps and make a recommendation to the governing board on such proposed*  
2           *adjustments prior to any vote by the governing board on changes to the above caps.*

3  
4           *E. Member states that have a second state rate on groceries or drugs or clothing thresholds will be*  
5           *required to pay additional compensation as provided by rule adopted by the governing board.*

6  
7           *F. Rules setting forth calculations of minimum compensation amounts and procedures to facilitate*  
8           *payment of compensation shall be approved by the governing board prior to any member state exercising*  
9           *its collection authority.*

10  
11           *G. All rules relating to compensation or changes to the minimum compensation amounts shall be reviewed*  
12           *every two years by the governing board in time for member states to incorporate any changes into their*  
13           *next legislative session.*

14  
15           *H. Member states may restrict sellers from altering the number of returns filed in order to enhance their*  
16           *own compensation or that of another person.*

17  
18           *I. Compensation, addressed by this amendment, is applicable only to sales and use taxes.*

19  
20           *J. Compensation shall be paid for any period that a return is timely filed and fully paid. No member state*  
21           *is required to pay compensation for an untimely or partially paid return. Absent fraud, a return filed and*  
22           *fully paid in good faith does not constitute a partially paid return if it is subsequently determined that*  
23           *additional tax is due from the seller. A member state is not required to provide compensation on additional*  
24           *tax found due.*

25  
26           *K. Member states will not be required to pay compensation on sales for which a seller is using a certified*  
27           *service provider and such certified service provider is being compensated for that service by the state.*

28  
29           *L. Member states are not required to provide compensation for transactions in which the seller is not*  
30           *responsible for collecting and remitting the tax, and for persons with direct pay permits.*

31  
32           *M. Member states shall not assess penalty or interest on tax due pursuant to paragraph A 3 of Section 607*  
33           *on remote sales transactions occurring during the first six months following commencement of remote*  
34           *seller collection authority.*



1           N. Each member state, at its option, shall be permitted to lower, reduce, or eliminate the amount or rate of  
2           compensation otherwise provided for by this section paid to public utilities providing gas, electric, water or  
3           sewer services.”  
4

## 5   **SECTION 609: OBLIGATION TO PAY (Repealed)**

6   *Compiler’s note: (a) This section was adopted on October 7, 2010 and became effective upon its adoption.*

7   *(b) On December 13, 2010 this section was amended as follows:*

8           A. For purposes of this section the term “small remote seller” shall mean a new remote seller which has gross  
9           national remote sales of no more than five million dollars (\$5,000,000.00) as calculated pursuant to Section  
10           610 of this Agreement and shall include sellers which would be “new remote sellers” but for the fact that they  
11           had gross national remote sales of less than five hundred thousand dollars (\$500,000.00) as calculated  
12           pursuant to Section 610 of this Agreement.  
13

14           B. Member states shall begin paying compensation to a “new remote seller” upon submission of the seller’s  
15           initial return filed after the effective date of the member state’s authorization for compensation that meets the  
16           standards of Section 608. Notwithstanding the rates of compensation established by a member state pursuant to  
17           Section 608, compensation paid to a “new small remote sellers” may elect to receive for a six months period  
18           beginning with the first month that such sellers collect a Member State’s tax shall be calculated based on the  
19           following rates: Rate 1 shall be three percent (3%), rate 2 shall be one and one half percent (1.5%) and rate 3  
20           shall three fourths of one percent (0.75%) twenty percent (20%) of the tax collected and due (except for the  
21           compensation amount to be retained by the small remote seller) to a state in a month not to exceed  
22           compensation of eighty-five dollars (\$85.00) in any month in lieu of compensation calculated using the rates of  
23           compensation established by a member state pursuant to Section 608. Such election shall be for a six month  
24           period beginning with the first month that such seller collects a member state’s tax. After such six month  
25           period, the rates used to calculate compensation for such sellers shall be those rates established by the member  
26           state pursuant to Section 608. The increased amount of compensation allowed by this subsection shall be  
27           available to a “small remote seller” which begins collecting tax for a member state within the first 12 months  
28           following the date of the member state’s authorization for the collection of taxes on remote sales.  
29

30           A seller subsequently found not to meet the qualifications of a “~~new~~ small remote seller” may be denied and  
31           assessed, including any applicable penalties and interest, for any compensation it was not qualified to claim.  
32

33           The provisions of this section shall apply to each state which is currently a full member of the Agreement and to  
34           each state which becomes a full member of the Agreement after the adoption of this section.  
35



1 ~~B. C.~~ *If a member state determines that a “new remote seller” had previously been registered in that state,*  
2 *compensation for that seller may be delayed until the state is required to pay compensation for all “in-state*  
3 *sellers” as set forth in ~~subdivision 3~~ subsection (D) of this section of Section 609.” The remaining subsections*  
4 *were renumbered.*

5 *(c) This section was repealed effective October 7, 2012 based on Section 611.*

6 *“A. For purposes of this section the term “small remote seller” shall mean a new remote seller which has*  
7 *gross national remote sales of no more than five million dollars (\$5,000,000.00) as calculated pursuant to*  
8 *Section 610 of this Agreement and shall include sellers which would be “new remote sellers” but for the*  
9 *fact that they had gross national remote sales of less than five hundred thousand dollars (\$500,000.00) as*  
10 *calculated pursuant to Section 610 of this Agreement.*

11  
12 *B. Member states shall begin paying compensation to a “new remote seller” upon submission of the*  
13 *seller’s initial return filed after the effective date of the member state’s authorization for compensation that*  
14 *meets the standards of Section 608. Notwithstanding the rates of compensation established by a member*  
15 *state pursuant to Section 608, a “small remote seller” may elect to receive twenty percent (20%) of the tax*  
16 *collected and due (except for the compensation amount to be retained by the small remote seller) to a state*  
17 *in a month not to exceed compensation of eighty-five dollars (\$85.00) in any month in lieu of compensation*  
18 *calculated using the rates of compensation established by a member state pursuant to Section 608. Such*  
19 *election shall be for a six month period beginning with the first month that such seller collects a member*  
20 *state’s tax. After such six month period, the rates used to calculate compensation for such seller shall be*  
21 *those rates established by the member state pursuant to Section 608. The increased amount of*  
22 *compensation allowed by this subsection shall be available to a “small remote seller” which begins*  
23 *collecting tax for a member state within the first 12 months following the date of the member state’s*  
24 *authorization for the collection of taxes on remote sales.*

25  
26 *A seller subsequently found not to meet the qualifications of a “small remote seller” may be denied and*  
27 *assessed, including any applicable penalties and interest, for any compensation it was not qualified to*  
28 *claim.*

29  
30 *The provisions of this section shall apply to each state which is currently a full member of the Agreement*  
31 *and to each state which becomes a full member of the Agreement after the adoption of this section.*

32  
33 *C. If a member state determines that a “new remote seller” had previously been registered in that state,*  
34 *compensation for that seller may be delayed until the state is required to pay compensation for all “in-state*  
35 *sellers” as set forth in subsection (D) of this section.*

1 *D. A member state shall elect one of the following methods (Option 1, Option 2, or Option 3) for*  
2 *commencing payment of compensation for “in-state sellers” or “new remote sellers” previously registered*  
3 *in that state.*

4  
5 *1. Option 1. Pay “in-state sellers” and “new remote sellers” previously registered in that state*  
6 *when tax collections from “new remote sellers” reaches the dollar threshold established by the*  
7 *following method:*

8 *a) A state utilizing this option shall track and report its total collections from “new*  
9 *remote sellers to the governing board.*

10 *b) When the amount of monthly collections received from such sellers for each of four*  
11 *consecutive months occurring sometime after the date remote seller collection authority*  
12 *began meets or exceeds the amount that would be required to pay the approved average*  
13 *monthly level of compensation for all other sellers, then compensation will be due and*  
14 *owing beginning the first day of the following quarter and thereafter for all sellers.*

15 *c) In a state that is already compensating its sellers, only the difference above the*  
16 *currently paid amount and the amount that would be required to pay the approved*  
17 *average monthly level of compensation for all other sellers will be required to*  
18 *accumulate before implementing the approved compensation.*

19 *2. Option 2. Begin paying “in-state sellers” and “remote sellers” that had been previously*  
20 *registered in that state on the next return remitted fifteen months following the grant of collection*  
21 *authority.*

22  
23 *3. Option 3. Continue paying compensation to all the sellers previously receiving such payment*  
24 *as long as such compensation meets the requirements of this section.*

25  
26 *E. A member state that does not receive sufficient sales and use tax collections from remote sellers to*  
27 *justify the state’s continued participation may notify the governing board that its remote collection*  
28 *authority should expire and may terminate its obligation to pay compensation at the governing board-*  
29 *approved rate. A member state which exercises this option shall give not less than 60 days’ notice of its*  
30 *intent to relinquish remote collection authority.”*

31  
32 **SECTION 610: SMALL SELLER EXCEPTION (Repealed)**

33 *Compiler’s note: (a) This section was adopted on October 7, 2010 and became effective upon its adoption.*

1 (b) Subsection (G) was adopted on November 8, 2010 and became effective upon its adoption.

2 (c) This section was repealed effective October 7, 2012 based on Section 611.

3 “A. The governing board shall develop a sales volume threshold for determining which small “remote  
4 sellers” qualify for an exemption from the requirement to collect sales or use taxes on “remote sales.” In  
5 making such a determination the governing board shall consider whether:

- 6 1. The sales are occasional or isolated;
- 7 2. The sales are of such low volume that the administrative expense of collection imposes too great  
8 a burden on both seller and member state;
- 9 3. The collection burden on the remote seller is offset by compensation;
- 10 4. The remote seller has a monthly filing requirement in a member state;
- 11 5. Certified service providers for sellers in that industry group are readily available; and
- 12 6. Technology solutions are available to mitigate the filing burden.

13  
14 In making such determination, the governing board shall identify the total annual dollar volume of gross  
15 remote sales nationwide of the seller above which would trigger a collection responsibility for remote  
16 sellers. The exemption threshold shall be set at a relatively low level and over time adjusted downward so  
17 that only sellers making isolated or occasional sales are excluded from the collection requirement.

18  
19 The threshold shall be based on national remote sales volume.

20  
21 B. “Remote sellers” shall be required to annually determine if the small seller exemption applies based on  
22 (1) sales volume of the seller and (2) the annual policy determination of the governing board. To  
23 determine whether a remote seller qualifies for the small seller exception, the seller computes the total  
24 gross national remote sales volume for the most recent 12-month period beginning July 1 of one calendar  
25 year and ending June 30 of the next calendar year. If the total gross national remote sales volume for such  
26 period exceeds the exemption threshold amount in effect for such period, then the remote seller shall begin  
27 collection and remittance of sales and use tax on remote sales on January 1 of the following year.

28  
29 C. Once a seller has exceeded the exemption threshold, the seller must be allowed until the beginning of  
30 the first calendar quarter commencing within 60 days following the date such threshold is exceeded in  
31 order to prepare before the collection obligation becomes effective. If gross national remote sales volume  
32 for a seller that is currently collecting and remitting sales and use tax on remote sales falls below the small  
33 seller exemption threshold amount then in effect, such seller shall continue to collect and remit such taxes  
34 until the end of the following calendar quarter.

1           D. In determining whether a “remote seller” has exceeded the small seller exemption threshold, the  
2 remote sales of such seller should be totaled with the remote sales of any affiliated business owned in  
3 whole or substantial part by another “remote seller” selling the same or substantially similar products and  
4 doing business under the same or substantially similar business. No “remote seller” that is part of an  
5 affiliated group with a gross national remote sales volume above the small seller exemption threshold is  
6 eligible to qualify for the small seller exemption, even if such seller’s gross national remote sales volume is  
7 below such threshold.

8  
9           E. The governing board shall post information about the small seller exception on its website at least 90  
10 days prior to the date on which it becomes effective on the first day of a calendar quarter.

11  
12           F. The governing board shall review the small seller exemption threshold every two years, and such  
13 threshold may be adjusted no more frequently than annually with not less than 90 days notice. Remote  
14 sellers claiming the small seller exemption must file an exemption certificate with the online registration  
15 system, stating that they qualify for the small seller exception and meet such threshold. Prior to the  
16 implementation of remote collection authority in any state, the governing board shall enact rules that  
17 provide for the registration of remote sellers and the implementation of the requirement for remote sellers  
18 to begin collecting.

19  
20           G. The governing board shall adopt rules to establish the amount of annual gross remote sales necessary  
21 to require a seller to register with the online registration system and the amount of annual gross remote  
22 sales necessary to require a seller to collect sales and use tax.”

23  
24 **SECTION 611: REPEAL (Repealed)**

25 *Compiler’s note: (a) This section was adopted on October 7, 2010 and became effective upon its adoption.*

26 *(b) This section was repealed effective October 7, 2012.*

27           “Sections 605 through Sections 613, inclusive, are repealed twenty four months after their adoption by the  
28 governing board if Congress has not granted states authority to require remote sellers to collect sales and  
29 use tax.”

30  
31 **SECTION 612: VOLUNTARY COMPENSATION FOR REMOTE SELLERS (Repealed)**

32 *Compiler’s note: (a) This section was adopted on October 7, 2010 and became effective upon its adoption.*

33 *(b) This section was repealed effective October 7, 2012 based on Section 611.*

34           “States may choose to compensate remote sellers as a measure of good faith, and offer such compensation  
35 as an inducement to registering to collect through the online registration system.”

1 **SECTION 613: OPTIONAL COMPENSATION FOR REMOTE SELLERS (Repealed)**

2 *Compiler's note: (a) This section was adopted on October 7, 2010 and became effective upon its adoption.*

3 *(b) This section was repealed effective October 7, 2012 based on Section 611.*

4 *“States may choose to not compensate remote sellers until such time federal legislation authorizes states to*  
5 *require remote sellers to collect sales and use tax.”*

6  
7 **SECTION 701: EFFECTIVE DATE**

8 *Compiler's note: (a) On April 16, 2005 Section 701 was amended by inserting “either” after “and have” in the first*  
9 *sentence; inserting “or have been found to be an associate member pursuant to Section 704” at the end of the first sentence;*  
10 *and deleting “, but cannot take effect prior to July 1, 2003” and inserting “or is found to be an associate member” at the end*  
11 *of the second sentence. The April 16, 2005 amendments to this section were effective upon adoption.*

12 *(b) On April 18, 2006 Section 701 was amended by inserting “as of October 1, 2005” after “sales tax.” The April 18, 2006*  
13 *amendment to this section was effective upon adoption.*

14 **SECTION 702: APPROVAL OF INITIAL STATES (Repealed)**

15 *Compiler's note: (a) On April 16, 2005 this section was amended by deleting “that has adopted changes to its statutes, rules,*  
16 *regulations, or other authorities necessary to bring a state into compliance as provided in Section 805,” after “a state” in*  
17 *the first sentence; inserting the second sentence; inserting “to a state’s statutes, rules, regulations, or other authorities” after*  
18 *“changes” in the third sentence; and deleting “, but shall not be earlier than the date the relevant statutes, rules, regulations,*  
19 *or other authorities of the requisite number of petitioning states are effective” after “Section 701” in the second sentence in*  
20 *the second paragraph. The April 16, 2005 amendments to this section were effective upon adoption.*

21 *(b) On December 17, 2009 this section was repealed. The following is the section when it was repealed:*

22 *Prior to the effective date of the Agreement, a state may seek membership by forwarding a petition for membership and*  
23 *certificate of compliance to the Co-Chairs of the Streamlined Sales Tax Implementing States. The certificate of*  
24 *compliance shall meet the requirements of Section 802. If some changes to a state’s statutes, rules, regulations, or other*  
25 *authorities have been adopted, but are not yet in effect, the petition for membership shall include the date on which those*  
26 *changes will be effective. A petitioning state shall also provide a copy of its petition for membership and certificate of*  
27 *compliance to each of the Streamlined Sales Tax Implementing States. A petitioning state shall also post a copy of its*  
28 *petition for membership and certificate of compliance on that state’s web site.*

29  
30 *Upon receipt of the requisite number of petitions as provided in Section 701, the Co-Chairs shall convene and preside*  
31 *over a meeting of the petitioning states for the purpose of determining if the petitioning states are in compliance with the*  
32 *Agreement. The meeting shall be convened as soon as practicable after receipt of the requisite number of petitions*  
33 *provided in Section 701. An affirmative vote of three-fourths of the other petitioning states is necessary for a petitioning*  
34 *state to be found in compliance with the Agreement. A petitioning state shall not vote on its own petition for*  
35 *membership.*

1  
2       *The Co-Chairs shall provide the public with an opportunity to comment prior to any vote on a state’s petition for*  
3       *membership.*

4       **SECTION 703: STREAMLINED SALES TAX IMPLEMENTING STATES (Repealed)**

5       *Compiler’s note: (a) On April 16, 2005 Section 703 was amended by inserting the second sentence in 703 (A) and inserting*  
6       *“without the use of associate members” after “are met” in 703 (C). The April 16, 2005 amendments to this section were*  
7       *effective upon adoption.*

8       *(b) On August 29, 2006 Section 703 was amended by inserting subsection (D). The August 29, 2006 amendment to this*  
9       *section was effective upon adoption.*

10      *(c) On December 17, 2009 this section was repealed. The following is the section when it was repealed:*

11           *A. From the time of ratification of this Agreement until the provisions of Section 701 have been met, the Streamlined*  
12           *Sales Tax Implementing States shall maintain responsibility for the Agreement, including the disposition of all proposed*  
13           *amendments to the Agreement. If the provisions of Section 701 have been met with the use of associate members as*  
14           *defined in Section 704, the Streamlined Sales Tax Implementing States shall be responsible for the disposition of all*  
15           *proposed amendments to and interpretations of the Agreement until such time as the provisions of Section 701 have been*  
16           *met without the use of associate members.*

17           *B. Amendments to the Agreement considered by the Streamlined Sales Tax Implementing States shall follow the*  
18           *provisions as set forth in Article IX, Section 901.*

19           *C. For a period of not less than six months nor longer than one year after the provisions of Section 701 are met without*  
20           *the use of associate members, the Streamlined Sales Tax Implementing States shall provide advice to the governing*  
21           *board of the Agreement and shall be consulted by the governing board before amending the Agreement.*

22           *D. Upon the expiration of the duties of the Streamlined Sales Tax Implementing States as set forth in subsection (C), any*  
23           *state that previously held Implementing State status shall become an advisor state to the governing board.*

- 24           1.       *Advisor states shall serve in an ex officio capacity on the governing board, with non-voting status, but may*  
25              *speak to any matter presented to the governing board for consideration.*
- 26           2.       *Each state’s delegation to the Streamlined Sales Tax Implementing States may serve as the state’s*  
27              *delegation to the governing board as established herein or the state may appoint a new delegation, of up to*  
28              *four representatives, who shall be members of state or local government.*
- 29           3.       *Representatives of advisor states may serve on standing committees of the governing board except they may*  
30              *not serve as officers or directors on the executive committee or as members on the finance committee or the*  
31              *compliance review and interpretations committee.*
- 32           4.       *A state that was not previously an implementing state may become an advisor state by:*
- 33              a.       *Enacting legislation authorizing the state’s participation in interstate discussions to develop a*  
34                 *simplified sales and use tax system; or*

1           b.       *Executing a memorandum of understanding or similar written document by the governor and*  
2                   *legislative leaders expressing the intent of the state to participate in interstate discussions to*  
3                   *develop a simplified sales and use tax system.*

4                   *Any question over whether or not a state qualifies as an advisor state shall be resolved by a*  
5                   *majority vote of the governing board.*

6       E. *Neither the governing board nor a member state may share or grant any advisor state access to any seller information*  
7       *from the seller's registration pursuant to Section 401. Neither the governing board nor a member state may share or*  
8       *grant any advisor state access to any seller information from an audit conducted by the governing board or a member*  
9       *state on behalf of the governing board.*

10       F. *An advisor state may not participate in a closed session of the governing board or a governing board committee.*

#### 11 **SECTION 704: CONSIDERATION OF PETITIONS (Repealed)**

12 *Compiler's note: (a) On April 16, 2005 Section 704 was added and was effective upon adoption.*

13 *(b) On December 17, 2009 this section was repealed. The following is the section when it was repealed:*

14  
15       A. *A petitioning state that is found to be in compliance pursuant to Section 805 of the Agreement and the*  
16       *changes to their statutes, rules, regulations or other authorities necessary to bring them into compliance are in*  
17       *effect shall be designated a member state.*

18       B. *A petitioning state that is found to be in compliance pursuant to Section 805 of the Agreement and the*  
19       *changes to their statutes, rules, regulations or other authorities necessary to bring them into compliance are not*  
20       *in effect, but are scheduled to take effect on or before January 1, 2008, shall be designated an associate*  
21       *member. Provided the statutes, rules, regulations or other authorities remain in effect, the state shall*  
22       *automatically become a member state upon the effective date of the conforming legislation.*

23       C. *A petitioning state that fails to receive an affirmative vote of three-fourths of the petitioning states as*  
24       *required under Section 702 may request associate membership. If such a request is made, the petitioning states*  
25       *may grant such membership by majority vote upon a finding that the state has achieved substantial compliance*  
26       *with the terms of the Agreement taken as a whole, but not necessarily each provision as required by Section*  
27       *805, measured qualitatively, and there is a reasonable expectation that the state will achieve compliance by*  
28       *January 1, 2008. A state that is granted associate membership by this section shall be required to re-petition*  
29       *for full membership under the requirements of the Agreement.*

#### 30 **SECTION 705: ASSOCIATE MEMBERSHIP (Repealed)**

31 *Compiler's note: (a) On April 16, 2005 Section 705 was added and was effective upon adoption.*

32 *(b) On June 23, 2007 Section 705 was amended as follows:*

33       *"A. An associate member shall have all the rights and privileges of a member state except that;*

34            1.        *An associate member may not vote on amendments to or interpretations of the Agreement when the*  
35            *provisions of Section 701 have been met without the use of associate members; and*



1 2. An associate member may not vote to determine if a petitioning state is in compliance with the Agreement  
2 pursuant to Section 804 of the Agreement. ~~Associate members may vote on amendments to or interpretations of the~~  
3 ~~Agreement as an Implementing State under Section 703 (A).~~

4 3. A representative of an associate member state shall not be eligible to serve on the compliance review and  
5 interpretations committee.

6 ~~B. An associate member~~ A state which is an associate member on January 1, 2007, shall retain such status until the  
7 Governing Board finds such state to be in compliance pursuant to Section 805 or December 31, 2007, whichever is  
8 earlier, without regard to whether the population requirement of Section 701 has been met. Any such associate member  
9 that has not been found in compliance by December 31, 2007 shall forfeit its status as an associate member. No state  
10 may be an associate member after December 31, 2007. The Co-Chairs of the Streamlined Sales Tax Implementing  
11 States president of the governing board shall provide an associate member state with the reasons why such state is not in  
12 compliance with the Agreement. Forfeiture of its status as an associate member does not preclude a state from re-  
13 petitioning for membership pursuant to Section 801.

14 F. An associate member state shall provide amnesty pursuant to the provisions of Section 402, provided, the amnesty  
15 shall be in effect from the date the associate member status is attained until 12 months after the associate member state  
16 has been found to be in compliance with the Agreement becomes a full member state."

17 The June 23, 2007 amendments became effective upon their adoption.

18 (c) On December 12, 2007 Section 705 B was amended by changing the dates from "December 31, 2007" to "July 1, 2009"  
19 and deleting ", without regard to whether the population requirement of Section 701 has been met" at the end of the first  
20 sentence.

21 (d) On September 30, 2009 Section 705 B was amended as follows:

22 "B. A state which is an associate member on January 1, 2007, shall retain such status until: 1) the state rescinds its  
23 election under Section 310.1 and the governing board finds such state to be in compliance pursuant to Section 805, at  
24 which time the state shall become a full member state; 2) the state has become a full member state pursuant to Section  
25 310.1 D. 2; or 3) the governing board determines that the state is not in substantial compliance with the Agreement, as  
26 amended by Section 310.1 at which time the state or July 1, 2009, whichever is earlier. Any such associate member that  
27 has not been found in compliance by July 1, 2009 shall forfeit its status as an associate member. The president of the  
28 governing board shall provide an associate member state with the reasons why such state is not in compliance with the  
29 Agreement. Forfeiture of its status as an associate member does not preclude a state from re-petitioning for membership  
30 pursuant to Section 801." The amendment was effective upon its adoption.

31 (e) On December 17, 2009 this section was repealed. The following is the section when it was repealed:

32 A. An associate member shall have all the rights and privileges of a member state except that:

33 1. An associate member may not vote on amendments to or interpretations of the Agreement when the  
34 provisions of Section 701 have been met without the use of associate members; and

35 2. An associate member may not vote to determine if a petitioning state is in compliance with the Agreement  
36 pursuant to Section 804 of the Agreement.



1           3.        *A representative of an associate member state shall not be eligible to serve on the compliance review and*  
2                *interpretations committee.*

3           B.        *A state which is an associate member on January 1, 2007, shall retain such status until: 1) the state rescinds its*  
4                *election under Section 310.1 and the governing board finds such state to be in compliance pursuant to Section 805, at*  
5                *which time the state shall become a full member state; 2) the state has become a full member state pursuant to Section*  
6                *310.1 D. 2; or 3) the governing board determines that the state is not in substantial compliance with the Agreement, as*  
7                *amended by Section 310.1 at which time the state shall forfeit its status as an associate member. The president of the*  
8                *governing board shall provide an associate member state with the reasons why such state is not in compliance with the*  
9                *Agreement. Forfeiture of its status as an associate member does not preclude a state from re-petitioning for membership*  
10              *pursuant to Section 801.*

11          C.        *Notwithstanding any provision of this Agreement to the contrary, a seller may, but is not required to collect sales or*  
12                *use tax on sales into an associate member state unless the seller is otherwise required to collect such taxes under*  
13                *applicable law. Notwithstanding the provisions of Section 401 (B), a seller that volunteers to collect tax in an associate*  
14                *member state is not required to collect tax in any other associate member state. An associate member shall be*  
15                *responsible for payment of costs as provided in Article VI for those sellers that volunteer to collect tax in an associate*  
16                *member state.*

17          D.        *Neither the governing board nor a member state may share or grant access to an associate member state any seller*  
18                *information from the seller's registration pursuant to Section 401. Neither the governing board nor a member state may*  
19                *share or grant access to an associate member state any seller information from an audit conducted by the governing*  
20                *board or a member state on behalf of the governing board unless the associate member state is a party to the audit.*

21          E.        *An associate member shall be responsible for the payment of the petition fee and the annual cost allocation as*  
22                *determined by the Streamlined Sales Tax Implementing States or governing board.*

23          F.        *An associate member state shall provide amnesty pursuant to the provisions of Section 402, provided, the amnesty*  
24                *shall be in effect from the date the associate member status is attained until 12 months after the associate member state*  
25                *becomes a full member state.*

## 26        **SECTION 801: ENTRY INTO AGREEMENT**

27        *Compiler's note: (a) On June 23, 2007 subsections (A) and (B) were numbered and subsections (C) and (D) were added.*  
28        *These changes became effective upon their adoption.*

29        *(b) On December 17, 2009 this section was amended as follows:*

30           A.        ~~*After the effective date of the Agreement, a*~~ *A state may apply to become a party to full member, a*  
31                *contingent member, or an associate member of the Agreement governing board* ~~*by submitting a petition for*~~  
32                *membership and certificate of compliance to the governing board. The petition for membership shall include such*  
33                *state's proposed date of entry. The petitioning state's proposed date of entry shall be on the first day of a calendar*  
34                *quarter. The proposed date of entry shall be a date on which all provisions necessary for the state to be in*  
35                *compliance with the Agreement are in place and effective. The president shall provide the public with an*  
36                *opportunity to comment prior to any vote on a state's petition for membership.*

1 B. ~~The petitioning state governing board shall provide a copy of its petitioning state's petition for membership~~  
2 ~~and the certificate of compliance to each all member state states~~ when the petitioning state submits its petition for  
3 membership to the governing board. A petitioning state shall ~~also~~ post a copy of its petition for membership and  
4 certificate of compliance on that state's web site. The governing board shall post a copy of the state's petition for  
5 membership and certificate of compliance on the governing board's web site.

6 C. ~~— A state that petitions for membership after January 1, 2007, that is found to be in compliance~~  
7 ~~pursuant to Sections 804 and 805 of the Agreement except that the changes to their statutes, rules,~~  
8 ~~regulations or other authorities necessary to bring them into compliance are not yet in effect, shall be~~  
9 ~~designated an associate member effective on the first day of the calendar quarter that is not more than~~  
10 ~~twelve months before its proposed date of entry as a member state. Such twelve month period may be~~  
11 ~~extended to eighteen months if the governing board, by unanimous vote approves such extension. Such~~  
12 ~~extension shall be granted only if the petitioning state can present adequate justification of the necessity for~~  
13 ~~the future effective date and that the application of the future effective date beyond twelve months is limited~~  
14 ~~to the provisions of the law for which such necessity is demonstrated. Such states shall be subject to the~~  
15 ~~annual recertification requirement set forth in Section 803 of this Agreement for all issues other than the~~  
16 ~~delayed effective date issues identified at the time the state becomes an associate member. Extensions of~~  
17 ~~effective date delays beyond those identified at the time the state becomes an associate member shall~~  
18 ~~require the state to submit a statement of non-compliance pursuant to Section 803. Provided the statutes,~~  
19 ~~rules, regulations or other authorities remain in effect, the state shall automatically become a member state~~  
20 ~~on the state's proposed date of entry.~~

21 D. ~~— A state which becomes an associate member after January 1, 2007 shall forfeit its status as an associate~~  
22 ~~member on the date provided for compliance pursuant to subsection C of this section, if the state's laws are not in~~  
23 ~~compliance at that time. A state that forfeits its status as an associate member because it has extended its effective~~  
24 ~~date for required law changes beyond the date set forth in its petition for membership may not file another petition~~  
25 ~~for membership for a period of twelve months after such state forfeits its status as an associate member.~~

26 *This amendment became effective upon its adoption.*

## 27 **SECTION 801.1: FULL MEMBERSHIP**

28 *Compiler's note: Section 801.1 was adopted on December 17, 2009 and became effective upon its adoption.*

## 29 **SECTION 801.2: CONTINGENT MEMBERSHIP**

30 *Compiler's note: Section 801.2 was adopted on December 17, 2009 and became effective upon its adoption.*

## 31 **SECTION 801.3: ASSOCIATE MEMBERSHIP**

32 *Compiler's note: Section 801.3 was adopted on December 17, 2009 and became effective upon its adoption.*

## 33 **SECTION 803: ANNUAL RE-CERTIFICATION OF MEMBER STATES**

34 *Compiler's note: Section 803 was amended on September 16, 2015 by AM15003 to change the reference from*  
35 *Section 809 to Section 805.1.*

1 **SECTION 805: COMPLIANCE**

2 *Compiler’s note: Section 805 was amended on September 16, 2015 by AM14008A03 to move some and revise some*  
3 *of the language previously contained in Section 809 to Section 805.*

4 **SECTION 805.1: FINDING A MEMBER STATE OUT OF COMPLIANCE WITH THE**  
5 **AGREEMENT**

6 *Compiler’s note: Section 805.1 was adopted on September 16, 2015 by AM14008A03 and became effective upon its*  
7 *adoption.*

8  
9 **SECTION 806: AGREEMENT ADMINISTRATION**

10 *Compiler’s note: (a) On August 29, 2006 the second paragraph of Section 806 was amended as follows and became effective*  
11 *upon its approval.*

12 *“The governing board is responsible for the administration and operation of the Agreement, including the*  
13 *appointment of all manner of committees. The governing board may employ staff, advisors, consultants or agents.*  
14 *The governing board may issue interpretive opinions and promulgate such rules and procedures it deems necessary*  
15 *to carry out its responsibilities. Rules may take one of two forms: procedural rules, which shall require an*  
16 *affirmative vote of a majority of the governing board present and voting to adopt; and interpretative rules which*  
17 *shall require an affirmative vote of three-fourths of the entire governing board to adopt. The governing board may*  
18 *take any action that is necessary and proper to fulfill the purposes of the Agreement. The governing board may*  
19 *allocate the cost of administration of the Agreement among the member states.”*

20 *(b) On May 12, 2009 the phrase “or of a local government in that state” was added at the end of the third sentence*  
21 *and became effective upon its approval.*

22 **SECTION 807: OPEN MEETINGS**

23 *Compiler’s note: Compiler’s note: On April 16, 2005, Section 807 (F) was added and became effective upon its*  
24 *adoption.*

25 **SECTION 809: SANCTION OF MEMBER STATES**

26 *Compiler’s note: (a) On December 14, 2006 Section 809 was amended by adding subsections (B) and (C) and*  
27 *became effective upon its adoption.*

28 *(b) On September 16, 2015, AM1009A01 was adopted along with AM15003 and AM14008A03 which moved some of*  
29 *the language in Section 809 to Section 805 and then revised the language to make it fit properly in that section.*

30 **SECTION 810: STATE AND LOCAL ADVISORY COUNCIL**

31 *Compiler’s note: On April 16, 2005 Section 810 was amended by deleting “and Taxpayer” after “Business” in the*  
32 *last sentence and was effective upon its adoption.*

33 **SECTION 811: BUSINESS ADVISORY COUNCIL**

1 *Compiler’s note: On April 16, 2005, Section 811 was amended by deleting “AND TAXPAYER” from the title line;*  
2 *deleting “create” and inserting “recognize” after “shall” in the first sentence and deleting “and Taxpayer” after*  
3 *“Business” from the first and third sentences. These amendments were effective upon their adoption.*

#### 4 **SECTION 812: LOCAL ADVISORY COUNCIL**

5 *Compiler’s note: On May 23, 2012, Section 812 was created by AM12003. This amendment became effective upon*  
6 *its adoption.*

#### 7 **SECTION 901: AMENDMENTS TO AGREEMENT**

8 *Compiler’s note: On June 18, 2008 Section 901 was amended by deleting “sixty” in the second and third sentences*  
9 *and inserting “thirty.” This amendment was effective upon its adoption.*

#### 10 **SECTION 902: INTERPRETATIONS OF AGREEMENT**

11 *Compiler’s note: (a) On August 29, 2006 Section 902 was amended by adding the second, third, fourth, and last sentences.*  
12 *The fifth sentence was amended as follows: “~~All~~ Both forms of”. The August 29, 2006 amendment to this section became*  
13 *effective upon its adoption.*

14 *(b) On September 5, 2008 Section 902 was amended by adding “, including all definitions in the Library of*  
15 *Definitions,” after “Agreement” in the first line. The amendment to this section was effective upon its adoption.*

#### 16 **SECTION 903: DEFINITION REQUESTS**

17 *Compiler’s note: On September 5, 2008 Section 903 was amended by adding “In addition to the requests for interpretations*  
18 *authorized under Section 902 of this Agreement, any” at the beginning and “Part II or Part III(B)” before “definition” at the*  
19 *end of the first sentence. The amendment to this section was effective upon its adoption.*

### 21 **Appendix C: LIBRARY OF DEFINITIONS – Part II**

22 *Compiler’s Note: On September 5, 2008 the description of Part II was amended to add “impose sales and use*  
23 *taxes” before the comma. The amendment became effective upon its adoption.*

## 25 **PART I – ADMINISTRATIVE DEFINITIONS – COMPILER’S NOTES**

### 26 **BUNDLED TRANSACTION - DEFINITION**

27 *Compilers note: On April 16, 2005 the definition of a “bundled transaction” was added. Member States were*  
28 *required to comply with this definition no later than January 1, 2008.*

### 29 **DELIVERY CHARGES - DEFINITION**

30 *Compiler’s note: (a) On September 20, 2007 the definition of “delivery charges” was amended as follows: “A*  
31 *member state may exclude from “delivery charges” any of the following, the charges for delivery of “direct mail” if*  
32 *the charges are separately stated on an invoice or similar billing document given to the purchaser:*

33 *A Handling, crating, packing, preparation for mailing or delivery, and similar charges;*

34 *B Transportation, shipping, postage, and similar charges, or*

1 C The “delivery charges” for “direct mail.”

2 This amendment became effective upon its adoption.

3 (b) On December 6, 2008 the definition of “delivery charges” was amended by adding the following to subsection  
4 (C): “The exclusion of “delivery charges” for “direct mail” shall apply to any sale involving the delivery or mailing  
5 of “direct mail” or printed material that would otherwise be direct mail that results from a transaction that a state  
6 considers the sales of a service.” This provision became effective upon its adoption.

7 (c) On May 12, 2009 the definition of “delivery charges” was amended as follows:

8 **“Delivery charges”** means charges by the seller of personal property or services for preparation and  
9 delivery to a location designated by the purchaser of personal property or services including, but not  
10 limited to, transportation, shipping, postage, handling, crating, and packing.

11 A. A member state may exclude from “delivery charges” any of the following, if the charges are  
12 separately stated on an invoice or similar billing document given to the purchaser all delivery charges  
13 from the sales price of all personal property and services, or choose to exclude from the sales price of  
14 personal property or services one or more of the following components, and may amend the definition of  
15 delivery charges accordingly:

16 A.1. Handling, crating, packing, preparation for mailing or delivery, and similar charges; or

17 B.2. Transportation, shipping, postage, and similar charges, or

18 C. The “delivery charges” for “direct mail.” The exclusion of “delivery charges” for “direct mail”  
19 shall apply to any sale involving the delivery or mailing of “direct mail” or printed material that would  
20 otherwise be direct mail that results from a transaction that a state considers the sales of a service.

21 B. In addition, a member state may treat “delivery charges” for “direct mail” differently than it  
22 treats “delivery charges” for other personal property or services. A member state may exclude all  
23 “delivery charges” from the “sales price” for “direct mail” or choose to exclude from the “sales price” of  
24 “direct mail” one or more of the following components, and may amend the definition of “delivery charges”  
25 accordingly:

26 1. Handling, crating, packing, preparation for mailing or delivery, and similar charges;

27 2. Transportation, shipping, and similar charges; or

28 3. Postage.

29 C. Unless a seller separately states the “delivery charges” or components of “delivery charges” on  
30 the invoice or similar billing document given to the purchaser, those non-separately stated charges will not  
31 qualify for the exclusion from “sales price.” No member state may require a seller to separately state any  
32 “delivery charge” or component thereof.

33 D. The exclusion of “delivery charges” for “direct mail” shall apply to any sale involving the  
34 delivery or mailing of: “direct mail;” printed material that would otherwise be “direct mail” that results  
35 from a transaction that a state considers the sale of a service; or printed material delivered or mailed to a  
36 mass audience when the costs of the printed materials are not billed directly to the recipients and is the

1 result of a transaction that includes the development of billing information or the provision of data  
2 processing services.

3 E. \_\_\_\_\_ *If a shipment includes exempt property and taxable property, the seller should allocate the*  
4 *delivery charge by using:*

5 *A-1. a percentage based on the total sales prices of the taxable property compared to the total sales*  
6 *prices of all property in the shipment; or*

7 *~~B.~~ 2. a percentage based on the total weight of the taxable property compared to the total weight of all*  
8 *property in the shipment.*

9 *The seller must tax the percentage of the delivery charge allocated to the taxable property but does not*  
10 *have to tax the percentage allocated to the exempt property.”*

11 *This amendment became effective upon its adoption.*

12 *(d) On September 16, 2015, the Governing Board adopted interpretive opinion 2015-2, which can be found in the*  
13 *Library of Interpretations in Appendix D.*

#### 14 **DIRECT MAIL - DEFINITION**

15 *Compiler’s note: The Governing Board issued interpretations of “direct mail” on December 14, 2006 and*  
16 *September 5, 2008. Those interpretations can be found in the Library of Interpretations in Appendix D.*

#### 17 **SALES PRICE - DEFINITION**

18 *Compiler’s note: (a) On April 16, 2005 the following amendments were made to the definition of “Sales*  
19 *Price”.*

20 *Deleting “F. The value of exempt personal property given to the purchaser where taxable and*  
21 *exempt personal property have been bundled together and sold by the seller as a single product or*  
22 *piece of merchandise;” and renumbering “G” to “F”.*

23 *Changing the cross reference to reflect the renumbering, inserting the second and third sentences*  
24 *in the paragraph following (F), and inserting the definition of “telecommunications nonrecurring*  
25 *charges”.*

26 *Inserting all of the material starting with “Sales price” shall include consideration received by*  
27 *the seller from third parties”.*

28 *Member states had to comply with the changes to this definition no later than January 1, 2008.*

29 *(b) The following definition was in effect through December 31, 2007.*

30 *“Sales price” applies to the measure subject to sales tax and means the total amount of consideration,*  
31 *including cash, credit, property, and services, for which personal property or services are sold, leased, or*  
32 *rented, valued in money, whether received in money or otherwise, without any deduction for the following:*

33 *A. The seller's cost of the property sold;*

34 *B. The cost of materials used, labor or service cost, interest, losses, all costs of*  
35 *transportation to the seller, all taxes imposed on the seller, and any other expense of*  
36 *the seller;*



- 1 C. Charges by the seller for any services necessary to complete the sale, other than
- 2 delivery and installation charges;
- 3 D. Delivery charges;
- 4 E. Installation charges;
- 5 F. The value of exempt personal property given to the purchaser where taxable and
- 6 exempt personal property have been bundled together and sold by the seller as a single
- 7 product or piece of merchandise; and
- 8 G. Credit for any trade-in, as determined by state law.

9 States may exclude from "sales price" the amounts received for charges included in paragraphs (C)

10 through (G) above, if they are separately stated on the invoice, billing, or similar document given to the

11 purchaser.

12 "Sales price" shall not include:

- 13 A. Discounts, including cash, term, or coupons that are not reimbursed by a third party
- 14 that are allowed by a seller and taken by a purchaser on a sale;
- 15 B. Interest, financing, and carrying charges from credit extended on the sale of personal
- 16 property or services, if the amount is separately stated on the invoice, bill of sale or
- 17 similar document given to the purchaser; and
- 18 C. Any taxes legally imposed directly on the consumer that are separately stated on the
- 19 invoice, bill of sale or similar document given to the purchaser.

20 (c) On December 19, 2011 the following (AM11002A01) was added to the definition of "Sales Price".

21 Notwithstanding (B) above, a state may elect, by statute or administrative regulation, to exclude from sales

22 price the following types of taxes, but only if that tax is separately stated on the invoice, bill of sale or similar

23 document given to the purchaser:

- 24 1. Any or all state and local taxes on a retail sale that are imposed on the seller if the state statute authorizing
- 25 or imposing the tax provides that the seller may, but is not required, to collect such tax from the consumer. If
- 26 there is no state statute authorizing or imposing the local tax, the language in the local ordinance will
- 27 determine if the local tax may, but is not required, to be collected from the consumer; and/or
- 28 2. Tribal taxes on a retail sale that are imposed on the seller if the Tribal law authorizing or imposing the tax
- 29 provides that the seller may, but is not required, to collect such tax from the consumer.

30 Such tax exclusion from sales price shall be listed on the state's taxability matrix. The exclusion of a specific tax

31 from sales price may not be based on the type of consumer or product sold.

32 (d) On September 16, 2015, the definition of "sales price" was amended by AM15004 to allow states to exclude

33 certain federal excise taxes or fees that are not imposed directly on the consumer if the state lists those taxes or fees

34 on its taxability matrix.

35

36 **TANGIBLE PERSONAL PROPERTY - DEFINITION**

1 *Compiler’s Note: The Governing Board issued Interpretation Opinion 2009-1 relating to the definition of “tangible*  
2 *personal property” on May 12, 2009. That interpretation can be found in the Library of Interpretations in Appendix*  
3 *D.*

## 5 **PART II – PRODUCT DEFINITIONS – COMPILER’S NOTES**

### 6 **ESSENTIAL CLOTHING – DEFINITION**

7 *Compiler’s note: On February 26, 2009 the definition of “essential clothing” was approved.*

### 8 **CLOTHING – DEFINITION**

9 *Compiler’s note: The Governing Board issued Interpretation 2006-05 relating to the definition of clothing on*  
10 *August 29, 2006. That interpretation can be found in the Library of Interpretations in Appendix D.*

### 11 **FUR CLOTHING – DEFINITION**

12 *Compiler’s note: On December 14, 2006 the definition of “fur clothing” was approved.*

### 13 **COMPUTER SOFTWARE – DEFINITION**

14 *Compiler’s note: On May 12, 2009 the Governing Board issued an interpretation of the definition of “computer*  
15 *software.” That interpretation can be found in the Library of Interpretations in Appendix D.*

### 16 **PREWRITTEN COMPUTER SOFTWARE – DEFINITION**

17 *Compiler’s note: On May 12, 2009 the Governing Board issued Interpretative Opinion 2009-1 relating to the*  
18 *definition of “prewritten computer software.” That interpretation can be found in the Library of Interpretations in*  
19 *Appendix D.*

### 20 **OPTIONAL COMPUTER SOFTWARE MAINTENANCE CONTRACT – DEFINITION**

21 *Compiler’s note: (a) On December 6, 2008 software maintenance contract definitions were adopted. This*  
22 *provision became effective upon its adoption.*

23 *(b) On April 30, 2010 the last sentence was added. This provision became effective upon its adoption.*

### 24 **DIGITAL PRODUCTS DEFINITIONS**

25 *Compiler’s note: The Digital Product Definitions were adopted on September 20, 2007 and became effective on*  
26 *January 1, 2008.*

### 27 **BOTTLED WATER – DEFINITION**

28 *Compiler’s note: The bottled water definition was adopted on April 30, 2010 and became effective upon its*  
29 *adoption.*

### 30 **CANDY – DEFINITION**

31 *Compiler’s note: On September 20, 2007 the Governing Board issued Interpretation 2007-03 relating to the*  
32 *definition of “candy.” That interpretation can be found in the Library of Interpretations in Appendix D.*

### 33 **FOOD AND FOOD INGREDIENTS – DEFINITION**

34 *Compiler’s note: (a) On April 30, 2010 this definition was amended by adding “bottled water” in the third sentence.*  
35 *This change became effective upon its adoption.*



1 (b) On October 7, 2010 the Governing Board issued Interpretative Opinion 2010-03 relating to the definition of  
2 “food and food ingredients.” That interpretation can be found in the Library of Interpretations in Appendix D.

3 (c) On December 19, 2011 the Governing Board issued Interpretative Opinion 2011-01 relating to the definition of  
4 “food and food ingredients.” That interpretation can be found in the Library of Interpretations in Appendix D.

#### 5 **PREPARED FOOD – DEFINITION**

6 *Compiler’s note:* (a) On April 18, 2006 the Governing Board issued Interpretation 2006-04 relating to the definition  
7 of “prepared food.” That interpretation can be found in the Library of Interpretations in Appendix D.

8 (b) On December 14, 2006, the Governing Board issued Interpretation 2006-11 relating to “prepared food.” That  
9 interpretation can be found in the Library of Interpretations in Appendix D.

10 (c) On April 30, 2010 this definition was amended by adding “bottled water” in the last sentence. This change  
11 became effective upon its adoption. (d) On May 14, 2014, this definition was amended by providing states the option  
12 of excluding just meat or seafood sold in an unheated state by weight or volume as a single item and allowing states  
13 the option of treating food sold that otherwise meets the definition of “prepared food” differently from other  
14 prepared food if that food ordinarily requires additional cooking or baking by the consumer prior to consumption. A  
15 second vote was required on this amendment and took place on October 7, 2014. (e) On May 14, 2014, the  
16 Governing Board approved Interpretation 2013-3 relating to prepared food. That interpretation can be found in the  
17 Library of Interpretations in Appendix D.

#### 18 **DRUG – DEFINITION**

19 *Compiler’s note:* On June 23, 2007 the Governing Board issued Interpretation 2007-01 relating to the definition of  
20 “drug.” That interpretation can be found in the Library of Interpretations in Appendix D.

#### 21 **DURABLE MEDICAL EQUIPMENT – DEFINITION**

22 *Compiler’s note:* (a) On October 1, 2005 the durable medical equipment definition was amended by deleting: “A  
23 ~~member state may limit its exemption to “durable medical equipment” used for home use only. A member state may~~  
24 ~~limit the application of this definition by requiring a “prescription,” or limit an exemption based on Medicare or~~  
25 ~~Medicaid payments or reimbursements” after D and inserting:~~

26 “A member state may limit its exemption to “durable medical equipment:”

27 A. By requiring a prescription;

28 B. Based on Medicare or Medicaid payments or reimbursement; or

29 C. For home use.

30 A member state may limit the exemption using any combination of the above but in no case shall an exemption  
31 certificate be required.”

32 *Member states shall adopt and utilize this definition no later than January 1, 2008.*

33 *Compiler’s note:* On August 29, 2006 the durable medical equipment definition was amended by adding all the  
34 language starting with “A member state may exclude...” The August 29, 2006 amendment to this section  
35 became effective upon its approval.

36 (b) On June 23, 2007 the definition of durable medical equipment was amended by adding:

1 “Repair and replacement parts as used in this definition include all components or attachments used in  
2 conjunction with the “durable medical equipment.” A member state may exclude from repair and replacement  
3 parts items which are for single patient use only.”

4 (c) The following is the definition effective through December 31, 2007.

5 “**Durable medical equipment**” means equipment including repair and replacement parts for same, but does not  
6 include “mobility enhancing equipment,” which:

- 7 A. Can withstand repeated use; and
- 8 B. Is primarily and customarily used to serve a medical purpose; and
- 9 C. Generally is not useful to a person in the absence of illness or injury; and
- 10 D. Is not worn in or on the body.

11 A member state may limit its exemption to “durable medical equipment” used for home use only. A member  
12 state may limit the application of this definition by requiring a “prescription,” or limit an exemption based on  
13 Medicare or Medicaid payments or reimbursements.

14  
15 A member state may exclude from the product definition of “durable medical equipment” any of the following  
16 for purposes enacting a product-based exemption:

- 17
- 18 1. Oxygen delivery equipment not worn in or on the body, including repair and replacement parts;
- 19 2. Kidney dialysis equipment not worn in or on the body, including repair and replacement parts; or
- 20 3. Enteral feeding systems not worn in or on the body, including repair and replacement parts.

21  
22 A member state choosing to enact a product-based exemption for oxygen delivery equipment, kidney dialysis  
23 equipment, or enteral feeding systems, if those items are not worn in or on the body, must also enact a product-  
24 based exemption for oxygen delivery equipment, kidney dialysis equipment, or enteral feeding systems, if those  
25 are worn in or on the body.

26  
27 A member state may limit the product-based exemption for oxygen delivery equipment, kidney dialysis  
28 equipment, or enteral feeding systems using any combination of the following:

- 29
- 30 a. By requiring a prescription;
- 31 b. Based on Medicare or Medicaid payments or reimbursement; or
- 32 c. For home use.

33 (d) On May 12, 2015, the Governing Board issued Interpretive Opinion 2015-1 relating to continuous glucose  
34 monitoring systems. That interpretation can be found in the Library of Interpretations in Appendix D.

### 35 **FEMININE HYGIENE PRODUCTS – DEFINITION**

36 *Compiler’s note: On May 10, 2017, the definition of Feminine Hygiene products was adopted from AM17004A01.*

1 **TELECOMMUNICATION SERVICES DEFINITIONS**

2 *Compiler’s note: On April 16, 2005 the telecommunications definitions were added to the Agreement. Member*  
3 *states shall adopt and utilize these definitions no later than January 1, 2008.*

4 **PAGING SERVICE – DEFINITION**

5 *Compiler’s note: On August 17, 2010 the Governing Board issued Interpretative Opinion 2010-02 relating to the*  
6 *definition of “paging service.” That interpretation can be found in the Library of Interpretations in Appendix D.*

7 **PREPAID WIRELESS CALLING SERVICE – DEFINITION**

8 *Compiler’s note: (a) On May 19, 2011 the “prepaid wireless calling service” definition was changed to correct a*  
9 *typographical error. The phrase “units of dollars” in the last clause was incorrect. The correct phrase is “units or*  
10 *dollars.” The word “of” was changed to the correct word “or.” (b) On September 16, 2015, the Governing Board*  
11 *issued Interpretive Opinion 2015-03 which can be found in the Library of Interpretations in Appendix D.*

12 **PROSTHETIC DEVICE – DEFINITION**

13 *Compiler’s note: (a) On May 12, 2015, the Governing Board issued Interpretive Opinion 2015-1 relating to*  
14 *continuous glucose monitoring systems. That interpretation can be found in the Library of Interpretations in*  
15 *Appendix D.*

16  
17 **PART III – SALES TAX HOLIDAY DEFINITIONS**

18 *Compiler’s note: On September 5, 2008 Part III was divided into “Administrative Definitions” and Product*  
19 *Definitions.” The amendment became effective upon its adoption.*

20 **SCHOOL SUPPLY - DEFINITION**

21 *Compiler’s note: On December 19, 2011 the Governing Board issued Interpretative Opinion 2011-02 relating to the*  
22 *definition of “school supply.” That interpretation can be found in the Library of Interpretations in Appendix D.*

23 **DISASTER PREPAREDNESS DEFINITIONS**

24 *Compiler’s note: On September 30, 2009 the disaster preparedness definitions were adopted and became effective*  
25 *upon adoption.*

26 **WATERSENSE PRODUCTS – DEFINITION**

27 *Compiler’s note: On May 14, 2014, the definition of WaterSense products was adopted.* **APPENDIX E –**

28 **LIBRARY OF TAX ADMINISTRATION PRACTICES**

29 *Compiler’s note: (a) On October 30, 2013 the best practices related to vouchers were adopted. (b) On May 15,*  
30 *2014, the best practices related to credits were adopted. (c) On May 12, 2015, the Library of Best Practices became*  
31 *the Library of Tax Administration Practices, which are made up of (1) disclosed practices and (2) best practices.*  
32 *All best practices existing on May 11, 2015, became disclosed practices. (d) On September 16, 2015, disclosed*  
33 *practices 3 relating to liability relief were adopted. (e) On December 16, 2016, disclosed practices 4 relating to*  
34 *acceptance of the limited power of attorney/agent authorization form were adopted. (f) On May 10, 2017, disclosed*

- 1 *practices 5 relating to post transaction issues were adopted. (g) On May 10, 2017, disclosed practices 6 relating to*
- 2 *voluntary disclosure agreements were adopted.*