

State and CSP process for determining if a multilevel marketing company (MLM) qualifies as a CSP-Compensated seller.

From 2021-2023 CSP Contract – Section D.2.(b)(4)

For purposes of this contract, a CSP-compensated Seller includes:

- a. (i) A multilevel marketing company or similar entity that meets the criteria in Sections D.2.(b)(1) and (2) and that is responsible, or agrees to be responsible, for collecting and remitting the applicable sales or use tax on behalf of its non-employee representatives, independent contractors or agents operating in a state and, if required by the state, enters into such agreement with the state. If the multilevel marketing company or similar entity did not calculate, collect and remit the applicable sales and use taxes on these transactions, the non-employee representatives, independent contractors or agents would otherwise be liable for the calculation, collection, reporting and remittance of the applicable taxes.
- (ii) A Contractor claiming the compensation under this contract must ask each Seller whether it is the type of Seller described in Section D.2.(b)(4)a.(i) above and if so, provide that information to the Executive Director. The Executive Director will provide that information to each of the member states who can then determine whether the Seller has entered into any required agreement with the State. If the State determines that the Seller has not entered into the required agreement, the State may contact the Seller directly to obtain that agreement. If the Seller refuses to enter into the required agreement after being contacted by the State, the State may notify the Contractor that it is going to challenge the Seller's eligibility for compensation under this contract in accordance with Section D.2.(b)(5) of this contract due to the Seller refusing to enter into the required agreement with the State. The Executive Committee may determine that the Seller will no longer qualify as a CSP-compensated Seller under this contract if the Seller has not entered into the required agreement with that State prior to the Executive Committee making its determination.

Seller Qualifications and CSP, SST and State Responsibilities

MLM (Seller) Requirement to be a CSP-Compensated Seller:

- The Seller must meet criteria for a CSP-compensated Seller as defined in the CSP Contract Sections D.2.(b)(1) and (2);
- The Seller must be responsible, or agree to be responsible, for collecting and remitting the applicable sales and use tax on behalf of its non-employee representatives, independent contractors or agents operating in a state; and
- The Seller must enter or have entered into such agreement if required by the state.

CSP Responsibility:

- Ask Seller if the seller is a MLM and meets the above criteria.
- Notify the Executive Director that the company is a MLM that qualifies as a CSP-compensated Seller.

Executive Director Responsibility:

- Notify each state the MLM is registered in.

State Responsibility:

- Determine if Seller has entered into any required agreement with the State.
- If agreement is required, but not completed, the state is to contact the Seller to obtain that agreement.
- If Seller refuses to complete the required agreement, the state may challenge the Seller's eligibility as a CSP-compensated seller and should notify the CSP this status will be challenged in accordance with Section D.2.(b)(5) due to the seller refusing to enter the required agreement with the state.