



MTC SALES TAX SIMPLIFICATION COMMITTEE TELECONFERENCE

WEDNESDAY, JUNE 14, 2000
3:00pm to 4:30pm EST

MINUTES

I. Welcome and Introductions

Wayne Eggert, Committee Chair, called the meeting to order. The following individuals participated in the teleconference:

NAME	STATE/ORGANIZATION
Wayne Eggert, Committee Chair	National Tax Association
Gary Anderson	North Dakota Office of State Tax Commissioner
Scot Anderson	Connecticut Department of Revenue Services
Gerry Bair	Iowa Department of Revenue and Finance
Mary Cameron	Arkansas Department of Finance and Administration
Beth Carson	Arkansas Department of Finance and Administration
Charles Collins	North Carolina Department of Revenue
Frank Davis	Tax Executives Institute
Richard Dobson	Kentucky Revenue Cabinet
Carol Fischer	Missouri Department of Revenue
James Goldberg	North American Retail Dealers Association
Jeff Graybill	California Board of Equalization
Jennifer Hays	Kentucky Revenue Cabinet
Jerry Knight	South Carolina Department of Revenue
Norm Lobins	American Institute of Certified Public Accountants
Kathleen Lusk	Deloitte & Touche
Tremaine Smith	Washington Department of Revenue
Warren Townsend	Committee on State Taxation
David Villarreal	Arthur Andersen
Charles Wilson	DC Office of the Chief Financial Officer
René Blocker	Multistate Tax Commission
Jason Lumia	Multistate Tax Commission

II. Public Comment Period

There was no public comment.

III. Reports on Progress of State-Specific Simplification Subcommittees and Development of Reporting Plan for Subcommittees

Charles Collins informed the participants that legislation currently stands in the North Carolina Senate that would, among other things, simplify the frequency and required notice of tax rate changes, sourcing rules, and include a possible revision of good faith standards and direct pay provisions.

Warren Townsend reported that Maryland has recently unveiled an on-line program listing the registration numbers of exempt purchasers and organizations. In addition, South Dakota is currently working to permit the electronic filing of sales and use tax returns in addition to consolidated reporting.

Carol Fischer reported that Missouri is pondering a partnership with a software vendor to allow for the electronic filing of sales tax and is also furthering its development of a geo-coding system.

The Oklahoma State Subcommittee is currently reviewing simplification initiatives covering tax rates, sourcing, taxability of transactions, and administrative issues. In addition, it was mentioned that legislation exists that would decrease the minimum threshold for direct pay from \$1 million to \$800,000 and would change the reporting date for electronic filers from the 15th of every month to the 25th of every month.

IV. Work of Committee and Task Forces on Implementation of Simplification Ideas

Exemption Processing Tax Force

There was no update available at this time.

Situs Task Force

Dave Villarreal provided a report on the activities of the Situs Task Force on behalf of the Task Force Chairperson, Wilma Murphree. Mr. Villarreal reported that the Task Force has been charged with: identifying and obtaining the participation of additional state government representatives on the Task Force; identifying States with statutory language that might be used as a resource in drafting model language regarding situsing tangible personal property and services; identifying and obtaining participation of an individual with a background in state income/franchise tax to address any situsing issues that overlap into this area; and locating and reviewing additional public papers, such as the *NTA Final Report*, as a resource for drafting model language. The Situs Task Force has recruited a state representative from Pennsylvania and will also turn to the MTC Uniformity Committee for participation and assistance in this process.

*{Ed. Note: The following are the ideas the Situs Task Force **industry representatives** have presented:*

- *TPP should be sitused to the destination state regardless if it's an "inter-" or "intra-"state delivery. If the item is not shipped anywhere, TPP should be sitused to the state of origin;*
- *Vendors should be allowed a 15% – 20% collection allowance if they voluntarily agree to collect sales tax in States in which they have no nexus;*

- *Services should be situated where the service is performed;*
- *Services such as utilities need to be addressed separately;*
- *The model language should include a 90-day exemption for temporary storage and testing; and*
- *The model language should incorporate a "hold-harmless" provision on penalty and interest for vendors collecting sales and use tax in "good faith."*

*The following are the ideas the Situs Task Force **academic representatives** have presented:*

- *All sales and use tax should be collected based on destination; and*
- *Exploiting a market in which a seller has no nexus still creates significant presence and the vendor should be required to collect sales tax.*

Ideas from state representatives are anticipated as additional representatives are added to the Task Force and assistance from the MTC Uniformity Committee is provided.}

Refund Claim Process Task Force

There was no update available at this time.

V. Update on Work of Related Projects of Other Organizations

Streamlined Sales Tax Project

In comments before over 60 people, representing more than 30 States, advocates for national retailers and a state legislator strongly urged States to push ahead in their efforts to modernize and simplify the sales tax system. The remarks came during testimony on May 25th in Chicago, Illinois, at a meeting of the Streamlined Sales Tax Project.

Consistent with the goals of the Project, the National Retail Federation reiterated its support for a level playing field for all sellers on the collection of sales taxes and offered their expertise to the Project as it begins drafting model legislation to implement a simplified sales tax system. State Senator Steven Rauschenberger (R-IL) implored Project members to move quickly and purposely and he continued stressing the need for the Project to move expeditiously on its implementation program.

Also during the meeting, the Participating States (there are now 20) approved a motion to authorize the formation and implementation of a pilot project. The pilot project will commence in the Fall 2000 and will test the capabilities of tax collection software under existing laws.

Michigan, North Carolina, Wisconsin and Kansas have confirmed their participation in the pilot project; other States may choose to join at a later date. North Carolina will issue a formal *Request for Proposal* in mid-June for software companies interested in testing tax collection software in the pilot project. The *Request for Proposal* will be available through the Project's web site.

In other action, the Project announced that it would continue to seek the input of retailers, technology companies, and others with expertise in the issues that it is considering. To facilitate that input, the Project will compile a database of companies and individuals

interested in providing the Project with technical assistance in a number of areas. The Project will also be posting an application on its web site that can be completed by those individuals who are interested in becoming more involved in the Project's efforts.

The next meeting of the Streamlined Sales Tax Project will be held June 28-30, 2000 in Chicago, Illinois.

Individuals and companies interested in learning more about the upcoming meeting and requirements to participate can obtain information from the Project's web site at <http://www.streamlinedsalestax.org>.

VI. Additional Steps and Topics to Accomplish Committee's Purpose

It was noted that communication among the States and recognition of outstanding simplification efforts are vital to the success of overall sales tax simplification. As such, it was requested that additional energy be dedicated to recognizing the simplification efforts that States are pursuing to enhance simplification support and to make others aware of these important on-going activities as well.

The States and businesses are asked to submit any illustrations of sales tax simplification progress and accomplishments to MTC staff so that the clearinghouse of information can be established. The MTC will begin posting these documents on the MTC website at <http://www.mtc.gov>. Please forward submissions to both Wayne Eggert (Committee Chair) at wgeggert@lucent.com and René Blocker at rblocker@mtc.gov.

VII. Future Meeting Plans

The next teleconference of the Committee will be held Wednesday, September 27, 2000, at 3:00pm Eastern Daylight Time.

VIII. Adjournment