At its December 2009 meeting, the subcommittee reviewed a policy checklist prepared by the drafting group for developing a model for the centralized administration of telecommunications transactions taxes (Proposal II, Local Imposition/State Administration). The list was divided into three parts, two of which are relevant here: a) provisions that are required by the SST proposed federal legislation and b) provisions that drafting group recommended the subcommittee consider in developing a centralized administrative model. The subcommittee made several substantive changes to the list and directed staff to prepare a revised list for this meeting.

The subcommittee eliminated all but four items on the checklist as relevant to the development of a model for the centralized administration of telecommunications transaction taxes. One is a provision for the required state-level administration of tax. The second is the provision for state-level registration to collect tax, with a required option for the provider to register with the local government. The third provision is for uniform audit procedures, and the fourth is uniform rules and procedures for refunds and credits. However, the subcommittee decided to treat the audit procedures and uniform rules for refunds and credits provisions as placeholders. Audit procedures were put on hold pending the outcome of SST’s efforts in this area. With respect to uniform rules for claiming refunds and credits, the subcommittee delayed further development of language as such rules may differ depending on the types of tax involved.

The subcommittee nevertheless expressed interest in reviewing the International Fuel Tax Agreement (IFTA) to determine whether its audit procedures would give any guidance on this issue.

The purpose of IFTA is to “promote and encourage the fullest and most efficient possible use of the highway system by making uniform the administration of motor fuels use taxation laws with respect to motor vehicles operated in multiple member jurisdictions.” One of the Agreement’s governing documents is the Audit Manual, which establishes the
standards by which multijurisdictional audits are conducted. These standards cover the proficiency of personnel, the requirement for a pre-audit analyses and the evaluation of the taxpayer’s internal accounting controls. It also prescribes the number of audits to be completed per year, and the methods of audit selection. Audits are conducted on a sampling basis, unless circumstances require otherwise, and states are specifically permitted to contact one another according to each state’s disclosure policy.

Regarding the practical considerations of centralized collection, the subcommittee decided that these may be too state-specific to be of any use. It agreed that rather than jettisoning these considerations from the checklist, examples of what states have already done concerning centralized administration should be attached to the checklist as an appendix.

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1 The IFTA audit manual is divided into seven sections and one appendix:

- A100 Introduction
- A200 General Auditing Standards
- A300 IFTA Auditing Standards
- A400 Personnel Qualifications and Responsibilities
- A500 General Guidelines
- A600 The Audit Process
- A700 Compliance
- Appendix (Examples of an audit letter and IFTA audit billing statement)

1. State Level Registration §7(a)(1) (include)
   a. One-stop registration with state revenue agency for sales and other communications taxes administered solely within the state
   b. Required election to register with local jurisdictions §7(b)(2)(D)(i)

2. State Level Administration §7(a)(8)
   a. All state and local taxes
   b. State-level filing of returns

3. Audit Procedures §7(a)(13), §7(b)(2)(D)(v)
   One audit at state level for each type of tax

4. Uniform rules and procedures for refunds and credits §7(a)(19)
Appendix

Utah

Collection of taxes by Commission — Uniform interlocal agreement —
Rulemaking authority — Charge for services. 10-1-405(1) Subject to the other
provisions of this section, the commission shall collect, enforce, and administer any
municipal telecommunications license tax imposed under this part pursuant to:

10-1-405(1)(a) the same procedures used in the administration, collection, and
enforcement of the state sales and use tax under:

10-1-405(1)(a)(i) Title 59, Chapter 1, General Taxation Policies; and

10-1-405(1)(a)(ii) Title 59, Chapter 12, Part 1, Tax Collection:

10-1-405(1)(a)(ii)(A) except for:

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10-1-405(1)(a)(ii)(B) except that for purposes of Section 59-12-110, the term
“taxpayer” may include a customer from whom a municipal
telecommunications license tax is recovered in accordance with Subsection
10-1-403(2); and

10-1-405(1)(b) a uniform interlocal agreement:

10-1-405(1)(b)(i) between:

10-1-405(1)(b)(i)(A) the municipality that imposes the municipal
telecommunications license tax; and

10-1-405(1)(b)(i)(B) the commission;

10-1-405(1)(b)(ii) that is executed under Title 11, Chapter 13, Interlocal
Cooperation Act;

10-1-405(1)(b)(iii) that complies with Subsection (2)(a); and

10-1-405(1)(b)(iv) that is developed by rule in accordance with Subsection
(2)(b).
10-1-405(2)(a) The uniform interlocal agreement described in Subsection (1) shall provide that the commission shall:

10-1-405(2)(a)(i) transmit monies collected under this part:

10-1-405(2)(a)(i)(A) monthly; and

10-1-405(2)(a)(i)(B) by electronic funds transfer by the commission to the municipality;

10-1-405(2)(a)(ii) conduct audits of the municipal telecommunications license tax;

10-1-405(2)(a)(iii) charge the municipality for the commission's services under this section in an amount:

10-1-405(2)(a)(iii)(A) sufficient to reimburse the commission for the cost to the commission in rendering the services; and

10-1-405(2)(a)(iii)(B) that may not exceed an amount equal to 1.5% of the municipal telecommunications license tax imposed by the ordinance of the municipality; and

10-1-405(2)(a)(iv) collect, enforce, and administer the municipal telecommunications license tax authorized under this part pursuant to the same procedures used in the administration, collection, and enforcement of the state sales and use tax as provided in Subsection (1)(a).

10-1-405(2)(b) In accordance with Title 63, Chapter 46a, Utah Administrative Rulemaking Act, the commission shall develop a uniform interlocal agreement that meets the requirements of this section.

10-1-405(3) The administrative fee charged under Subsection (2)(a) shall be:

10-1-405(3)(a) deposited in the Sales and Use Tax Administrative Fees Account; and

10-1-405(3)(b) used for administration of municipal telecommunications license taxes under this part.

Kentucky

KRS 136.634 Administration by the department.
The department shall administer the provisions of [this Act] and shall have all of the powers, rights, duties, and authority with respect to the assessment, collection, refunding, and administration of the taxes levied by this chapter, conferred generally upon the department by the Kentucky Revised Statutes ***.

KRS 136.648 Gross revenues and excise tax fund and state baseline and local growth fund -- Creation and administration of funds.

(1) There is established in the State Treasury a gross revenues and excise tax fund. The fund shall be held and administered by the Finance and Administration Cabinet. The cabinet shall invest money in the fund in the same manner as money in the state general fund.

(2) There is established in the State Treasury a state baseline and local growth fund. The fund shall be held and administered by the Finance and Administration Cabinet. The cabinet shall invest money in the fund in the same manner as money in the state general fund.

(3) All revenue from the tax imposed under [this Act] including all penalties and interest attributable to the nonpayment of the tax or for noncompliance with [citations] shall be deposited into gross revenues and excise tax fund. Amounts deposited in the gross revenues and excise tax fund shall be allocated among the state, political subdivisions, school districts and special districts as provided in [citations].

(4) All money in the gross revenues and excise tax fund designated for distribution to political subdivisions under [citations]:

(a) Shall not be withheld or reduced by the General Assembly or any state agency for any reason, except for adjustments provided for within [citations]; and

(b) Shall be used solely and exclusively for the provision of services to the general public, including public protection, health services, education, libraries, transportation services, and economic development. No amount shall be used for purely local purposes affecting only the inhabitants of the particular political subdivision, such as the administration of local government. Neither the General Assembly nor any state agency shall mandate how the funds are to be used.

KRS 136.652 Distribution -- Administrative costs -- Monthly hold harmless amounts. Money in the gross revenues and excise tax fund shall be distributed monthly as follows:
(1) One percent (1%) shall be deposited in a trust and agency account created in the State Treasury to be used by the department for administration cost associated with the implementation, collection, and distribution of the tax imposed by [this Act].

(2) After the distribution required under subsection (1) of this section, the department shall distribute to each political subdivision, school district and special district the applicable monthly hold-harmless amount as calculated under [citation]. In addition, the department shall distribute one-twelfth (1/12) of the sheriff department's fixed hold-harmless amount as defined in [citation]. For tax collections received in January and February of 2006, the department shall make the distribution by April 25, 2006. For all other periods, the department shall make distribution by the twenty-fifth day of the next calendar month following the tax receipts.

(3) (satellite and broadcast services)

(4) Money remaining in the gross revenues and excise tax fund after the distribution required by subsection (3) of this section shall be transferred to the state baseline and local growth fund established in [citation].

KRS 136.650 Required participation in funds -- Computation of amounts – Designated monthly hold harmless amount.

(1) (Local jurisdiction participation mandatory; preemption of tax collection authority)

(2) The monthly portion of the gross revenues and excise tax fund that shall be distributed to political subdivisions, school districts and special districts under [this provision] shall be computed as follows:

(a) Each political subdivision, school district and special district shall be assigned a percentage based on the amount of its collections certified under subsection (1) of this section as a ratio of the total certified amount of collections of all parties participating in the fund. This percentage shall be known as the "local historical percentage." The portion of the sheriff departments' certified collections identified in subsection (1) of this section from the tax imposed under [citation] attributable to the franchise portion of the operating property [citation], that was imposed by county governments shall be added to each county's reported collections to determine its local historical percentage;

(b) The sheriff departments’ collections certified under subsection (1) of this section that are retained by the sheriff departments as their fee for collecting the taxes shall be the sheriff departments’ fixed hold-harmless amount;
(c) Three million thirty-four thousand dollars ($3,034,000), which represents one-twelfth (1/12) of the total potential collections, shall be designated as the "monthly hold-harmless amount"; and

(d) Each political subdivision's, school district's, and special district's local historical percentage shall be multiplied by the monthly hold-harmless amount to determine its monthly distribution from the fund.