Agenda
CSP Presentation to MTC Executive Committee
July 30th, 2015

1)   Overview of CSPs/Discussion of Certification Process

2)   Discussion of CSPs in Context of "Undue Burden" of Quill

3)   Certification of CSPs by Non Streamlined States
   a.   Legal context – possible authority under letter ruling provisions
   b.   Possible certification of components of CSP services
      i.   Rates
      ii.   Boundaries
      iii.   Taxability
      iv.   Record Keeping/Audit Support
      v.   Verification of accuracy of transaction data (certified as not using tax suppression techniques)
   c.   If certification isn't possible examine ways of making systems more accurate and easier to keep current- provide data to CSPs in standard format or verify CSP data

4)   Contacts from CSPs and revenue agencies-
   a.   Business issues- registration, filing of returns, POA
   b.   Technical issues- databases, data format issues, transaction processing
   c.   Audit issues- retention of data, submission of data, interaction with retailer
   d.   Policy issues- legal, legislative

Overview of Certified Service Providers

There are currently seven tax calculation systems that have the designation of Certified Service Providers. This designation was given by the Streamlined Sales Tax Governing Board after a determination of the soundness of the company, the operability and compatibility of the system, and comprehensive testing which includes running test transactions.

The companies currently designated as CSPs are:

Accurate Tax	CCH	Taxify
Avalara	Exactor	Taxware
	FedTax (TaxCloud)	

In addition, Taxometry is in the process of testing and is anticipating that the Governing Board will consider their certification at the September, 2015 Governing Board meeting.

All of the CSPs have gone through the same testing process and have met the same requirements of the Governing Board. In addition, each CSP has had their system tested and approved by each Streamlined state. While the testing standards are the same, there are some differences in the structure of the systems used by the CSPs and the sources of data utilized. All of the testing standards and data requirements can be modified to meet the needs of an individual state that is considering providing certification.

The criteria used by the Governing Board to determine the viability of a CSP candidate include-

1) Corporate Background and Experience
2) Financial Soundness
3) Project Staffing and Organization
4) Technical Approach
5) General Controls
6) Application Controls
7) System Modification Accuracy
8) Sufficiency of Information
9) Data Security
10) Privacy Standards and Data Protection
11) Electronic Format Capability and Sampling Procedures

There are numerous individual criteria and standards which must be met in each of these categories. All of this information can be provided to a state that is considering providing certification. In addition, the CSPs can provide detailed information on data formats that have been utilized and testing procedures.

Process for State Certification of a
Certified Service Provider

The certification process allows a state to make a determination that a system utilized by a CSP properly determines the correct amount of tax (taxable or exempt, sourced to the correct location, and correct rate applied) and gathers and maintains all of the accompanying data required by the state. After making such a determination a state would "certify" the CSP as correctly performing for retailers all of the tax functions tested by the state. For the states currently providing certification this includes liability relief for the retailer if an error is made that is not the fault of the retailer, liability relief for the CSPs for errors caused by the retailer and liability relief for CSPs for errors that are due to incorrect data provided by the state or from incorrect determinations made by a system that has been approved by the state.

The following are the components of the certification process.

1) Determination of CSP Viability- each CSP would provide the state with information concerning their financial condition and system functionality. A state may request any additional information it needs from an individual CSP.
2) Tax Rate and Jurisdictional Boundary Data- a state would typically directly provide this information to each CSP. If a state does not have rate and boundary databases it could develop them or acquire them from outside sources. The technology uniformity group of the Federation of Tax Administrators (TIGERS) has adopted uniform specifications for the format of this data. The use of these specifications is recommended to maintain uniformity and to control costs. The CSPs are very willing to work with an individual state to determine how to best make this data available.
3) Taxability Information- a state could provide each CSP with guidance regarding taxability determinations or the state could verify the rules proposed by a CSP. These rules must include all of the information necessary to correctly determine the taxability of each transaction processed by the CSP.
4) Remittances and Return Processing- each CSP must demonstrate that they can correctly remit the tax collected and file a correct tax return. The TIGERS group has adopted a Simplified Electronic Return that each CSP currently utilizes and has adopted options for the transfer of funds. A state could elect to use these processes or work with the CSPs on other ways of performing these functions.
5) System Testing- a comprehensive testing process is utilized to ensure that the system correctly performs all of the included tax administration functions. This testing is done during the initial certification process and on an ongoing basis.
6) Retailer Registration- the CSP must verify that it can correctly register individual retailers. It is anticipated that the registration system developed by the Streamlined Governing Board can be utilized to properly and easily register individual retailers.

The CSP systems are also tested every quarter and undergo a comprehensive review every three years. A state may also elect to certify only portions of the services performed by a CSP.

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