

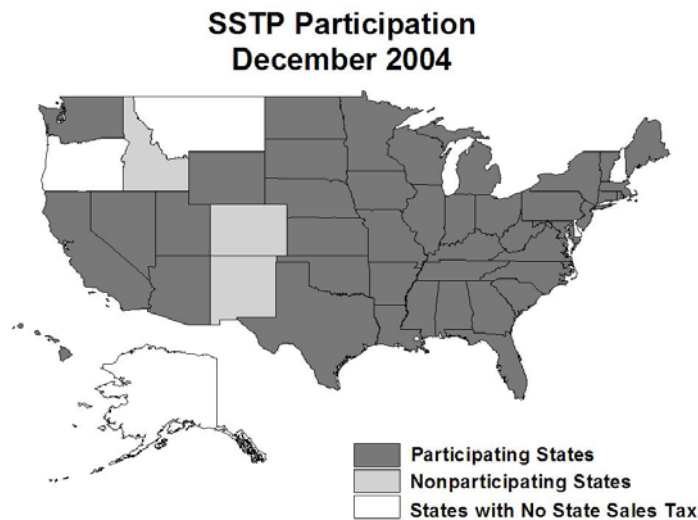
The Streamlined Sales Tax Project (SSTP)

What is SSTP?

The Streamlined Sales Tax Project (SSTP) is a voluntary effort by a number of states to “simplify and modernize the sales and use tax administration in states in order to substantially reduce the burden of sales tax administration for all sellers and all types of commerce.” The project was organized in March 2000 under the auspices of the Federation of Tax Administrators, the National Conference of State Legislatures, and the Association of Governors.

Which states are participating in the project?

Nationally, 45 states impose a sales and use tax. Minnesota is one of 42 states that are voting participants in the project. The District of Columbia is also a voting participant. To be a voting participant, a state must either pass enabling legislation or their governor must issue an executive order authorizing participation.



How are decisions made in SSTP?

SSTP is divided into three groups—a project group, the implementing states group, and the conforming states group. The project group consists of staff from tax agencies in the participating states that develop recommendations for coordination and simplification related to sales tax definitions, tax administration, and use of technology for sales tax collection. Nonparticipating states may attend project meetings and participate in discussions as observer states, however they may not vote on recommendations.

The voting participants in SSTP make up the implementing states group. This group votes to accept, reject, or modify the recommendations proposed by the project group. Provisions accepted by this group make up the Streamlined Sales and Use Tax Agreement (SSTA).

The conforming states group consists of the 18 states that have passed conforming legislation and that the implementing states group voted as most likely to conform with the SSTA, as of April 2004. These states will set up the mechanism and vote on states in compliance with the agreement. Minnesota is one of these states.

Why is Minnesota participating in SSTP?

Minnesota is a member of SSTP because it hopes that sales tax simplification among the states will ultimately allow the state to collect sales tax on sales by remote sellers. The state cannot require sellers to collect our sales tax unless they have a physical presence in the state (the legal term is nexus). Requiring remote sellers to collect the sales tax is considered an undue burden on interstate commerce (see *Quill v. North Dakota*).

The long-term goal of the project is to simplify state sales tax systems enough so that either (1) Congress will pass legislation to require remote sellers to collect sales tax for states that have simplified their systems, or (2) the federal courts will overturn the *Quill* decision and determine that the simplification is sufficient to remove the undue burden on interstate commerce.

What will a streamlined sales tax system include?

The streamlined sales tax agreement (SSTA) developed by SSTP includes the following features:

- uniform definitions for common terms such as sales price, food, prepared food, and clothing
- rate simplification
- uniform sales tax bases within each state at the state and local level
- uniform sourcing rules (i.e., where a sales occurs)
- simplified administration for use and entity-based exemptions
- uniform audit procedures and joint audits for multi-state businesses
- third-party collection systems and other new technology models for sales tax collection

The agreement has not changed since November 12, 2002, although the project continues to work on additional uniform definitions.

Which states have conformed their sales tax laws to SSTA?

In 2001 and 2002, Minnesota modified its sales tax law to reflect most of the SSTA provisions. However, Minnesota still needs to pass some conforming legislation, particularly in the definitions of taxable and exempt medicines and medical devices, in order to fully comply with SSTA. As of December 2004, the following 21 states have adopted some or all of the conforming legislation required under SSTA:

Arkansas	Indiana	Iowa	Kansas	Kentucky	Michigan	Minnesota
Nebraska	Nevada	No. Carolina	No. Dakota	Ohio	Oklahoma	So. Dakota
Tennessee	Texas	Utah	Vermont	Washington	W. Virginia	Wyoming

For more information: Contact legislative analyst Pat Dalton at 651-296-7434. For further information on SSTP visit the project web site at <http://www.streamlinedsalestax.org>.

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