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Streamlined Sales and Use Tax Agreement

State Tax Alert

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The Streamlined Sales and Use Tax Project (SSTP) petitioning states sailed through a series of speedy and almost entirely unanimous voice votes at a June 30 meeting in Chicago to effectuate the Streamlined Sales and Use Tax Agreement and its governing board on October 1.

Seventeen of 18 petitioning states constituting more than 25 percent of the population of states with sales taxes deemed each other to be in substantial compliance with the agreement on June 30. Petitioning states approved New Jersey as the 18th complying state on July 1, a day after the state passed last-minute conforming legislation.

The 18 states constitute a multi-state compact for voluntary sales tax collection by remote sellers that the governing board will oversee. As of July 1, Indiana, Iowa, Kansas, Kentucky, Michigan, Minnesota, Nebraska, North Carolina, Oklahoma, and West Virginia were approved by the petitioning states as full members of the agreement. Arkansas, New Jersey, North Dakota, Ohio, South Dakota, Tennessee, Utah, and Wyoming were approved as associate members.

Streamline Sales and Use Tax Agreement - Overview

The SSTP was organized in March 2000, largely in response to the states' perception that they were losing sales tax revenue from increasing online sales. Sellers without a physical presence in a state cannot be compelled to collect tax on sales destined for that state, according to the U.S. Supreme Court's decision in *Quill Corp. v. North Dakota*, 504 U.S. 298 (1992). The stated goal of the SSTP has been to simplify and modernize

sales and use tax administration in member states in order to substantially reduce the burden of tax compliance. Simplification has been desired for its own sake, but also as a means to convince remote sellers to collect voluntarily. The ultimate goal is to persuade Congress that the member states have eliminated the burdens on interstate commerce identified in *Quill* and, therefore, should be given mandatory collection authority over remote sales.

State revenue department administrators and business representatives have worked together in the SSTP to draft numerous simplification proposals that are embodied in the Agreement. The original version of the Agreement was adopted on November 12, 2002, by the SST Implementing States, which consists of those states that have enacted enabling legislation authorizing representatives to participate in the negotiations. The Agreement has been amended by the Implementing States three times since then, most recently on April 16, 2005. In order to preserve the timeline, the Implementing States amended the Agreement on April 16, 2005, to create a new category of associate member (described below). States found to have satisfied the requirements for associate membership are counted along with full members for purposes of the 10-states/20 percent-population thresholds and, as a result, the July 1 vote was able to proceed with the desired result.

BDO Seidman will continue tracking the new developments of the SSTA. If you have any questions, please feel free to contact either Glenn McCoy or Robert Zonenshein at (212) 885-8000, or Mike Goral at (214) 969-7007.

**FOR MORE INFORMATION
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