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Summary of The Streamlined Sales and Use Tax Agreement

(Courtesy of our friends at FedTax.net)

In the fall of 2000, the National Governor's Association (NGA) and the National Conference of State Legislatures (NCSL) were inspired by the rapid growth and success of the internet. They hypothesized that perhaps technology could now meet the longstanding challenge of the Supreme Court's 1967 decision in *Bellas Hess*, which stated that it was "overly burdensome" for multistate retailers to collect sales tax for states where they did not have a physical presence. Working together, the NGA and NCSL created the Streamlined Sales and Use Tax Agreement (SSUTA).

SSUTA Goals

SSUTA was developed by forty-four states and the business community in order to standardize and simplify state sales tax laws, making it easy for multistate retailers to collect sales tax. It does this by:

1. Simplifying common definitions, so that the tax category "candy," for instance, means the same thing in all states
2. Standardizing reporting procedures, so that multistate retailers can use just one sales tax return for multiple states
3. Standardizing critical sales tax data, such as sales tax rates, tax base definitions, and jurisdictional boundary definitions, so they can be consistently applied in all states

Amnesty for Volunteer Retailers

To provide an incentive for retailers to voluntarily comply with SSUTA's guidelines, the SSUTA member states have created a sales tax amnesty program. This program grants amnesty to any out-of-state retailer that volunteers to collect sales tax, so they do not have to pay any penalties that might otherwise be applied for their past failure to collect sales tax in states where they were required to do so.

Certified Service Providers

Recognizing that technology is the key to making it easy for any retailer to collect sales tax for any state, and that technology providers are well-positioned to provide merchants with automated systems to collect and remit sales tax, the SSUTA established a certification process whereby technology providers have their systems tested and verified by each of the SSUTA member states. Upon successful completion of this process, these companies earn the title of "Certified Service Provider" (CSP) and are authorized to perform all of the sales tax functions for companies. Due to the logistical complexity of the certification process (it takes about a year of coordinated efforts among all member states to certify a CSP), companies may apply to become CSPs only during a brief application period every other year.



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FedTax.net was designated a Certified Service Provider on July 1, 2010. In addition, we are currently the only CSP that is providing these services at absolutely no cost to merchants.

SSUTA Guidelines and Member States

Under SSUTA's guidelines, the exact sales tax to be collected by the retailer is based upon the consumer's delivery location (determined by the "plus-4" zip code or street address). Also under SSUTA, sales tax is to be collected by the retailer on all sales (including leases and rentals) involving tangible personal property or digital goods and services, including telecommunications services. This rule may be suspended for case-by-case exemptions or exclusions, which are specific to each state.

To date, twenty-four states have met the legal and infrastructure requirements to become SSUTA member states. These states (which represent over 32% of the population) have adopted the simplification measures in the agreement, and more states are moving to join them.

Federal Legislation

While SSUTA has made it easy for retailers to collect sales tax for multiple states, there is still no federal legislation authorizing states to require remote sellers to collect and remit sales tax. Without this legislation, out-of-state retailers are exempt from the obligation to collect sales tax. Today, retailers are merely encouraged to volunteer to collect sales tax as a customer service feature (so consumers don't have to send in the tax due with their income taxes). However, Congress is currently considering new legislation, which would grant states the authority to require all retailers to collect those states' sales and use taxes—regardless of nexus or physical presence.