

RECEIVED
MAR 28 2005
HOUSE OF REPRESENTATIVES

IOWA STREAMLINED SALES TAX ADVISORY COUNCIL

2004 Report to the

IOWA GENERAL ASSEMBLY

March 23, 2005

Council Created; Council Charge

House File 683, Section 204, signed into law by Governor Thomas J. Vilsack on June 4, 2003, created the Iowa Streamlined Sales Tax Advisory Council. The council was created in 2003 (please see Appendix A for a list of members) and held three meetings that year. The council met eight times in 2004.

As charged by HF 683, the advisory council shall review, study, and submit recommendations to the Iowa streamlined sales tax delegation regarding the proposed streamlined sales and use tax agreement formalized by the project's implementing states and other issues.

Meetings

As noted previously, the council met eight times in 2004 with each meeting being held at the Iowa Department of Revenue offices in the Hoover State Office Building in Des Moines. Meetings were held on January 21, March 3, March 31, April 30, June 3, August 19, October 14, and December 16. Various issues were discussed at these meetings and participation by members, either in person or by telephone, was nearly 100 percent at each meeting. Copies of 2004 meeting agendas are attached to this report as Appendix B and minutes of the meetings are attached as Appendix C. This information may also be viewed at www.state.ia.us/tax/taxlaw/streamlinedcouncil.html.

Actions

At the direction of and/or in conjunction with the advisory council, the Iowa Department of Revenue took several actions related to implementation of HF 683 (which took effect July 1, 2004) in particular and streamlined sales tax in general.

- The department implemented a streamlined sales tax education plan; the plan included media coverage, mass mailings to dozens of organizations, distribution of and Internet posting of streamlined sales tax information, access to a toll-free telephone line and an electronic service center, and the holding of over 130 educational meetings across Iowa (at least one meeting in every county and multiple meetings in several counties)
- The department posted sales and use tax rates for all Iowa governmental jurisdictions on its Internet web site
- As required by the Streamlined Sales Tax Agreement, the department developed a downloadable, interactive Internet database that allows retailers to enter address information and taxable sales amounts; the web site automatically responds with the proper rate and calculates tax due (the address lookup web site can be found at www.idrf.state.ia.us/salestaxlookup); Note: If there is an error in a rate provided through this site, taxpayers and retailers are held harmless from any penalty or enforcement action.

- With the advice of council leadership, the Director of Revenue sent a letter to every holder of an Iowa sales and use tax permit to inform them of the implementation of changes made through HF 683; the letter provided a six-month period of flexibility for taxpayers/retailers to become familiar with the changes and to make arrangements to comply (a copy of this letter is included with this report as Appendix D)
- The department is developing administrative rules to implement HF 683
- In conjunction and with the guidance of the council, the department participated in national streamlined sales tax meetings and activities (Note: Council members Kristine Magill, Stacey L. Johnson, Stephen W. Roberts, and Donald R. Cooper all participated in one or more national streamlined sales tax meetings in 2004, as did Representative Tom Sands of Columbus Junction)
- The council supported efforts to establish at the national level an independent business advisory council to guide national streamlined sales tax committees; this effort was led by Council Co-Chair Kristine Magill and included a letter to national streamlined sales tax leaders (a copy is included with this report as Appendix E)
- Council members informally cautioned policy makers about supporting the administration of the streamlined sales tax centralized registration system by the Multistate Tax Commission

Recommendations

The council considered issues that arose as a result of the implementation of SSTP changes in the Iowa tax code. As a result, the department developed proposed legislation to clean-up streamlined-related issues identified by the council. Passage of this legislation is required to maintain conformance with the streamlined process and/or to maintain the prior business position of certain industries in Iowa. This legislation will be submitted to the General Assembly and Governor under separate cover. The General Assembly should anticipate periodic streamlined legislation, similar to annual legislation required to conform Iowa to the Internal Revenue Code.

Critical issues with regard to streamlined sales tax remain. The council raises the following important issues as the national streamlined process moves forward this year:

- While representations have been made to businesses regarding the availability of a third party system to outsource the business' sales tax function at no cost, this system is still not available. This has been an ongoing issue for those states, like Iowa, that had a change in their sourcing provisions. RFP's for the system were due at the beginning of January 2005. As a result, until the RFP process is further along, there are no assurances at this time that the system will be available at no cost to a willing business.
- Revenue impact studies for states have not been completed. Given that Iowa is not a vendor discount state, a question remains regarding revenue impact from current sales tax vendors that potentially migrate to an outsourcing model that

requires transaction based compensation to the third party outsourcing vendor.

- As noted previously, there continues to be tension at the national level regarding the creation of a national-level independent business advisory council that assures adequate representation by all levels of business (small, mid-sized and large) as well as various industries. Also as noted previously, the Iowa position was communicated in a letter included in this report as Appendix E.
- Now that the national project has succeeded in creating several "standard" sales tax definitions for all states to use as part of a simplified system, the participating states are encountering difficulties in interpreting these standard definitions in a similar manner.

2005 Developments

There have been numerous developments early in 2005 as the SSTP works toward a vote on July 1 that will enable the formal organization of its Governing Board on October 1, 2005. One of these developments includes a proposed amendment to the Agreement that would change the membership structure of the Governing Board. On April 16, the Implementing States will be voting on an amendment to create an associate member position.

Associate membership has been introduced as a way for states that have not achieved substantial conformance with the Agreement to become a member of the Governing Board. These states have passed legislation to bring their sales tax system into partial conformance, but are missing some attribute(s) such as the sourcing provision, standard medical industry definitions, etc... These associate members would have limited rights on the Governing Board (yet to be defined), but would count towards the 10-states/20% population test required for the Governing Board to come into existence. Legislation is being introduced in Iowa that should bring the state into full conformance with the Agreement, avoiding an associate member position for Iowa.

It is the assessment of the Advisory Council that without this amendment to the Agreement, the SSTP process would be in significant jeopardy of achieving the 10-states/20% population test required to establish the Governing Board this year. Therefore, if it is the intent of the legislature for the streamlined sales tax process to move forward with Iowa's endorsement, the Advisory Council recommends that Iowa's voting delegates to the Implementing States vote in the affirmative for this amendment on April 16.

Statutory Responsibilities Discharged

With submission of this report, the council again fulfills its reporting obligation as charged in HF 683. The council will continue to meet and communicate with the Governor and General Assembly. At the conclusion of 2005, it will file its third annual report. As noted previously, council data is posted at www.state.ia.us/tax/taxlaw/streamlinedcouncil.html.

APPENDIX A

IOWA STREAMLINED SALES TAX ADVISORY COUNCIL

(As created by HF 683)

Kristine Magill, Co-Chair
RSM McGladrey, Inc.
Cedar Rapids, IA

Bennett Bork
Genesis Systems Group
Davenport, IA

Don Cooper
Iowa Department of Revenue
Des Moines, IA

Jerry Fleagle
Iowa Grocery Industry Association
Des Moines, IA

Brian Johnson
Casey's General Stores, Inc.
Ankeny, IA

Kent Kelderman
Colorfx, Inc.
Des Moines, IA

Richard Koberg
Dica Marketing
Carroll, IA

Monti Miller
The Learning Post
Des Moines, IA

Chris Theisen
Theisen's Home-Farm-Auto Stores
Dubuque, IA

Jay Turner
Electrical Engineering & Equipment
Des Moines, IA

Michael Ralston, Co-Chair
Iowa Department of Revenue
Des Moines, IA

David Brasher
NFIB/Iowa
Davenport, IA

David Casey
Iowa Department of Revenue
Des Moines, IA

Jim Henter
Iowa Retail Federation
Urbandale, IA

Stacey L. Johnson
Iowa Taxpayers Association
Des Moines, IA

Dave Krutzfeldt
Panel Components Corporation
Oskaloosa, IA

Marc Michaelsen
Consultant
Des Moines, IA

Ann Stocker
Cargill
Eddyville, IA

Warren D. Townsend
Wal-Mart Stores, Inc.
Bentonville, AR

Stephen W. Roberts
Davis, Koehn, Shors & Roberts, PC
Des Moines, IA

APPENDIX B

SSTP Advisory Council Meeting Agenda
January 21, 2004 10:00 AM
Hoover State Office Building, Rooms 429 & 430

I. Opening Comments – Ralston & Magill

II. Update on Federal Legislation – Cooper

III. Update on SSTP Meetings in San Diego – Cooper & Erickson

- Include Update on Software Issues

IV. Update on IDR Implementation Issues – Cooper, Casey & Erickson

- State Legislation Issues
- Rules
- Databases
- Other

V. Review of Education/Training Plan and Implementation Timeline – Ralston

VI. Content of Report to Legislature – Cooper

VII. Continuation of Review of SSTP Agreement – Magill & Cooper

- Begin with Section 321 “Confidentiality and Privacy Protections under Model 1”

VIII. Next Meeting – Ralston & Magill

SSTP Advisory Council Meeting Agenda
March 3, 2004 10:00 AM
Hoover State Office Building, Rooms 429 & 430

I. Opening Remarks

II. Update on National Activity

III. Update on Agency Activity

A. Compliance Certification

B. Administrative Rules

C. Training

IV. Finalize Education Plan

A. Issues to Address

B. Methods of Education

C. Recipients of Education, i.e., Organizations to meet with

V. Continue with review of SST Agreement

SSTP Advisory Council Meeting Agenda
March 31, 2004 10:00 AM
Hoover State Office Building, Rooms 429 & 430

I. Opening Remarks

II. Update on National Activity

- A. RFP Status
- B. Jurisdiction Database
- C. Registration Progress

III. Update on Agency Activity

- A. Compliance Certification
- B. Definition Status
- C. Administrative Rules
- D. Training

IV. Education Plan

V. Continue with review of SST Agreement

**SSTP Advisory Council
April 30, 2004 10:00 AM
Teleconference Agenda**

I. Educational Meetings

II. Food Databases

III. Compliance Transition

IV. Other Updates

Iowa Streamlined Sales Tax Advisory Council
June 3, 2004 10:00 AM
Teleconference Agenda

I. Educational Meetings

II. Food Database

III. Tampa Meeting Update

- o RFP
- o Conforming States Committee
- o Status of Other States Legislation

IV. Compliance Transition at National Level

V. Other Updates

IOWA STREAMLINED SALES TAX ADVISORY COUNCIL

August 19, 2004; 10:00 A.M.

Hoover State Office Building

Des Moines, Iowa

Agenda

I. Opening Comments

II. Update on Implementation of Iowa SSTP Provisions

a. Definitions

- Candy
- Sales price/by downs

b. Sourcing

c. Education

d. Administrative Rules

e. Rates & Boundary Database

III. Update on National Scene

a. Federal Legislation

b. States' Legislation

c. Proposed Effective Date of Implementation of Agreement

d. RFP for CSP's and Software

e. Cost of Collection Study Update

f. Formation of the Business & Taxpayer Advisory Council

g. Other Technical Issues

IV. Conforming States Committee

a. Discussion of Subcommittees & Issues Being Addressed

- SSTP Governing Board Bylaws and Organizational Issues

b. Next Meeting

V. Other Issues

VI. Set Next Meeting

IOWA STREAMLINED SALES TAX ADVISORY COUNCIL

October 14, 2004; 10:00 A.M.

Hoover State Office Building

Des Moines, Iowa

Agenda

I. Opening Comments

II. Update from National Meeting in Nashville

III. Rules Update

IV. Discussion of Iowa Taxpayers Association (ITA) Issues

V. Possible Legislative Changes

VI. Rates and Boundary Database Update

- Demonstration

VII. Other Issues

VIII. Set Next Meeting

IX. Adjournment

Streamlined Sales Tax Advisory Council

Agenda for meeting of December 16, 2004

Hoover State Office Building

Des Moines, Iowa

I. Opening Comments

II. Update from National Meeting in Chicago

- Registration Service
- Interim Executive Director
- Operational Issues (bylaws, rules, organization, budgets)
- Business Taxpayer Advisory Council
- Certified Service Provider RFP

III. Rates and Boundary Database Update

IV. Rules Changes

V. Proposed Legislative Changes

VI. Possible Contact for Cost of Collection Study Steering Committee

VII. Set Next Meeting

VIII. Adjournment

Lunch will be provided by the Iowa Taxpayers Association.

APPENDIX C

Streamlined Sales Tax Advisory Council

Minutes from meeting of January 21, 2004

Mike Ralston, co-chair, opened the meeting. Mike apologized for the parking problem due to the Legislature being in session.

Federal Legislation Update – David Quam was in San Diego to give an update. This year's session will be short (less than 100 days). Also, this being an election year, historically nothing significant from a tax perspective usually happens. There is a hearing anticipated to be scheduled on Streamlined Sales Tax by the Senate Finance Committee. There is still concern this legislation will be tied with other pieces of legislation. The states have strong feelings each piece of legislation should be considered on its own. It's highly unlikely it will pass this year.

RSM McGladrey is writing Senator Grassley expressing their concerns. Kristi offered to write the Senator on behalf of the Committee but no decision was made by the Advisory Council.

Compliance Checklist – We are in the process of a review of Iowa's legislation to ensure correctness with Agreement. The private sector is helping to conduct this review. Sue Haffield, Kristi Magill, Jason Wilson and Jeff Johnson are the private sector performing this review. Everyone hopes to have it completed by March. States that are completing this process might meet in March to compare notes.

Ohio has introduced legislation to delay their implementation date. The Council had a discussion on effects of delaying the implementation date. We probably won't have the necessary 10 states or 20% of the population. The chances of it happening before January 2005 are slim. Iowa still has legislative changes that become effective July 2004. Kristi discussed should we pass legislation to delay our implementation date. It's worthy of discussion. Ann Stocker questioned what would be the impact on the other states? Dave Casey explained that because of the way our legislation was written, we would have to be very careful in how we structure any delaying legislation. Drop dead date for legislation is March. We'll watch and see what March brings.

Definition of candy – The streamline definition currently says if the product has flour in the ingredients, it is not candy. This issue was discussed and not resolved. We may use an Administrative Rule to resolve.

Taxability Matrix – This is the list that will indicate whether certain items are taxable or not. It was decided that only items included in the Agreement would be on the matrix. The matrix will need to be in place close to implementation date. Retailers in San Diego are still expecting states to work on items not included in the agreement.

Exemption Certificates – Still not much change.

Discussed audits and certification process for Certified Service Providers software.

Rod informed the Council the RFP for Certified Service Providers or Certified Software providers is now due in June rather than March. Rod didn't know the number of vendor's

interested. Three have been mentioned. Review of bids in September with awarding of contracts now scheduled for the December 04/January 05 timeframe. Thirty-two states gave reports. A number of states didn't get vendor compensation in legislation properly.

Sales Tax Holidays – A lot of issues regarding computers and school supplies. Not an issue for Iowa.

Teleconferences – It is anticipated there will be bi-weekly teleconferences on the following topics:

- RFP CSP
- Certification of Compliance
- Rates & Jurisdiction Databases
- Registration
- Audits

Registration System – One registration vendor was trying to create the e-file application to allow retailers to register. That vendor has stopped working on the application. It's unknown as to why. They're under no contract obligation. There was discussion on why only one vendor with the primary reason being it will not be a profitable venture..

Dave Casey explained the following legislation issues:

- Elimination phase-out on tax on utilities – on fast track to reinstate the phase-out.
- Definition of Leasing – We had some language in draft to move from services to tangible personal property.
- Reciprocal sales of wines – Exemption was in Section 187, will move to sales tax.

Policy Bill to Legislative Fiscal Bureau, some minor changes. We haven't received a final. The above mentioned changes are included in our Policy Bill.

Rules are out on the Web site. Darwin's working on new rules. Most rules on Web site are updates of current rules. We will start working on new rules related to streamline.

Technology workshop in Nashville was very productive and answered a lot of questions. However, still a lot unanswered. We're fairly comfortable, so we'll still move forward to have our system tested and ready by 7/1.

Jurisdiction databases – Three vendors have approached us. Watchsystems from Louisiana wants consortium of states that are ready. We have concerns with this. Do we have legal authority to create a consortium? Iowa will contact states that might be interested via listservs.

Education Plan – The department handed out a very rough draft of Education Plan. It's not to be considered to be all inclusive. Feedback to identify all issues both internal and external. We need to identify ways to move information out. ICN was mentioned to video and rebroadcast. There are two departmental mass mailings; the next one would be in July, which would be too late.

We want training and information to be timely. If implementation date is pushed back,

we'll delay training. Council should provide feedback to Donald.

Legislative Report and Letter to Speaker Rants & Majority Leader Iverson – Mike had talked previously to Rants and Iverson. Representative Thomas R. Sands has replaced Representative Van Fossen as one of Iowa's designees to SST Implementing States Committee. A presentation by Don and Kristi to a joint Ways and Means Committee meeting will be arranged. Stacey will help set that up.

It was suggested that hardcopies of agendas and minutes be attached to the report. A motion was made by Steve Roberts to accept the report, seconded by Jim Henter. Motion carried unanimously. Report will go over today or tomorrow.

The Council continued review of the Agreement starting with Section 321. Next meeting we will start with Section 901.

Identified agenda items for next meeting:

- Implementation timing (update on the 10 states or 20% of the population)
- Feedback on External Education Plan
- Update on RFP
- Certification Process
- Review Agreement

March 3, 2004 at 10:00 – 12:30 in the Hoover State Office Building rooms 429 & 430.
Diane will send a meeting notice as soon as possible.

Meeting adjourned.

Streamlined Sales Tax Advisory Council**Minutes from meeting of March 3, 2004**

Mike Ralston, Co-chair, opened the meeting.

Kristi Magill, Co-chair, discussed the national activity. There isn't much happening on the national front. It's pretty much status quo.

Don Cooper updated the Advisory Council on the Department's activity. States who are working on certification will have two meetings. They'll be finalizing definition review this week. Sue Haffield from PricewaterhouseCoopers, who is reviewing Iowa's certification, has indicated that there is nothing to prevent us from being certified as in compliance. State and private sector will get together the end of March in New Orleans. The business sector is to review states statuses. The next Working Group meeting will probably be the end of May.

RFP for software was to be ready the end of June. Now it's delayed until January before a contract can be awarded. Mike discussed the RFP from last meeting. What's included in RFP? Software? Implementation? We still don't have information on the detail to be included in the RFP. The Department will try to obtain more information and e-mail the Advisory Council. What are the major components of the RFP? Rod Erickson thought the draft was technical in nature with software people mostly determining standards.

Registration – For the last 2 years, one private vendor expressed an interest. Now, MTC (Multistate Tax Commission) is going to propose they create the registration website and have it ready by 7/1/04. MTC costs will be spread out over SSTP states. The Advisory Council discussed an internet article on MTC and discussed concerns.

Administrative Rules – Darwin Clupper will update before the next meeting. Rules are on the department website. The new code sections will also be put on the department website.

Training – Internally we will have 5 Field Taxpayer Services Specialists (TSS) making presentations all around the state. Don Cooper and Dave Casey met with them a week ago to give basic information to Policy and TSSes. Don handed out a rough draft of the presentation. Wayne Cooper, who heads up the Department's Taxpayer Services Section, was present. The Advisory Council needs to address what information to disseminate to the public.

Dave Casey briefed the Advisory Council on the actual Legislation. He provided two documents used to update our training staff.

- The first document was "Summary of Streamlined Sales and Use Tax Legislation H.F. 683."
- The second document "Summary of Differences between existing sales and use tax law and House File 683."

Dick Koberg had e-mailed the Department regarding sourcing and a paper developed by the Public Interest Institute that dealt with origin based sourcing and how it impacts revenue stream. It was discussed, but it was decided not to pursue this concept.

National Update: Ohio passed legislation to delay implementation. Thus, we haven't met the 10 states/20% of the population and no governing board can be established.

The Advisory Council had a lengthy discussion on the implementing date being delayed to January 1, 2005. If delayed, the Department would be able to use annual meetings as touch points for notifying the public. Those annual meetings mentioned were the Grocers Association in July and the Bar Association in June.

The Advisory Council discussed the Department's ability to education the public before the implementation date.

Steve Roberts made a motion recommending delaying implementation to January 1, 2005 for an effective date. David Brasher seconded. The vote was a tie.

Kristi made the motion we revote on this issue at the next meeting, seconded by Ann Stocker.

The following "to do" list and timeline were discussed.

- o Update list with Grocers – finalize in March
- o Leasing industry – contact at national level – March/April
- o Food/Sourcing/Leasing are primary educational topics to highlight
- o Mass mailing – late March or early April
- o Media blitz – early April
- o Department's planning visits to all counties during a 60 day timeline (April/May)

The next meeting is scheduled for Wednesday, March 31, at 10:00 in the Hoover State Office Building, Conference Rooms 429 and 430. Agenda item V. (review of Agreement) was deferred until next meeting.

Kristi adjourned the meeting.

Streamlined Sales Tax Advisory Council Minutes from meeting of March 31, 2004

Mike Ralston, co-chair, opened the meeting. Ann Stocker introduced Ron Lenders, who is an intern with Cargill.

Federal Legislation – There has been no additional action.

RFP Status – Don spoke to Scott Peterson, co-chair of National SSTP, at the Working Group meeting. No progress in writing the RFP. The co-chairs will be working on it. Timetable still has RFP out by June. Survey of states conducted revealed four states have what they consider certification experts and asked if any state would have trouble with the RFP process. There is still talk of states creating a consortium for purpose of developing uniform rates and boundary databases. The National SSTP would sanction this group.

The Department's online registration is ready.

Next Working Group is May 24 & 25 in Tampa, Florida. Senator McKibben and Representative Sands may attend. Stacey Johnson, Kristi, Don and Rod will also attend.

There will be a meeting on sourcing for states only in Nashville in early May. Iowa will probably participate via teleconference.

Certification Process – Some states who have passed legislation met in New Orleans. Private sector representatives are reviewing certifications of compliance with the agreement. Susan Haffield is our primary contact, along with Kristi Magill and Jason Wilson from McGladrey, and Jeff Johnson from Price Waterhouse. We have held two teleconferences to review and compare the certification. Susan reviewed definitions. We believe we will be found to be in compliance.

Ten states participated in the New Orleans meeting. Of the states not attending, the private sector was there representing those absence states. There was discussion on every state passing legislation.

Review of our certification noted the following items:

Tax rate bases need to be the same. Our current differences are: room rentals, sales by DOT and heavy equipment. These wouldn't affect national retailers, so we don't think these items will have an effect on certification.

Two other possible items raised as issues were medical definitions and sourcing of services.

Overall, the process went very well for Iowa with little clarification. Conformance is not in jeopardy.

Status of Other States – Most states in conformance will handle any necessary changes through Administrative Rules, Declaratory Ruling, something binding on Department, as opposed to legislation. Texas and Washington have major issues with sourcing. Ohio delayed sourcing implementation. Tennessee is pursuing technical legislative changes.

Definition status – The Department met with the food industry including Jerry Fleagle, Brian Johnson along with representatives from Hy-Vee, Fareway, and Dahls. Discussed definitions and identified the need for clarification. Jerry Fleagle stated the meeting was productive. They resolved the candy definition issue. Any product that has flour listed as an ingredient is not candy. We have a May 1 goal of resolving other issues.

Rules – Darwin Clupper is working on rules. The Web site is updated. He has one rule left to work on regarding leasing. Tax Research Library will include both sales tax law prior to July 1 and new law as based on SSTP.

The Council discussed transition and audit. The Department is saying now that we'll be flexible. The Department needs to provide comfort and assurances of protection for taxpayers that it won't change its story down the road. Agenda item for next meeting.

Training (Internal) – Trained Taxpayer Service Specialists in the field and office. Twenty people will be making presentations. Examination and audit staff training will occur closer to July.

Education Plan – Wayne Cooper handed out the statewide meeting scheduling for all counties.

- April 6 – Press Conference in Des Moines with a press release to follow
- April 6-9 – Mailing to sales and retailers use tax registration file
- April 13 – May 27 Statewide County Meetings
- Supplement with specific types of groups.

Steve Roberts suggested that the Ways and Means Committees, Iowa Bar, and Iowa CPA's be informed.

If any Advisory Council member is interested in participating in presentations or be recognized, please e-mail the department. Wayne Cooper provided copies of the PowerPoint presentation, a copy of the script, meeting schedule and letter to be mailed with the meeting schedule. If anyone has feedback, please let us know by 4/7.

Taxability matrix will be general for definitions covered only by the Agreement.

The Council completed review of the Agreement.

The next Council meeting will be a teleconference on April 30 at 10:00 A.M. Diane will provide call in instructions.

**Iowa Streamlined Sales Tax Advisory Council
Teleconference Minutes
April 30, 2004**

Mike Ralston hosted a teleconference call on Friday, April 30, 2004, at 10:00 A.M.

I. Educational Meetings

Wayne Cooper updated the Advisory Council on the educational presentations being made around the state by the Department's Taxpayer Service Specialists. Of the 120 presentations scheduled, 28-30 were completed by this date. Attendance in these seminars varied from 1 to 20 people. Sourcing has been the big issue. Kristi Magill confirmed that the only significant questions in the meeting she attended regarded sourcing and noted that advisory council members can look forward to national meeting updates on this issue. Chris Theisen suggested that handouts would be helpful at the meetings. In response, it was agreed that IDR staff will make handouts available and will provide further information on the IDR website. Additional concerns were expressed regarding the tax status of food items. With regard to that and other issues, the IDR will continue to work with members of the council.

The media plan related to the sales and use tax changes is now being implemented. The Department has had press conference coverage, news releases to every county, 500 media contacts, and interviews with radio stations. Further efforts to contact customers with this information will continue. The Department sent a mailing to every registered retailer, as well as to several groups (such as the Retailers Federation, Community Colleges, Grocers Association, etc., to move the information through their publications).

In response to feedback from Dick Koberg regarding Carroll County's lack of attention to the changes, IDR staff will work proactively with officials there.

II. Food Database

Don Cooper thanked Jerry Fleagle for his work. The Department does have a database and will be updating that database.

Jerry continues to provide the Department with information. The Department hopes to have an updated list by the end of May. Jerry will get a list of follow-up issues. Questionable items will be posted on the Grocers website (may even try to be UPC code specific). Jerry will have the information for the Department in 10 days to 2 weeks. People can check the Grocers Association website at Iowagrocers.com.

Darwin Clupper informed the Advisory Council that the Department's proposed rule regarding food is on the IDR website at www.state.ia.us/tax.

III. Compliance Transition

The council discussed compliance with the changes and the Department's view

of enforcement. Mike Ralston led a discussion on the part of the Department and made note of Jerry Fleagle's comment: "Tell us what to collect and we'll collect it." Taxpayers generally wish to comply and it is incumbent upon the Department to assist in that effort.

The Department will be flexible with regard to enforcement, especially as it relates to the immediate changeover. The goal is not to be punitive and whether it is 2004 or 2007, a key issue will be the intent of the taxpayer. Good faith efforts to comply will be met with positive responses by the Department. Several IDR Department managers who participated in the teleconference will be a part of examining issues on a case by case basis, and are clear that regarding working with taxpayers, as opposed to rigidly applying penalties, is the Department goal.

To aid in compliance, the department is developing an interactive jurisdiction database. A detailed report on this activity will be a part of the council's next meeting. Monti Miller advocated a database by zip code as a tool to help everyone comply. Rod Erickson explained that the Department is analyzing that exact option. He noted that there were three types of interactive databases being examined: 1) 5 digit zip, 2) 9 digit zip and 3) full address.

A number of states are looking at a consortium. That idea is not moving too fast and some states have lost interest. IDR is looking at developing its own database with two interested vendors, but the problem is timing as it relates to the RFP process. A decision will be made in advance of the next council meeting.

Finally, regarding compliance transition, Mike indicated that the notes from this discussion would be a part of the information posted on the Department's website as a record of this teleconference. In addition, these notes will be discussed at the next council meeting and counsel is welcome and desired regarding language.

IV. Other Updates

Legislative Issue – Dave Casey discussed the leasing/new construction exemption issue that developed at the end of the General Assembly. The specific language is in Senate File 2298. Kristi has a one-page summary that Don will e-mail to the Advisory Council. As soon as the Governor signs it, the construction industry will be notified of the exemptions.

RFP – There continues to be a lot of confusion regarding the RFP. This will be a big part of the next national meeting. Don Cooper called Scott Peterson (National Co-Chair) for his input. It is hoped that more guidance will be available following the May meeting.

National Effort – The advisory council continues to monitor what other states and Congress are doing. The council will also continue to monitor the national effort to get 10 states with 20% of the population and implementation dates for other states. It was noted that Ohio is a key state. Ohio delayed implementation

once and some sources report that officials there are considering delaying again.

The next meeting of the advisory council will be held June 3. It will start at 10:00 A.M., but a determination will be made at a later date as to whether it will be comprised of a teleconference or a meeting in the building.

Warren Townsend complimented the Council on the work being done in Iowa.

Mike noted that the work of the council is complicated and important and he thanked everyone for their hard work. The call was adjourned.

Agenda Items for June 3: Food Database, Location Database (jurisdiction)

Please contact the Department with additional agenda items.

Streamlined Sales Tax Advisory Council Minutes from meeting of June 3, 2004

Co-chairs Kristi Magill and Mike Ralston initiated the conference call with updates to the agenda. Updates consisted of adding Amnesty under III. Tampa Meeting Update, V. Uniform Leasing, VI. Sourcing, changing Other Updates to VII.

I. Educational Issues

Wayne Cooper updated the Council on the educational sessions. To date, 142 presentations have been completed with 1,600 people attending these sessions. The biggest issue is sourcing. Wayne is concerned about the retailers not attending. They don't seem to be paying a lot of attention to the sessions.

Dave Krutzfeldt also expressed disappointment in the number of people at the session that he attended. He felt the presentation was good and the presenter was available for questions after the session.

The Department will continue its outreach program. The Department will have frequently-asked-questions (FAQ's) from these meetings on the Web site.

II. Food Database

Brian Johnson and Jerry Fleagle met with Wayne Cooper to review the database and update for July 1, 2004. Jerry is also reviewing old and new rules on the Web.

Changed items will be listed on the Iowa Grocer's Web site. The definition of candy is still concerning Jerry. The Department will link our Web site to the Grocer's Web site. The Department's Web site will have a summary of the changes. The definition of candy also keeps coming up at the national level. States are holding fast to their definition. There has been no discussion about chocolate chips as candy. Jerry's concerned about baking ingredients being classified as candy. This will be addressed in the Administrative Rules. Don will contact other states and the national co-chairs. Don will provide their feedback to the Council.

III. Tampa Meeting

Don Cooper summarized the meeting for the Council. Topics discussed in Tampa were:

- a. **Compliance Review** – No additional feedback has been provided about Iowa's Compliance Review.
- b. **Taxability Matrix** – We are on target. There are other states that still need to complete this matrix.
- c. **Rate/Jurisdiction Database** – This database will be ready mid to late summer. It will be zip code plus 4.
- d. **Exemption Administration Paper** – This is not an issue for Iowa.
- e. **Candy Definition** – States are holding fast to their definition.

f. Sales Tax Holidays – This is not an issue for Iowa.

g. Bundling Issue – Bundling is not in Streamlined Sales Tax Agreement. If put in the agreement later, states will need to adopt through the legislative process. States voted on bundling for tangible personal property – The business side was not happy. Business wants something on TPP and services. It's a controversial issue.

h. Registration System – This is being developed by MTC.

i. Telecommunication – This deals with the definition of digital equivalent of tangible personal property. (Iowa may need conforming legislation depending upon what's put into the agreement.)

j. Sales Tax Buy Down – The states are indifferent. Iowa just got an exemption this legislative session. This was a hot topic in the business meeting.

k. RFP Status Report – Some work done on the RFP. A document of technical standards was approved in Tampa. This document is confidential.

l. Governing Board – The Governing Board is not in place and timing is an issue. Don predicts January 1, 2005, or July 1, 2005, before the Governing Board is in place.

Status of Other States – Michigan is close to getting legislation passed. Population percentage will be attained by January 1, 2005...certainly no later than July 1, 2005.

Conforming States Committee – This is a transition group to work on administrative issues prior to the Governing Board being in place. This Committee is comprised of states who have already passed legislation. The Committee discussed the Table of Areas of SSUTA Requiring Operational Implementation. Don will e-mail this table to the Council. Don volunteered for Funding Structure Committee. He will provide the Council with feedback from the Chicago Conforming States Meeting in early August. It was recommended that Representative Sands and Senator McKibben attend the meeting in Chicago.

Amnesty Issue – Some states didn't address amnesty in their conforming legislation. This is not an issue for Iowa because it was in our legislation. Those states will be going back to put it in legislation. There was no discussion on procedural side of amnesty. It was suggested each conforming state address this issue. Iowa's positions on what constitutes an audit differ from other states. We consider a nexus questionnaire an audit.

IV. Compliance Transition at National Level – There is going to be some degree of flexibility for all states (no standards). If taxpayers aren't in conformance on day one, states are not going to start assessing penalties. States will take a reasonable approach. Mike suggested the Council review the minutes from our last conference call regarding this issue and provides feedback to him.

V. Uniform Leasing – Kristi mentioned the law of unintended consequences. Leasing is now the sale of tangible property. This change means that leasing of a uniform by a food manufacturer will not be exempt after July 1, 2004. The Department will be looking at various other changes related to the change in how leasing is handled.

VI. Sourcing – Stacey Johnson is getting a lot of contacts from businesses and Legislators.

Kansas Department of Revenue backed off and is providing a relaxed enforcement. We'll look into this issue for next meeting.

VII. Other Updates

There was some discussion on the Council providing a letter to the Legislature to update them on the project. The Council agreed to wait until after the next meeting.

Mike mentioned the Department is hosting the Midwestern States Association of Tax Administrators (MSATA) annual conference in August. Steve Krantz from COST and Diane Hardt, co-chair, of the National Streamlined Sales Tax Project will be speakers at the conference.

Rules Update – Darwin has been working on rules regarding sales tax as they relate to Streamlined Sales Tax Legislation. There are a number of rules of immediate importance resulting from SST transition. These drafts are on the department Web site. Darwin would appreciate comments.

An August meeting in the Hoover Building will be determined by Kristi and Mike.

The call was adjourned.

Iowa Streamlined Sales Tax Advisory Council August 19, 2004 Minutes

I. Opening Comments

Mike Ralston started the meeting with a roll call of members joining us by telephone. Kristi Magill thought most of this meeting would consist of an update on what transpired in the Chicago meeting. It was mentioned that Diane Hardt and Steve Krantz were speakers at the MSATA (Midwestern States Association of Tax Administrators) conference and did an excellent job.

II. Update on Implementation of Iowa SSTP Provisions

a. Definitions

Candy – The definition of candy, particularly chocolate chips and almond bark, was discussed in Chicago. Prior to Chicago, Don had conducted an informal survey of other states and had even discussed the issue with Scott Peterson, co-chair, National SSTP. The SSTP group takes the position that chocolate chips, almond bark, etc., should be classified as candy. Thus, the dilemma of still saying the items are baking ingredients and be found out of conformance or change our definition. The Council agreed that the states have to be consistent. Jerry Fleagle was obviously concerned, stating this change in position was exactly what he had wanted to avoid. Warren Townsend noted that fruit roll-ups are also an issue, and that Don did a good job in Chicago trying to voice our side. All along Iowa thought we were clear on the definition of candy, then it comes out that this position was discussed in a Working Group meeting. The department will relax enforcement on these items.

The Council recognized a need for a process to be in place when changes like these occur. There are bound to be more instances such as this. The process will need to be similar to rules in the Agreement on making changes. We need to be consistent with the Agreement on allowing time to implement changes, i.e., if there are fewer than 60 days left in the quarter, then changes won't occur until the beginning of the next quarter.

Sales Price/buy downs – The issue in Iowa was with cigarettes. It's a complex area and this topic was referred back to the Working Group. Warren gave a tip to look at the cash register tape. If it's shown on the tape, then it's taxable. Diane will mail copies of Government and Business documents from the meeting to the Council. This may prompt a change to the definition in the Agreement. Kristi noted that at the October meeting we may get a better feel after the Working Group has had an opportunity to try and reconcile the proposal.

b. Sourcing

The department will relax enforcement until January 1.

c. Education

Don had Wayne Cooper update the Council on Education and feedback since our July 1 implementation date. Wayne has received limited feedback. He has heard concerns on sourcing and databases, but not much more.

Streamlined Sales Tax Project education is in the forefront of our Technical Service Specialists on-going education. They've built the streamline information into their presentations.

Stacey Johnson (ITA) had received a considerable amount of calls in June and July; it's dwindled now. Legislators are unaware of the details when constituents call. Stacey suggested scheduling a meeting between legislators and our group to educate and update regarding the changes in the streamlined laws.

d. Administrative Rules

Dave Casey updated the Council regarding the Administrative Rules being out on the website. As Dave has stated before, the existing rules will stay as they were before streamline legislation. We have created new rules starting with Chapter 211 the "Definitions" chapter. We will piecemeal rules to the Rules Coordinator because they can't handle the large volume. The first set of rules is currently being circulated for internal (departmental) comments. It has three parts: Chapter 211 "Definitions", Chapter 219 "Construction" (not a lot of change), and Chapter 231 "Exemptions" (primarily to the benefit of the consumer). These rules will be placed on the website after routed internally.

e. Rates & Boundary Database

Don predicted before Rod joined the meeting that the Rates & Boundary Database will be ready in 30 days. Rod indicated that 30 days wouldn't be a problem. The Department purchased information from a company and we're building the system ourselves. We're having trouble with Vedic City not being properly identified. The department will have the database next week. We will need 2 days to verify and hopefully be on the website within 10 days to 2 weeks. You can input the 5 or 9 digit zip code (9 for best results) and the database brings back jurisdictions, County, City and unincorporated area presenting the lowest tax rate.

The actually address database will be ready by the end of the calendar year. We're looking for retailers who would download to a compressed file as testers. Also, we need retailers who have a stable customer list as testers. A retailer would provide their list to us and we provide the information back. Rod will e-mail the Council when it's ready and is requesting feedback.

Kansas is tracking look ups on the databases and storing that information. We can do it, if that's what everyone wants. National SSTP group wants databases put in central location by end of the year.

III. Update of National Scene

a. Federal Legislation

It's unlikely anything will happen this year.

b. State Legislation

Legislation for unintended consequences – We will need to address these unintended consequences through our legislative packages. One item will be the rental of uniforms.

c. Proposed Effective Date of Implementation of Agreement

The effective date will not be before October 1, 2005. It will be July 1, 2005, before the 20% of the population criteria is met and the states meet conforming provisions.

d. RFP for CSP's and Software

The RFP's will go out in October or November. It will be March 2005 before we get responses back. There are questions to states on how much they're going to pay on software or implementation. Some states will need to go to their legislators for appropriations. Iowa won't need legislation; ours will be paid for from revenue generated from SSTP.

e. Cost of collections

Study determined to focus solely on post-cost to business. Kristi noted that only two or three vendors are participating in national meetings.

Business Survey – There will be a questionnaire this fall asking businesses what issues they will face in the cost of collection. It's trying to include all sizes of business.

It's not going to be turnkey, like previously thought. Director Ralston commented that collection of sales tax is a part of doing business in Iowa, but we're all on the same side. Software changes will be a business cost, but we don't know what the cost is going to be.

CSP – We need to be honest with Businesses on what their role in implementation will be.

f. Formation of the Business and Taxpayer Advisory Council

COST is the driver in keeping business at the table, but is representing its largest members (BIG business). Kristi e-mailed Steve Krantz and Joan Wagon, Director Kansas Department of Revenue regarding her concerns on fair and equitable representation regarding the formation of this council. If this Council can think of any appropriate members, please e-mail Kristi. The Council discussed national level organizations for small business and wondered about NFIB. Also, mentioned National Retail Merchants and National

Independents Grocer Association as possible representatives.

g. Other Technical Issues

The Working Group is addressing the following topics:

- Food
- Bundling
- Simplified Exemption Administration
- Telecommunications
- Amnesty provisions
- Funding mechanisms
- Holidays for school supplies – need definition

The Department believes these items create no significant impact on Iowa.

IV. Conforming States Committee

The Conforming States Committee is a bridge between the Governing Board and the Implementing States. Don and Kristi are representatives on the Conforming State Committee and Implementing States for Iowa.

a. Discussion of Subcommittees and Issues being addressed

- Org. structure
- Bylaws
- Funding
- Technology
- Rules & Procedures
- Advisory Council Committee
- Administrative Committee

Copies of the SSTP Governing Board by-laws and organizational issues will be mailed to the Council.

b. Next Meeting

Conforming States and Working Groups are meeting October 6-7-8 in Nashville.

IV. Other Issues

MTC Proposal for Registration System – There's concern from Business that the MTC will be running and supporting it. Mike offered to write a letter to Loren Chumley and Conforming States expressing concern.

V. Set Next Meeting

The next Implementing States meeting will be in October. We set our next Advisory Council meeting for October 21 (This was changed to October 14). We will decide on

whether to meet at the Hoover Building or have a teleconference.

**Iowa Streamlined Sales Tax Advisory Council
October 14, 2004 Minutes**

Opening Comments

Director Ralston opened the meeting by introducing Paul Benson. Paul is our new supervisor in the Taxpayer Services Section. He is replacing Wayne Cooper who has taken a new job in our Collections area.

Rod requested to move agenda item VI. to the beginning of the meeting.

Rates and Boundary Database Update

The database uses 5 and 9 digit zip codes to look up rates and will calculate the tax due. It goes into production on Monday. Taxpayers wanting to download the database won't be able to download until mid-week. If anyone has problems trying to download the database, please contact Rod Erickson. The department is still working on a full address lookup database. The department will update the web site quarterly with jurisdictional changes. Rate changes can only occur in January and July.

Rod performed a demonstration of the database, discussed results and different scenarios.

Update from National Meeting in Nashville

Jim Henter developed bumper stickers for the Advisory Council with some of the director's favorite sayings. Don passed out samples.

Representative Sands and Steve Roberts both attended the meeting in Nashville. Kristi thought it was an interesting meeting for them to attend. She also expressed some frustration with discussions on buy-downs and bundling issues. The working group has finalized a definition of school supplies it will be presented to the Implementing States for a vote to place the definition in the Agreement at the November meeting.

A consensus needs to be reached on the relationship of the Business and Taxpayer Advisory Council to the Governing Board. Copies of the draft language on the formation of the Business and Taxpayer Advisory Council by business and conforming states were handed out.

Kristi explained that there will be two groups under the Governing Board. One to represent state government called State and Local Tax Advisory Council and the other to represent business called Business and Taxpayer Advisory Council. The government version has the Governing Board owning/creating the Business and Taxpayer Advisory Council. The business version wants it to be a separate entity. We need to reconcile this issue. Kristi was soliciting input from the Council. Jerry Fleagle made the motion that the Iowa Streamlined Sales Tax Advisory Council would support the draft language made by business, subject to tweaking. Mike Ralston seconded the motion. The Council unanimously approved the motion.

The sourcing issue continued to be discussed in Nashville. A Senator from Ohio made a presentation to have a different sourcing for intrastate sales vs. interstate sales. Don and Kristi didn't think that this would go anywhere. The sourcing issue is what's holding Texas and Washington from being conforming states.

The RFP for the software process is scheduled to be out by November 1, 2004. There will be more questions answered at the November meeting in Chicago. Proposals are due by January 1, 2005. It was mentioned that 30 companies are interested.

Cost of Collection Study Steering Committee – The Direct Marketers Association has vacated their seat on the Steering Committee. Kristi was approached for input of who might fill this vacancy from a small business perspective. Her thoughts were if the survey has been drafted and mailed, what's left to do? Warren indicated that there is a need to review the surveys and responses. This Steering Committee still has approximately 6 months of meetings before its work is completed. This Steering Committee consisted of: Wal-Mart, JC Penney, Radio Shack, National Retail Association and Direct Marketers Association. Dave Brasher will check into it with his association. Mike gave a charge to the Advisory Council that it's imperative the Council start thinking about someone who could contribute.

Don handed out and discussed the Conforming States Calendar showing the time table of what's going to happen between now and October 1, 2005. There will be an Implementing States meeting on November 16, 2004 and Working Group meeting on November 17-18, 2004 in Chicago.

Rules Update

The first set of rules drafted is ready for distribution. They will be placed on the web site. Anyone wanting a complete set, please contact Dave Casey. This first set consists of: Chapter 211 "Definitions"; Chapter 219 "Construction" (not a lot of change); and Chapter 231 "Exemptions Primarily to the Benefit of the Consumer." The department anticipates these will be filed the first Friday in November.

The second set of rules is drafted and needs to be reviewed internally. This second set consists of: Chapter 212 "Elements Include in and Excluded from a Taxable Sale and Sales Price"; Chapter 213 "Miscellaneous Taxable Sales"; Chapter 214 "Miscellaneous Nontaxable Transactions"; Chapter 225 "Resale and Processing Exemptions Primarily of Benefit to Retailers"; and Chapter 230 "Exemptions Primarily Benefiting Manufacturers and Other Persons Engaged in Processing."

Discussion of Iowa Taxpayers Association (ITA) Issues

The Department held a meeting with Stacey Johnson, Kristi Magill, Jason Wilson and Steve Roberts regarding issues the Iowa Taxpayers Association wanted to discuss. After the meeting, the department provided responses to their questions. Don handed out the department's responses to the Advisory Council. The Council discussed the following:

- LOST for printers shipping throughout the State of Iowa. Don will check with other states and this will be an agenda item for our next meeting.
- Exemption for food manufacturers related to services. Streamlined legislation has changed the tax status of uniform leasing or rental. Stacey Johnson made a motion that the department draft legislation to change uniform leasing or rental back to exempt status. Jerry Fleagle seconded and the Council unanimously approved.
- Items rented by contractors not specifically exempted. Stacey will form a sub-committee and make recommendations for our next meeting.
- Freight/handling. The department will bring forth legislation to change.

Dave Casey cautioned the Council if the Council wants to make legislative changes that the changes are in conformance with streamlined legislation.

Possible Legislative Changes

One possible change the department has identified is the definition of medical products. Since Iowa didn't adopt the entire SSTP agreement definition on medical products, the department still needs to research this issue to ensure that the law is in conformance with the Agreement.

The Council discussed the proposal of one bill for SSTP clean up and the possibility of Representative Sands introducing the bill. The department hopes to have a draft to the Advisory Council in advance of our next meeting.

Set Next Meeting

The Advisory Council will meet on Thursday, December 16, 2004, from 10:00 a.m. to 2:00 p.m. It was suggested to invite the Legislative Representatives to this meeting where the major agenda item will be legislation. Iowa Taxpayers Association will provide lunch.

Adjournment

The meeting was adjourned.

SSTP Advisory Council Minutes December 16, 2004

Chris Theisen joined the Council via conference call.

I. Opening Comments

Kristi Magill opened the meeting.

II. Update from National Meeting in Chicago

SSTP Calendar. Kristi shared the SSTP calendar, which showed timelines through October 2005. The next National meeting will be held in Phoenix on January 5-7, 2005.

Registration Service. Representatives of Business are uncomfortable with the Multistate Tax Commission (MTC) handling the registration system. Even though MTC developed the registration system, Business is concerned about them operating it. The Council also felt that MTC should not operate the registration system. The Council feels this topic should be a part of the Council's annual report to the Legislature.

The question was asked if any resources were available to study the registration system. Rod indicated that there was nothing in writing. Mike will check the MTC newsletter. He and Rod hope to find something to share.

Interim Executive Director. Scott Peterson from South Dakota is the Interim Executive Director for the Governing Board which should become operational October 1, 2005. The search for a permanent replacement will begin in July.

Operational Issues. \$20,000 is due from each state that petitions as a conforming state for the operational budget. This fee will be due by July 1, 2005. States that didn't previously request appropriations will have to go back and ask their Legislatures for the money. Iowa will use revenues generated by voluntary filers to cover these costs.

Business Taxpayer Advisory Council (BTAC). The issue is whether the Governing Board has the authority to determine the council members, control the agenda and if the meetings must be open to the public. The Iowa Council believes that Business should appoint its own members and that the meetings can be closed.

Certified Service Provider RFP. The RFP went out November 1. The RFP contains no mention of implementing costs which prompted vendors to call. January and February are big months for reviewing the proposals. RFP's are due January 4, 2005.

Other Items Discussed.

Ohio wants a small business carve out for destination sourcing. The other states

don't want to change the Agreement now.

Six states in January (Iowa is one) will make formal application for admission. Representatives from Business have reviewed our certificate of compliance; now states will review to see if we're in substantial conformance.

III. Rates and Boundary Database Update

Rate and boundaries database is up and running. No one has tried to download it yet. Rod noted that the search results aren't always correct. It's the data and not the program. The FIPS Code data from the U.S. Postal Service is incorrect. Any questions, contact Rod.

IV. Rules Changes

The first set (Chapters 211, 219 & 231) are out on the Web site and have been filed in Iowa Administrative Code Bulletin. Legislative Rules Review Committee met Tuesday, December 14. Dave doesn't anticipate any problems.

The second set is still being looked at internally. This set includes the rules related to machinery and equipment. The Department is looking at filing these the end of January.

The third set is currently being worked on by Darwin. They'll be ready for circulation internally after January 1. This set pertains to services and agriculture.

Kristi requested that the Council look at the rules pertaining to their areas of expertise.

V. Proposed Legislative Changes

Dave provided the Council with a summary and actual language of the proposed legislative changes. Stacey Johnson provided a re-write of one last issue. The Council reviewed, discussed and made some changes. Dave will circulate the final language via e-mail.

The Council also had some discussion regarding printers.

VI. Possible Contact for Cost of Collection Study Steering Committee.

The Steering Committee has a position open to represent small or medium-size businesses. It was suggested maybe someone from the group called National Small Business & Entrepreneurs would be interested. The Council felt it shouldn't endorse this unknown group. Kristi will see what the Steering Committee is doing to fill the position.

VII. Set Next Meeting

The Council's next meeting will be Thursday, February 3, 2005, at 10:00 a.m. at the Hoover State Office Building. We'll try to have the legislative

representatives attend.

A big "thanks" to Stacey and the Iowa Taxpayers Association for providing a delicious lunch.

The meeting was adjourned.

APPENDIX D

Michael D. Ralston
Director



IOWA DEPARTMENT OF REVENUE
Hoover State Office Building • Des Moines, Iowa 50319
www.state.ia.us/tax

June 28, 2004

Dear Iowa Retailer:

In 2003, Iowa law was changed (effective July 1, 2004) regarding how the sales tax is sourced or applied. Since that time, the Iowa Department of Revenue has been working with others to educate retailers about the change and how to comply. I know that for those businesses shipping or delivering their products by common carrier to customers in several locations, it may be a large undertaking to comply with the new destination-based sourcing rules in correctly computing, collecting and reporting the appropriate local option sales tax. The purpose of this letter is to provide some further clarification and to relieve some anxiety about how to comply.

Please keep in mind that the Iowa law was changed to allow Iowa to participate in the Streamlined Sales Tax Project and to collect sales tax from internet sellers that compete with our Iowa retailers. The end goal is that Iowa sales/use tax will be collected and remitted in a fair and equitable manner. This legislation will ultimately benefit Iowa retailers that are competing with the larger Internet and multi-state businesses as well as the general public by collecting revenues that are currently owed to the State of Iowa.

The Governor and General Assembly have directed our department to work with retailers regarding implementation of the sourcing changes and of course that is our objective as well. Thus, during what is described as an "implementation phase" between now and the end of the year, staff has been instructed to be very relaxed in their dealings with retailers. Our focus will be on service, not sanctions.

Let me reassure you that the Iowa Department of Revenue will be most understanding of the plight of businesses that have to change how sales tax is collected and remitted. We are working right now to provide some tools to assist businesses, including software and additional information on our website about local option tax rates.

The legislation will go into effect on July 1, but realistically, it may be several months before retailers are able to become fully compliant. All that is asked now, in this implementation phase between July 1 and the end of 2004, is that you study the new rules, do your best to collect the information, and report the tax at the rates in effect where the product is delivered. We will do our best to get the new computerized information available as soon as possible and to assist you as needed.

Do not hesitate to call us and ask for help. We are learning, just as you are. **Auditors and tax examiners will not penalize anyone for making errors in this initial six-month period**, as long as an honest effort is made to comply.

Page 2
Iowa Retailers
June 28, 2004
Page Two

As more information about the impact of these rules on specific businesses becomes available, additional bulletins may be issued to help you comply. Our department would also like to hear from you about business-specific problems you may be experiencing, so we can help develop solutions. Please continue to check the department website for updated information. Our focus will be on helping you adjust your systems and solving problems that may arise.

Iowa is an active participant in the Streamlined Sales Tax Project, and as part of the movement of uniformity among states, Iowa is adopting the same system as the other states joining the Streamlined Sales Tax Agreement. While policy makers and our department regret the inconvenience this will cause, we believe the long term benefit will be long-lasting for our state. We ask for your patience through this learning process.

Please do not hesitate to contact the department if you need further assistance. The IDR Taxpayer Service Section can be reached at (800) 367-3388 and my office number is (515) 281-3204. And of course you can access the IDR website at www.state.ia.us/tax. Thank you very much.

Sincerely,

Michael Ralston
Director

APPENDIX E

Michael Ralston
Director



IOWA DEPARTMENT OF REVENUE

Hoover State Office Building
Des Moines, Iowa 50319

Telephone: (515) 281-3204 • www.state.ia.us/tax

October 26, 2004

Loren L. Chumley, Esq.
Commissioner of Revenue
Tennessee Department of Revenue
500 Deaderick Street
Nashville, TN 37242

The Honorable Richard H. Finan
Counsel
Calfee, Halter & Griswold LLP
30 East Broad Street, 22nd Floor
Columbus, OH 43215

Dear Commissioner Chumley and Senator Finan:

I write you in your rolls as co-chairs of the Conforming States Committee of the national Streamlined Sales Tax Project. Thank you for your leadership of this important initiative.

Iowa is a proud member of the effort to create a streamlined sales tax. To guide our state's implementation of the streamlined sales tax, the Iowa General Assembly last year created the Iowa Streamlined Sales Tax Advisory Council. This body, comprised of representatives of small, mid, and large-sized businesses, has been indispensable as our department seeks to implement streamlined sales tax changes. It is my pleasure to co-chair the Iowa Council along with Kristine Magill of RSM McGladrey, Inc.

At its meeting last week, the Council unanimously passed a motion supporting the concepts outlined in the enclosed document regarding the creation of a Business and Taxpayer Advisory Council. Paramount among these concepts is participation on such council's decision-making board by representatives of small, mid, and large-sized businesses. Our experience in Iowa is that an organization of this type is a vital and critical element to successful implementation of the streamlined sales tax.

Members of the Iowa Council asked me to write and share our support with you and to urge you to support the creation of a national council that is independently responsible for choosing its officers and board members as outlined in the enclosed document. Thank you for your consideration. Our state looks forward to continuing to work with you and others to develop and implement the streamlined sales tax.

Sincerely,

Michael Ralston
Director

cc: Iowa Streamlined Sales Tax
Advisory Council Members

Enclosure