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HOUSE OF REPRESENTATIVES

IOWA STREAMLINED SALES TAX ADVISORY COUNCIL

2005 Report to the

IOWA GENERAL ASSEMBLY

April 14, 2006

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HOUSE OF REPRESENTATIVES

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"). The Council was created in 2003 (please see Appendix A for a list of members). The Council met four times in 2005.

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 four times in 2005 with each meeting being held at the Iowa Department of Revenue offices in the Hoover State Office Building in Des Moines or by conference call. Meetings were held on February 5, March 18, April 25, and November 1, 2005. Various issues were discussed at these meetings. Copies of 2005 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.

Significant Developments

2005 was a monumental year for the national streamline project (the "Project"). On October 1, the project met thresholds required for formal organization and the Governing Board was officially formed with 13 full members and 5 associate members. Since then, Nevada has joined as an associate member, with additional states anticipated for membership in 2006. Please see Appendix D for the Project organizational chart.

The Council analyzed existing law and practices regarding implementation of changes in the Iowa tax code. As a result, the department developed proposed legislation to clean-up streamlined-related issues and annual update legislation. 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 annual streamlined legislation, similar to annual legislation required to conform Iowa to the Internal Revenue Code.

At the direction of and/or in conjunction with the 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.

- In conjunction and with the guidance of the Council, council members participated in national streamlined sales tax meetings and activities (Note: Council members Kristine Magill and Donald R. Cooper participated in most national streamlined sales tax meetings in 2005).

- Last year the Council advised you as to its support of the development of the required Business Advisory Council (BAC) to the Streamlined Governing Board as a separate entity, independent of the Governing Board. This was a controversial issue at the national level. The Iowa Council provided comment to the Governing board on this issue and it was resolved successfully during 2005. On January 11, 2006 the BAC held its inaugural meeting, voting in its first Board of Directors, including Iowa Advisory Council co-chair Kristine Magill of RSM McGladrey, Inc. The BAC continues to have open board seats; particularly those reserved for mid- and small business representatives.
- At the direction of the Council, co-chair Kristine Magill drafted a letter to the Streamlined Governing Board outlining concern for the current consideration of compensation to Certified Service Providers for non-nexus taxpayers only. If sustained, this compensation model will negatively impact many small and some mid-sized businesses located in states with local sales taxes and is contrary to the commitments made to Iowa businesses upon passage of the initial Streamlined legislation. This letter will be submitted to the Governing Board in April 2006.

Pending Issues

The Council also cautions the General Assembly to monitor the following issues as the streamlined process moves forward nationally this year:

- As reported to you last year, the third party system to outsource the business' sales tax function at no cost is still not available. Availability of such a system was a commitment to business when Iowa passed its legislation to fully participate in the Project. The Council is concerned that certain members of the Governing Board are interpreting the Agreement such that there is no obligation to provide this system or software at minimal or no cost to affected businesses in a state where the business has nexus.

The Council does not believe that this interpretation is supported by the Agreement, is contrary to the promises made to Iowa businesses, and is detrimental to many Iowa intrastate business. By way of example, under its current direction, the Project will deny free or nominal cost access to the compliance system to any business that is located only in one state (typically a small or smaller mid-sized business) and was forced to change its business process to conform to destination versus origin based sourcing.

Sourcing was a major change for Iowa businesses, particularly those operating intrastate. As a result, assurances that the system would be available at no cost or nominal cost to a willing business are no longer feasible. The Advisory Council believes a system needs to be provided by the Governing Board or the State of Iowa to avoid detrimentally affecting Iowa businesses with nexus. The cost to provide this service is unknown at this time but it is anticipated that it can be provided through outsourcing providers or software. Adequate vendor compensation is another alternative.

The release of a national cost of collection study is anticipated in April or May 2006. This study may provide valuable information in assessing the new costs

assumed by many businesses to comply with destination based collection obligations.

- The state of Ohio has developed alternative proposals to origin based sourcing and is seeking coalitions with other similarly impacted states. Ohio, like Iowa and many other states, has an origin based sourcing system and has encountered significant resistance to changing to a destination based system. Ohio's proposals are currently being analyzed to assess constitutionality and feasibility, but appear to be encountering resistance on those grounds. If momentum continues to build around these alternative proposals, the existing Streamlined efforts may significantly slow, change course or cease to exist.
- Revenue impact studies for Iowa 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.
- Now that the national project has succeeded in creating several "standard" definitions for all states to use as part of a simplified system, the participating states are encountering some difficulties in interpreting these standard definitions in a unified manner. In addition to numerous standard administrative definitions, clothing, computer related, food, health-care and telecommunications are all areas where standard definitions have been developed. Work continues on areas such as digital goods, bundling, and uniform audit standardization. Definitions in medical-related and prepared food are already being revisited due to varying interpretations being encountered by member states.

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 2006, it will file its third annual report. As noted previously, Council data is posted at www.state.ia.us/tax/taxlaw/streamlinedcouncil.html.

- End -

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

Dick Koberg
Dica Marketing
Panora, 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

Mark Schuling, Co-Chair
Iowa Department of Revenue
Des Moines, IA

David Brasher
NFIB/Iowa
Des Moines, 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
Interpower 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, Brown, Koehn, Shors &
Roberts, PC
Des Moines, IA

IOWA STREAMLINED SALES TAX ADVISORY COUNCIL

(As created by HF 683)

Kristine Magill, Co-Chair
Managing Director
RSM McGladrey, Inc.
221 Third Avenue SE, Suite 300
Cedar Rapids, IA 52401-1512

Mark R. Schuling, Co-Chair
Director
Iowa Department of Revenue
Hoover State Office Building
Des Moines, IA 50319

David Brasher
State Director
NFIB/Iowa
200 E. Grand, Suite 390
Des Moines, IA 50309

Jerry Fleagle
President
Iowa Grocery Industry Association
2540 106th Street, Suite 102
Des Moines, IA 50322

Jim Henter
President
Iowa Retail Federation
10555 New York Ave. Suite 102
Urbandale, IA 50322

Monti Miller
Vice-President
The Learning Post
2761 100th Street
Des Moines, IA 50322

Stephen W. Roberts
Davis, Brown, Koehn,
Shors & Roberts, PC
666 Walnut Street, Suite 2500
Des Moines, IA 50309

Stacey L. Johnson
President
Iowa Taxpayers Association
431 East Locust, Street, Suite 300
Des Moines, IA 50309

Kent Kelderman
Vice President, Controller
Colorfx, Inc.
10750 Aurora
Des Moines, IA 50322

Dick Koberg
CEO
Dica Marketing
504 W. Market St. P.O. Box 188
Panora, IA 50216

Dave Krutzfeldt
Controller
Interpower Corporation
PO Box 115
Oskaloosa, IA 52577-0715

Marc Michaelson
Tax Director
Casey's General Stores, Inc.
1 Convenience Boulevard.
Ankeny, IA 50021-8045

Chris Theisen
Theisen's Home-Farm-Auto Stores
4949 Chavenelle Drive
Dubuque, IA 52002

Warren D. Townsend
Director Sales, Use, Product Taxes
Wal-Mart Stores, Inc.
Mail Stop 0555, 702 SW 8th Street
Bentonville, AR 72716-0555

Ann Stocker
Tax Manager
Cargill
One Cargill Drive
Eddyville, IA 52553-3616

Jay Turner
Vice-President, Finance
Electrical Engineering & Equipment
953 73rd Street
Des Moines, IA 50312

IOWA DELEGATION

David Casey
Policy Section Chief
Iowa Department of Revenue
Hoover State Office Building
Des Moines, IA 50319

William Dotzler
State Senator
State Capitol
Des Moines, IA 50319

Don Cooper
Administrator, Compliance division
Iowa Department of Revenue
Hoover State Office Building
Des Moines, IA 50319

Christopher Rants
State Representative &
Speaker of the House
State Capitol
Des Moines, IA 50319

Streamlined Sales Tax Advisory Council

APPENDIX B

February 3, 2005; 10:00 A.M.

Hoover State Office Building

Des Moines, Iowa

Agenda

- Opening Comments
- Update from National Meeting in Phoenix
- Certified Service Provider RFP
- Central Registration System
- Petition for Membership into Agreement
- Business Taxpayer Advisory Council
- Presentation of Revenue Estimates by Washington
- Other
- Status of Rule Changes
- Final Proposed Legislation
- Proposed Report to Legislature
- Set Next Meeting
- Adjournment

IOWA STREAMLINED SALES TAX ADVISORY COUNCIL

March 18, 2005 ; 10:00 A.M.

Hoover State Office Building

Des Moines, Iowa

Agenda

I. Opening Comments

II. Update from National Meeting in Atlanta

- Certified Service Provider RFP
- Central Registration System
- Business Taxpayer Advisory Council
- Implementing States to vote on Amendments in D.C. April 16, 2005
- Petitions for Certification
- Other

III. Discussion of Legislative Proposal

IV. Status of Rule Changes

V. Sourcing

VI. Set Next Meeting

VII. Adjournment

IOWA STREAMLINED SALES TAX ADVISORY COUNCIL

April 25, 2005; 10:00 A.M.

Hoover State Office Building

Des Moines, Iowa

Agenda

- I. Opening Comments
- II. Update from Washington, DC Meeting
- III. Status of Legislation
- IV. Update of Rules
- V. Set Next Meeting
- VI. Adjournment

IOWA STREAMLINED SALES TAX ADVISORY COUNCIL

November 1, 2005; 10:00 A.M.

Hoover State Office Building

Des Moines, Iowa

Agenda

- I. Opening Comments
 - Introductions
- II. Update from National Meetings
 - Business Advisory Council to the Governing Board
 - Amnesty
 - Certified Service Providers
 - Other
- III. Update on Registrations Since 10/1/05 Implementation
- IV. Governing Board Committee Membership (handout)
- V. SSTP Legislative Revisions 2006 General Session
- VI. Update of Administrative Rules
- VII. Roll of the Council in the Future
- VIII. Set Next Meeting
- IX. Adjournment

**SSTP Advisory Council Minutes
February 3, 2005**APPENDIX C**I. Opening Comments**

Mike Ralston and Kristi Magill, Co-Chairs, opened the meeting. Kristi indicated that things are starting to move at the National level.

II. Update from National Meeting in Phoenix

Certified Service Provider RFP – Twelve bids were received. The 20 conforming states are reviewing the bids and will provide feedback identifying issues needing to be clarified. Over the next 30 days, bidders will be scored, narrowed down, and then a review of the final bidders will take place. The goal is to have the selected bidders certified and contracts signed by July 1, 2005. There was some discussion on this date. Legislators want to know potential costs. This information probably will be available at the March National Meeting. If the Department gets something before our next meeting, Don will share it. Iowa will pay for the costs through revenue generated from streamline collections. Kristi hopes businesses will get an idea soon on what their costs will be to implement.

Central Registration System – This is now out for RFP. MTC developed the traditional piece of a registration system. Implementation of traditional filing system is slated for March 1, 2005.

Petition for Membership into Agreement – We have sent our Petition for Membership and Compliance Checklist to the Co-Chairs of the Implementing States; Scott Peterson, Interim Executive Director; and these documents are posted on our Web site. They are required to be posted for a minimum of 30 days for public input, and then states have 15 days to respond.

Kansas, Michigan and Oklahoma have also petitioned for membership.

Diane will e-mail Iowa's Compliance Checklist to the Advisory Council. All 20 implementing states must submit Petitions for Membership by July 1, 2005, and the implementing states will vote on whether or not each state is in substantial conformance.

Business Taxpayer Advisory Council (BTAC) – Debates continue on the language in the Agreement pertaining to the creation of the BTAC continues. The Business sector and Iowa's Advisory Council feel that the language "create" does not mean "control." It's a touchy issue. Kristi thinks there's going to be an amendment to the Agreement to change the language to "the Governing Board will recognize the Business Taxpayer Advisory Council..." We want to make sure all levels of business are represented on the board of directors of the BTAC. COST wants businesses left alone to organize. Representation for all size and types of businesses concerned and voting must be represented. If not representing everyone, then the Governing Board may not recognize the BTAC. Our Advisory Council's input will be really important to provide input on organizing this BTAC. Kristi looks for by-laws for BTAC to be at the next SST National Meeting.

Presentation of Revenue Estimates by Washington – Washington is the only state that has attempted to figure revenue estimates. They estimate that in 2006 voluntary revenue will be \$25 million. One error in their methodology in the nexus area was identified. Other states are also trying to figure estimated revenue.

The Council discussed the amnesty process.

Other:

Ohio is still pushing the concept of a phase in for small businesses. This concept will be voted on by implementing states to see if an amendment to the Agreement should be made.

Effective dates of states and affects of delaying were discussed.

Cost of Collection Study – The process continues to move forward. Kristi didn't know if the vacant seat had been filled.

Buy-Downs – Businesses and states are still going back and forth on this issue. Kristi provided the Council with a draft that Business issued in January about the subject. It's a complex issue. Nonpaper discounts, group discounts, membership discounts, etc., are treated differently. Dave Casey discussed the current law regarding buy-downs.

III. Status of Rule Changes

The first set becomes effective February 23, 2005. When the second set is ready, it will be posted on the Web site. The Department will notify the Council for their review.

IV. Final Proposed Legislation

Dave went over this legislation with the Council. The Council approved the language. The section on medical changes will be provided to local lobbyists for review. The Council discussed the best way to notify the Legislature of the necessary legislation.

V. Proposed Report to the Legislature

The Council reviewed and suggested some changes. Mike and Kristi will work on it together and provide a final hard copy to the Advisory Council.

VI. Set Next Meeting

Scheduled the next meeting to be held Friday, March 18, 2005, at the Hoover State Office Building from 10:00 a.m. to Noon.

VII. SST National meeting in March

Kristi looks for a lot of information to come out of the next SST National meeting in March.

Mike adjourned the meeting.

Streamlined Sales Tax Advisory Council

Minutes from meeting of March 18, 2005

I. Opening Comments

Mike Ralston opened the meeting by introducing Jeff Aten from the Department, who is working on certified service provider evaluations.

II. Update from National Meeting in Atlanta

A newly-developed concept called the "Associate Membership" has been introduced as a way for states that have not achieved substantial conformance with the Agreement to become members of the Governing Board. These states have passed legislation to bring their sales tax system into partial conformance, but still have some issues. An e-mail from Stephen Kranz's was distributed to the Council. The two-tiered associate membership concept would keep the project moving and therefore put the Governing Board in place by October 1, 2005, and allow the agreement to be implemented.

Kristi discussed the risks to the associate membership. However, standard definitions and implementation of CSP would be pluses. All agree we need to do something to keep the project moving. If the Governing Board gets in place, then the Certified Service Providers can get certified thus getting the software issues resolved.

Associate members would have limited rights on the Governing Board. They cannot vote on states for conformance, amendments to the Agreement, or interpretation of the Agreement. However, they would count toward the 10-states/20% population required for implementation of the Agreement.

Lucy Hardy brought up Section 423.11. She's not sure Iowa can go the associate membership route. The Department will need to discuss whether or not legislation is needed. The Director has authority to enter into an Agreement. Whether a specific change in the Agreement requires specific change to the Iowa law will need to be determined.

Steve Roberts made the motion that the Council support the concept of the Associate Membership as presented at this Advisory Council meeting subject to the approval of a law change if needed. Kristi Magill seconded and the motion carried.

Mike asked the Council for the authority to finish the 2004 Report to the Legislature. The report will include a paragraph regarding the associate membership concept. Steve Roberts made a motion that the Council give authority to Mike Ralston and Kristi Magill to finish the report. Jim Henter seconded and the Council approved.

Federal legislation is going to be introduced for a mandatory system. The discussion of sending a letter to Senator Grassley mentioning the two issues the Council is concerned with needs to be addressed. The two issues being small business exemption is important to Iowa and the CSP requirement of who incurs the cost of implementation. It was determined that we would wait until the bill is introduced, then send a letter from the co-chairs with our concerns and offer to sit down to discuss with the Senator and his staff. The letter would also offer to appear at any hearing of the federal bill. A copy of that letter should go to Dave Brasher and Steve Wood. Other states have some issues with various provisions of the Federal Legislation.

Certified Services Provider RFP - Jeff Aten discussed the awarding of CSP contracts. Scott Peterson's e-mail dated March 14, 2005, will be forwarded to the Council. The Conforming States Committee drafted and distributed a request for proposals seeking companies interested in having states review and potentially certify their software product. Seven companies have been selected to be the first to go through the state certification process. They are: Avalara, EDS – U.S. Government Solutions, Exactor, Inc., Paychex, Inc., Sales Tax Services, Salis, and Taxware, LP. Scott will be communicating with these contractors. Some have software already written; others we don't know the status of their software. Hopefully by late summer, the Governing Board will have these seven companies certified.

Taxpayer Business Advisory Council (BAC) - There's a proposed amendment which amends the Agreement to say, "the Governing Board shall recognize and call it Business Advisory Council." Kristi's still has concerns pertaining to the membership of this Council that it will be representing all sizes of business.

States are concerned about multiple BAC's being formed. Who do you recognize? It's a legitimate concern.

Central Registration System - Registration roll out is June 6, 2005. SST piece went out for bid. MTC is the back up. Rod's take is that they do have a satisfactory private vendor.

Tax Rate Databases – vendor databases – if can be certified. Rod supports seeing movement to vendor databases. The Department receives quarterly updates for our database. We rejected the last one. Rod discussed with the vendor in Atlanta. Need to resolve issue of what's satisfactory. 90% accurate? 95%? 98%? We will never achieve 100%.

Implementing States to vote on Amendments in D.C. April 16, 2005 - We've received notification of 16 proposed amendments to the Agreement. Implementing States delegates will be voting on these amendments on April 16, 2005 in Washington, DC.

The list of amendments is below and how the Department delegate will vote is noted in bold.

1) Motion to amend Section 305 of the Agreement

Offered by Stephen Kranz of Washington, D.C. - Issue Vendor Database

Iowa will vote yes

2) Motion to amend Section 305 and 307 of the Agreement

Offered by Washington – only provide an address based rates and boundary database

Iowa will vote no

3) Motion to amend Section 309 of the Agreement

Offered by Tennessee – extend timeframes to conform to sourcing rules

Goes away with Associate Membership

4) Motion to amend Section 312 of the Agreement

Offered by Stephen Kranz of Washington, D.C. – not limit to delivered electronically

Iowa will vote yes

5) Motion to amend Section 312 of the Agreement to add a new subsection E

Offered by Stephen Kranz of Washington, D.C.

Iowa is waiting pending finalization. Without final language Revenue vote is no & Businesses vote is Yes. We will inform the Advisory Council via e-mail if the amendment issues are resolved.

6) Motion to amend Section 317 (A)(5) of the Agreement

Offered by Stephen Kranz of Washington, D.C.

Issue: I.D. # on exemption certificate. Currently not an issue for Iowa.

Iowa will vote yes.

7) Motion to amend Section 317 of the Agreement to add new paragraph section 317(A)(8)

Offered by Stephen Kranz of Washington, D.C.

Iowa will vote yes

8) Motion to amend Section 330 of the Agreement

Offered by William Wilkins of Ohio – small business exemption from sourcing rules

Goes away with Associate Membership

9) Motion to amend Article VI of the Agreement

Offered by Senator Dwight Cook, North Dakota - each member state payment of CSP

Iowa will vote no

10) Motion to amend Section 702 of the Agreement

Offered by Gary Viken of South Dakota – allow states to count towards implementation even though conforming legislation is not effective yet.

Iowa will vote no

11) Motion to amend Section 807 of the Agreement

Offered by Gary Viken of South Dakota - Procedural thing – Litigation on Governing Board

Iowa will vote yes

12) Motion to amend Section 811 of the Agreement

Offered by Commissioner Jerry Johnson of Oklahoma – recognize rather than create a Business Advisory Council

Iowa will vote yes

13) Motion to amend Library of Definitions in Appendix C, Part I to delete subsection 6(F)

Offered by Stephen Kranz of Washington, D.C.

Issue: Bundling. This will change. Originally said no but we will go with negotiated change.

14) Motion to adopt the definition of Bundled Transaction

Offered by Stephen Kranz of Washington, D.C.

Same as bundling – We'll go with negotiated change.

15) Motion to adopt telecommunications related definitions in Part II, Product Definitions

Offered by Stephen Kranz of Washington, D.C. - Issue: Telecommunications

Iowa will go with negotiated change.

16) Motion to amend Section 801 of the Agreement

Offered by Minnesota – to extend time to amend medical definitions

Iowa will vote no.

Iowa will vote yes to the Associate Membership concept.

Casey also distributed the issue paper and proposed amendment on Buydowns, Manufacturers' Coupons, Store Coupons. Iowa already follows agreement reached with States and Businesses.

Petition for Certification – Feedback from States and businesses. 30 days for public comments and then we have 15 days to respond.

III. Legislative Proposal

Dave Casey discussed the Legislative changes. Division I are changes as results of SST

Legislation changes.

Division II – Business feedback – differences in basis for state and local tax bases on 1) Hotel/Motel and 2) Special Construction Machinery & Equipment. Can't have these in the Agreement so a new excise tax was created.

This legislation should bring us into conformance and take care of unintended consequences by our last legislation.

The Council discussed the need for retroactive provisions on some sections of the bill and these provisions were added to the final bill language. Don will follow-up with Susan Haffield on business feedback.

Stacey mentioned that Representative Sands and Senator McKibben are not receiving meeting notices. If the Legislative delegates are going to April 16, 2005 meeting, the Council needs to provide input. Mike will arrange a meeting to update.

IV. Rule Changes

Intended to make legislative change by Administrative Rule changes.

Third Draft distributed via e-mail. Comments are due within the next two weeks. Hopefully filing date will be three weeks from today (April 8, 2005).

Buydown – changes the definition of selling process. Dave thinks we're right on point. Our law already covers these items with the exception to the last example on use tax on used cars. However, the department will follow this example and allow the amount.

V. Sourcing

Dick Koberg wanted this on the agenda. He wanted to raise it to the Council to go back on sourcing. Mike had indicated that we can't go back. A Bill has been filed that will take Iowa out of conformance but unlikely to pass.

VI. Set Next Meeting

Scheduled the next meeting to be held Monday, April 25, 2005, at the Hoover State Office Building from 10:00 a.m. to Noon.

VII. Adjournment

Mike thanked everyone for being great about their time. Kristi agreed. The meeting was adjourned.

Streamlined Sales Tax Advisory Council

Minutes from meeting of April 25, 2005

I. Opening Comments –

Co-chair Mike Ralston opened the meeting by introducing Lynn Freehill. Lynn was attending a public meeting as a requirement for Drake University.

II. Update from Washington, DC Meeting –

In light of all the tension leading up to this meeting, Co-chair Kristi Magill was amazed at how well the meeting actually went. Of the 16 amendments, 10 were important to Business in exchange for granting the associate membership.

Thirty-four states were represented at the meeting. Everything Business wanted passed and the Associate Membership passed. Some of the amendments became moot after the Associate Membership was passed. Other amendments were lumped together. The Council discussed the changes to the amendments and the voting results. Final wording on the adopted amendments will be e-mailed to the Advisory Council and the Department will post them on the Web site.

Associate Members will not be allowed to vote on amendments to the Agreement or interpretation of the Agreement.

It will be known by next Monday if the 10 states, 20% rule can be reached, because petitions for membership are due May 1, 2005. If the thresholds are met and the vote is positive on July 1, the Governing Board can be established. Mike mentioned a lot of work was done leading up to the D.C. meeting and he thanked everyone for making it a successful meeting.

Rod discussed with the Advisory Council rates and boundaries, centralized registration, Certified Service Providers (CSP) and costs associated with CSP's. Smaller groups dealing with these issues have been formed to bring papers before the Governing Board.

David Casey brought up the issue of a low dollar threshold, i.e., small business exemptions. Federal legislation doesn't have anything in the bill regarding small business exemptions. Amazon and eBay are on different sides of this issue. This Advisory Council could make recommendations at the federal level. Another question brought up was: What's the criterion for determining what's a small business? The Advisory Council thought we should keep this on the table for federal legislation. Telecommunications and small businesses are the issues holding up federal legislation.

Representatives from the Department attended a meeting in Atlanta, GA, in April. Evaluating CSP's and technical issues were discussed at this meeting. Jeff Aten reported that his CSP Committee feels they are on track. CSP Committee introduced a self-assessment questionnaire. It is a goal to have CSP's up and running by October 1, 2005.

Twenty (20) states from Conforming States and 6 or 7 CSP's attended. Committee assignments in certification, system controls, security, conformance with SST Agreement, etc. were made. Weekly teleconferences are being held. Rod highlighted that Iowa has lots

of work to do, but we're quite a bit ahead of some states.

Rod had discussed the rates and boundary database with Kansas since they went with the same company as Iowa did for data. It took Kansas about 1 year to get the data straightened out and they don't plan on 100% accuracy since addresses are just too fluid. Retailers are safe from the Department coming back on them if they've used our incorrect information.

Rod mentioned outstanding issues such as: CSP's filing consumers use tax and requirements to collect if multiple locations. Rod will be proactive.

Kristi wanted Rod's opinion on Washington's database. Rod thought their proposal will cause a hardship on streamlined users. Small companies wouldn't be able to download because it's too huge.

Rod discussed another issue. Would CSP be responsible for penalty and interest on any late transactions? CSP's say they'd never be late. Some states bill penalty and interest on the backend. Iowa allows retailers to figure their own penalty and interest.

Iowa is a test state for the traditional registration system, but things keep getting pushed back. The test date is May. It will go live in June.

III. Status of Legislation –

David Casey handed out and discussed a section by section explanation of Senate File 314. Dave and Don met with medical lobbyists for some clarification. There's a House Ways and Means meeting at 1:15 today for anyone who wants to attend. Senate should take it up today or tomorrow.

IV. Update of Rules –

Second set of rules was delayed because the certificate of compliance indicated we would take care of some conformance issues in the Administrative Rules process. The Department filed those rules last week. They should be completed by July 1.

The Department is back to work on the second and third sets. The second set was held up because of machinery and equipment rule. Dave will circulate through Advisory Council when ready.

V. Set Next Meeting –

Mike and Kristi will determine when to hold the next meeting. They're thinking July or August. In the meantime, the department will continue to e-mail communications to the Advisory Council regarding states petitioning for membership, results of the June 30th – July 1st Chicago meeting (who are full members and who are associate members).

VI. Adjournment –

Mike thanked everyone and the meeting was adjourned.

Streamlined Sales Tax Advisory Council

November 1, 2005
Hoover State Office Building

I. Opening Comments – Co-Chair Mike Ralston began the meeting by introducing Speaker Christopher Rants to the Advisory Council. Representative Sands will no longer serve on the Governing Board; Speaker Rants will be taking his place. Speaker Rants has been involved with COST and the NCSL Task Force at the national level. On behalf of the Advisory Council, Mike thanked the Speaker for his leadership and support.

Don Cooper introduced Larry Paxton, the department's new employee whose primary duties will be related to the Streamlined Sales Tax Project. Don also noted the number of Revenue employees at the meeting and identified everyone's involvement in the project.

II. Update from National Meetings

Business Advisory Council to the Governing Board – Co-Chair Kristi Magill is on the Business Advisory Council (BAC) Governing Board. Steve Woods (NFIB) is representing small business interests. Kristi will be representing medium-sized businesses. Large-sized businesses are well represented on the BAC. The Articles of Incorporation have been filed. The bi-laws are being drafted and will be addressed at the Tampa meeting. The bi-laws will address seats reserved for all sizes of businesses. Executive Committee and Board of Directors will also be determined at that meeting.

Certified Service Providers (CSPs) - There are four companies interested in becoming certified service providers. They are Taxware, Exactor, Avalara, and EDS.

The Council engaged in a lengthy discussion on CSPs, certified software, and amnesty.

The issue with amnesty is when does it begin? The Business side has issues with amnesty with respect to the fact there are currently no CSPs. If amnesty starts 60 days after the 1st day of registration; then businesses should wait for certification of a CSP to register. Some states have statute issues. We may need to clarify or change our statute.

The Council engaged in the discussion of CSP compensation – Iowa's position is new money is new money and new registrations should be compensated. But there are issues with nexus vs. non-nexus.

CSPs compensation methodologies are still being discussed. There are still a lot of unanswered questions on CSPs. Also, there's the issue of SSTP states vs. non-SSTP states.

With all these issues and no answers, it was determined that our Advisory Council needs to contact committees at the national level regarding CSP issues expressing an extreme urgency to get these issues resolved. By consensus, the Advisory Council has authorized the Co-Chairs to draft a strong letter expressing the Council's position.

III. Update on Registrations Since 10/1/05 Implementation – The Centralized Registration System went live on October 1, 2005. It received 200 registrations. The system suffered a robot attack with bogus registrations. Larry Paxton is verifying the Iowa registrations. The department has moved the Streamlined registration away from eFile & Pay on the Web site to eliminate any confusion. Larry handed out Web site information and also indicated we

would be updating our Web site to reflect some national expectations.

VI. Governing Board Committee Membership (handout) - Don gave a little history of SSTP starting with Implementing States, then to Conforming States, evolving into the Governing Board with 4 representatives from Iowa with 1 vote; it's now officially Streamlined Sales Tax Governing Board, Inc.

Streamlined Sales Tax Governing Board, Inc. has an Executive Committee, bi-laws and Administrative Rules approved. The Executive Committee consists of 9 members: 5 directors; President, 1st Vice Pres., 2nd Vice Pres., and Secy/Treas. Don handed out the list of committees, members and states they represent. One correction to the handout was that a 2nd vice chair of the State and Local Advisory Group hasn't been appointed.

The Streamlined Sales Tax Agreement was effective and implemented October 1, 2005. There are 13 full member states and 6 associate member states (associate states are lacking legislation or are not yet completely in compliance with the Agreement). Amendments to the Agreement passed October 1, 2005, may result in possible legislation. We anticipate having legislation every year to keep up with amendments to the Agreement and keep Iowa in conformance with the Agreement.

V. SSTP Legislative Revisions 2006 General Session - Dave Casey provided the Council with a summary of possible legislation based on changes to the Agreement dated April 16, 2005. Darwin Clupper will be drafting the legislation which will be strictly a Streamlined Sales Tax bill. Once drafted, he will distribute to the Advisory Council for comments before going over to the Legislature.

Kristi reiterated that every year there will be possible legislation to stay in conformance with the Agreement.

VI. Update of Administrative Rules - Dave reminded everyone that the department has already filed two sets of Administrative Rules. The third set will be published in the October 12, 2005, Administrative Bulletin. Once the fourth set is completed, the department will send to the Advisory Council for an opportunity to comment.

VI. Roll of the Council in the Future - Even with the implementation effective October 1, 2005, Mike and Kristi both believe there's still a lot of work for this Advisory Council in the future. They will continue to utilize the Council to help the department with issues that arise. The Council will continue to meet on an as needed basis as it always has.

The Council will need to find a replacement for large business since Marc Michaelson has left Meredith Corporation. Mike, Kristi and Stacey will be discussing a possible replacement.

National SSTP Meetings are coming up on November 8 & 9 in Tampa for State and Local Council. BAC will meet on November 7. Governing Board will meet on November 9. Larry Paxton and Dave Casey will be attending. Don Cooper will join the Governing Board meeting via teleconference.

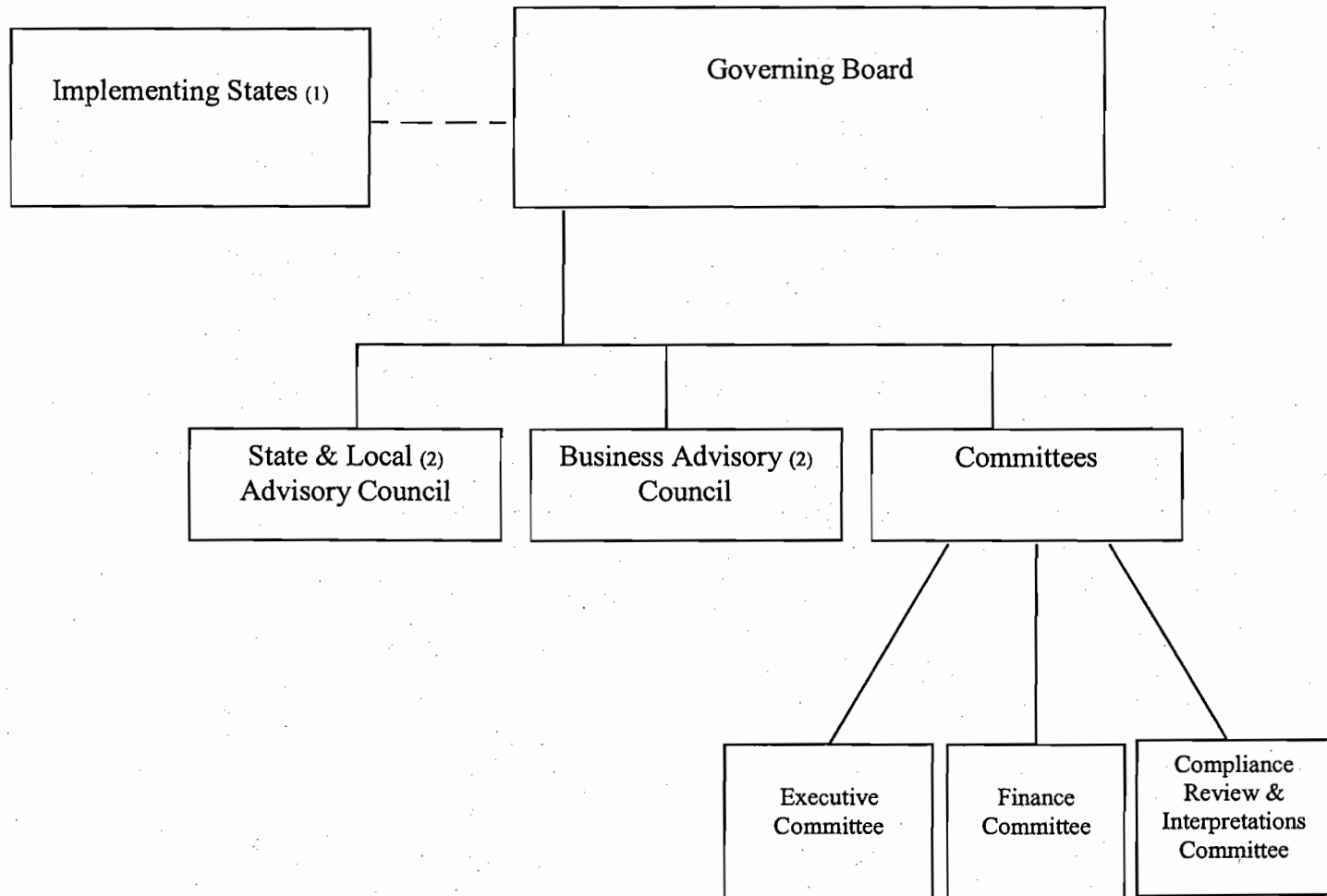
National SSTP has also scheduled a meeting for January in Phoenix.

VIII. Set Next Meeting - It will depend upon what takes place at the national level as to whether the Council will meet before or after the January Phoenix meeting. The Co-chairs

will determine when the Council should meet again. In the meantime, the department is tracking revenue received from SSTP registrations. Diane will include Revenue Update as a topic on future agendas.

Mike adjourned the meeting by once again thanking everyone for their leadership.

Streamlined Sales Tax Project Organizational Structure



- (1) Provides advice to Governing Board for a period of not less than 6 months nor longer than 1 year from October 1, 2005.
- (2) Provides advice to Governing Board on matters pertaining to the administration of the Agreement, including matters such as admission of states as members, non compliance, and interpretations, revisions or additions to the Agreement.