



Iowa Department of Revenue

Director: Mark R. Schuling
Hoover State Office Building
Des Moines, Iowa 50319
phone (515) 281-3204

February 15, 2007

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HOUSE OF REPRESENTATIVES

Michael E. Marshall
Secretary of the Senate
Iowa Senate
State Capitol
LOCAL

Mark Brandsgard
Chief Clerk of the House
Iowa House of Representatives
State Capitol
LOCAL

Dear Secretary Marshall and Chief Clerk Bransgard:

Please find enclosed a corrected copy of the 2006 Iowa Streamlined Sales Tax Advisory Council Report to the General Assembly.

Due to an oversight, attachments A-E were not included with the report when it was sent to you on February 13, 2007. I apologize for any inconvenience this may have cause.

Sincerely,

Bonnie Mackin

Bonnie Mackin
Executive Secretary

Enclosure



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Hoover State Office Building
Des Moines, Iowa 50319
phone (515) 281-3204

February 13, 2007

Michael E. Marshall
Secretary of the Senate
Iowa Senate
State Capitol
LOCAL

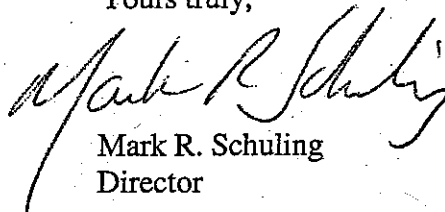
Mark Brandsgard
Chief Clerk of the House
Iowa House of Representatives
State Capitol
LOCAL

Dear Secretary Marshall and Chief Clerk Bransgard:

On behalf of the members of the Iowa Streamlined Sales Tax Advisory Council, it is my pleasure to provide the enclosed 2006 Report. House File 683 requires the report to be filed with the General Assembly. Should you or legislators have questions or comments about the report, or the Advisory Council, please do not hesitate to contact me.

As required by Section 7A.11A this report is being submitted by hard copy and by electronic copy.

Yours truly,



Mark R. Schuling
Director

MRS/bm

IOWA STREAMLINED SALES TAX ADVISORY COUNCIL

2006 Report to the

IOWA GENERAL ASSEMBLY

February 1, 2007

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 as of 12/31/06). The Council met four times in 2006.

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.

The Streamlined Sales Tax Advisory Council was codified in statute at Iowa Code §423.9A during the 2006 Regular Session.

Meetings

As noted previously, the Council met four times in 2006 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 10, March 29, June 29, and October 9, 2006. Various issues were discussed at these meetings. Copies of 2006 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

2006 was the first full calendar year for the national streamline project (the "Project"). On October 1, 2005, the project met the thresholds required for formal organization. By the end of 2006, the Governing Board consisted of 15 full members and 6 associate members with additional states anticipated for membership in 2007. Please see Appendix D for the Project organizational chart.

The Governing Board went through the yearly recertification exercise to be sure member states are in conformance with the agreement. Iowa was recertified and found to be in compliance. There are four delegates to the Governing Board: two from the legislative branch which are Representative Christopher Rants and Senator William Dotzler and two from the executive branch which are Revenue Director Mark Schuling and Revenue Taxpayer Services and Policy Interim Administrator Dave Casey.

As of December 31, 2006, there are 1,070 registrants on the streamlined project. Currently, 202 are model 1 and use certified service providers (CSP), 111 are model 2 and use certified automated systems (CAS), and 757 are model 4 and calculate and submit their own taxes.

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 prepare an annual update legislation. 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 was submitted to the General Assembly and Governor under separate cover and passed into law as part of

Ch. 1158. The General Assembly should anticipate annual streamlined legislation, similar to annual legislation required to conform Iowa to the Internal Revenue Code.

The Council and the Iowa Department of Revenue took several actions in 2006:

- In conjunction and with the guidance of the Council, council members participated in national streamlined sales tax meetings and activities. Council members Kristine Magill, Donald R. Cooper (now retired) and Dave Casey participated in most national streamlined sales tax meetings in 2006.
- Business Advisory Council (BAC) to the Streamlined Governing Board held its inaugural meeting on January 11, 2006, voting in its first Board of Directors, including Iowa Advisory Council co-chair Kristine Magill and former Council member Stacey Johnson.
- 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 was submitted to the Governing Board in August 2006. (Attached as Appendix E).
- Rules that implemented 2005 and 2006 corrective legislation have been filed with the Rules Coordinator. They have been published in the Iowa Administrative Code Bulletin.

Pending Issues

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

- The General Assembly in 2006 requested the Director and the Council to provide recommendations to address the additional administrative burdens sustained by businesses as a result of the State's participation in the Project, particularly destination based sourcing. The recommendations will be come as a separate report to the General Assembly.
- 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 meeting to develop rules for uniform application. In addition to numerous standard administrative definitions, clothing, computer related items, 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.

- Workgroups involving the State and Local Advisory Council and Business Advisory Council to the Governing Board are meeting to address the issue of replacement taxes. Several Governing Board member states have enacted what appear to be replacement taxes to circumvent provisions of the Streamlined Agreement. Successful resolution of this issue is critical to maintaining the integrity of the Project.

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 2007, it will file its fourth 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

Members on December 31, 2006

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

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

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

Jerry Fleagle
Iowa Grocery Industry Association
Des Moines, IA

Marc Michaelsen
Casey's General Stores, Inc.
Ankeny, IA

Ross Larson
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

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

Andy Warren
NFIB/Iowa
Des Moines, IA

David Casey
Iowa Department of Revenue
Des Moines, IA

Jim Henter
Iowa Retail Federation
Urbandale, IA

Vacant
Iowa Taxpayers Association
Des Moines, IA

Dave Krutzfeldt
Interpower Corporation
Oskaloosa, IA

Jay Turner
Electrical Engineering & Equipment
Des Moines, IA

Ann Stocker
Cargill
Eddyville, IA

IOWA STREAMLINED SALES TAX ADVISORY COUNCIL
February 10, 2006; 10:00 A.M.
Hoover State Office Building
Des Moines, Iowa

Agenda

I. Opening Comments

- Introduce Mark Schuling

II. Update from National Meetings

- Discussion of Ohio Sourcing Proposal
- Update on Formation of the SSTP Business Advisory Council
- Status of Contracting with CSP's
- SSTP Agreement Amendments
- Other

III. Update on Registrations & Tracking Revenue

IV. Update of SSTP Legislation

V. Review of the Draft Report to the 2006 General Assembly Regarding 2005 Activities

VI. Future National Meetings

VII. Set Next Meeting

VIII. Adjournment

IOWA STREAMLINED SALES TAX ADVISORY COUNCIL

March 29, 2006; 10:00 A.M.

Hoover State Office Building, Rooms 429 & 430

Des Moines, Iowa

Agenda

- I. Welcome & Opening Comments – Kristi & Mark
- II. Finalize Annual Report to the 2006 General Assembly & Letter to Governing Board Regarding CSP Issues
- III. Updates on Chicago Executive Committee
 - a. Certification of CSP's
 - b. Compensation
- IV. Update on Atlanta Meeting
- V. Update on Legislation & Rules
- VI. Update on Registration & Revenue Tracking
- VII. Preview of Indianapolis Governing Board Meeting
- VIII. Set Next Meeting
- IX. Adjournment

IOWA STREAMLINED SALES TAX ADVISORY COUNCIL
June 29, 2006; 10:00 A.M.
Hoover State Office Building
Des Moines, Iowa

Agenda

- I. Welcome & Opening Comments
- II. Update on Governing Board Meeting in Indianapolis
- III. Update on SLAC & BAC Meetings in Des Moines
- IV. Update on Legislation & Rules
- V. Update on Registration & Revenue Tracking
- VI. Next Governing Board Meeting in Bismarck
- VII. Changes in Delegates to Governing Board
- VIII. Set Next Meeting
- IX. Adjournment

IOWA STREAMLINED SALES TAX ADVISORY COUNCIL
October 9, 2006 ; 10:00 A.M.
Hoover State Office Building
4 th Floor Conference Rooms
Des Moines , Iowa

Agenda

I. Welcome, Introductions & Opening Comments

II. Update on Meetings in Bismarck

A. Business Advisory Council (BAC)

B. Implementing States

C. Governing Board

1. Advisor States

2. Liability Relief for Purchasers

3. New Member States – Vermont and Rhode Island

4. Digital Products

5. Multiple Points of Use (MPU)

D. State and Local Advisory Council (SLAC)

III. Analysis Required by Iowa State Legislature Regarding Impact on Iowa Businesses

IV. Update on Legislation & Rules

V. Update on Registration & Revenue Tracking

VI. Next National Meetings

A. SLAC- October in Columbus , Ohio

B. Governing Board – December (TBD)

1. Excise Tax Issues

VII. Set Next Advisory Council Meeting

VIII. Adjournment

**Iowa Streamlined Sales Tax Advisory Council Meeting Minutes
February 10, 2006
Hoover State Office Building**

I. Opening Comments

Mark Schuling began the meeting by introducing himself and gave a short bio to the Advisory Council. Introductions by the Advisory Council members included Senator Bill Dotzler a new delegate to the Governing Board and member of the Advisory Council.

Kristi Magill discussed some "to do" items for the co-chairs that were outstanding from the November 1, 2005 meeting. One item was the charge by the Council to draft a letter to the Governing Board expressing the Council's position on CSP issues and the urgency to get these issues resolved. Members were asked to provide Kristi comments on the draft letter. Another item was the annual report to the 2006 Iowa General Assembly.

Mark expressed his appreciation to Kristi and Don Cooper for the time they have spent attending SSTP meetings and thanked them for their participation.

II. Update from National Meetings

A. Discussion of Ohio Sourcing Proposal – Kristi's perspective from the Business Advisory Council (BAC) is that Ohio continues to struggle with changing from an origin based sourcing system to a destination based system. Ohio has provided two proposals to the BAC. From a business standpoint, Kristi doesn't think either proposal will work. The first version has constitutionality issues and the second version has the seller opting out and choosing to go with the highest rate possible. Steve Krantz is drafting BAC's response to the Governing Board regarding these proposals. Kristi will share it with the Advisory Council when it becomes available. The State and Local Advisory Council (SLAC) is waiting for BAC's response.

For several states with local jurisdiction, origin based sourcing is a very significant issue. The state of Washington 's issue also created a shift in the revenue base from one local jurisdiction to another.

B. Update on Formation of the SSTP Business Advisory Council – It's official, it's up and running. The BAC had its first meeting in Phoenix where the Board of Directors was voted on (including our own Kristi Magill) and the bylaws were established. Kristi is working on drafting rules and procedures for responding to the Governing Board decisions. There are seats available on the BAC. The Council engaged in a discussion on the definition of small, large and mid-sized businesses.

C. Status of Contracting with CSP's – Two things need to happen: 1) certify the CSP's and 2) determine a compensation methodology.

Jeff Aten reported that one state has certified Taxware and another state certified Exactor. Many states have passed parts, but Iowa is waiting for additional information and could possibly certify within the next 2 weeks.

The Council discussed the 4 different model options with Senator Dotzler.

Compensation packages were discussed and not all states are in agreement regarding old nexus verses new nexus in the state.

Don indicated that the nine member Executive Committee is working mostly on compensation methodology to recommend to the Governing Board within the next 2 months. The Advisory Council members discussed several ideas for methodology to compensate retailers.

D. SSTP Agreement Amendments – There was one amendment to the Agreement at the Phoenix meeting. It will be included in this year's SSTP legislation. It's effective on January 1, 2008 .

E. Other – A lot of technical issues are being discussed by BAC and SLAC. Budget administration is part of the Governing Board's responsibilities. Scott Peterson is now the full time Executive Director. Along with the Executive Committee, several other committees have been established: the Finance Committee is working on budget; the Compliance Review & Interpretation Committee handles requests for interpretations; and there is an Issues Resolution Committee.

The Council discussed the 10 states/20 percent of the population criteria, associate states and full member states.

The Council also discussed having Des Moines be SSTP's headquarters. Scott is currently working out of his home in Pierre, South Dakota. Don has offered Iowa to host headquarters without rent expenses. Steve Roberts thinks IDED should be notified. Mark will follow-up. The Council agrees we should pursue the possibility of headquartering SSTP in Iowa .

Stacey Johnson questioned the compensation issue for all sellers. The Council discussed what Iowa 's vote to the Governing Board will be on this issue. Mark is still reviewing this issue and will let everyone know where the department stands on this issue.

III. Update on Registrations & Tracking Revenue

Larry Paxton provided a handout indicating four hundred businesses have registered. The Council was also reminded that the model 4's only have to file and remit. It's too early to discuss revenue collections; the department will have a better idea the end of March.

Registration is on track. It seems to be attracting businesses of all sizes. The centralized registration does contain questions regarding nexus in a given state.

IV. Update on SSTP Legislation

Before we discussed legislation, a destination sourcing paper was handed out by Dave Casey. It has been distributed to the department's audit staff and taxpayer specialists, it's on the website, and Darwin Clupper will draft rules based on this paper. Diane will e-mail it to

the Council. This document is what Revenue employees will be working from.

A new Section 502 (State review and approval of certified automated system software and certain liability relief) was added to the Agreement on January 13, 2006. This year's SSTP legislation includes this amendment.

Legislation that was distributed to the Council prior to the meeting resulted in feedback only from Lucy Hardy who only had a few minor specific changes. Section 6 relaxed good faith exemption certificates for all retailers will apply upon enactment of the bill. Sections 8 and 9 also reflected the changes required by new Section 502 of the Agreement. If anyone has any issues or changes, please contact Dave Casey. All provisions except Section 6 are effective January 1, 2008. Another reminder was made to the Council to expect having a SSTP Legislation update every year due to amendments to the Agreement. Stacey suggested the Legislation start in the Senate.

V. Review of the Draft Report to the 2006 General Assembly Regarding 2005 Activities

Diane will send copies to absent Council members. Kristi asked Council members to provide any changes to the draft. The Council went over the report and made suggested changes. Kristi will e-mail the final version for the Council to review. It was also suggested that a brief presentation be made to the House and Senate. Senator Dotzler asked that as a delegate the Council keep him informed. He also stated that as a delegate, he would be representing the opinions of this Advisory Council.

The question regarding the status of the national legislation was posed. There are 2 proposals submitted by two Senators. The bills S2152 and S2153 are both on the Senate side with different approaches on small business exemptions. There have been no proposals on the House side.

VI. Future National Meetings

The Governing Board will be meeting on a quarterly basis as stated in its bylaws. SLAC and BAC are meeting almost every other month and discussing a lot of issues. There is hope that the Governing Board, SLAC & BAC quarterly meetings will be scheduled together. It's not going to happen right away since the Governing Board is scheduled for April 18-19 in Indianapolis and SLAC & BAC are scheduled for March 6-8 and May 10-12. The May meeting will be held in Des Moines.

VII. Set Next Meeting

The next Advisory Council meeting will be scheduled after the Governing Board meeting in April 2006.

VIII. Adjournment

Mark adjourned the meeting.

Streamlined Sales Tax Advisory Council

Minutes from meeting of March 29, 2006

Hoover State Office Building

I. Opening Comments

Mark Schuling thanked everyone for coming and indicated that he appreciates the Council's commitment and attendance.

Kristi Magill handed out copies of the contract drafted for the certified service providers (CSPs) to be discussed later in the meeting

II. Finalize Annual Report to the 2006 General Assembly & Letter to Governing Board Regarding CSP Issues

Revised versions of the report to the Legislature and letter to the Governing Board from both Mark and Kristi were e-mailed to the Council prior to the meeting. In order to finalize these documents, the Council engaged in a lengthy discussion. Mark thought the letter to the Governing Board did not address where Iowa wants to end up. Kristi was concerned that the history needed to be included in the letter. After thoroughly discussing the history, vendor compensation, CSPs, and the cost of collection study, the Council agreed to have the letter go out under Kristi's signature after changes as noted by the Council are incorporated.

Mark basically had the same issues with the 2006 report to the General Assembly. Mark voiced his concerns regarding the history and language included. There was concern by Council members regarding compensation for retailers. Compromise was agreed to by all parties. Mark and Kristi will work on the changes and share the finalize version with the Council.

III. Updates on Chicago Executive Committee

a. Certification of CSP's

Certification of CSP's from Iowa's perspective as of last Friday: 7 states have certified Taxware and 3 states have certified Exactor. Iowa has issues with both these vendors. Jeff Aten is getting a file on Thursday which could potentially resolve our issues. Avalara is just now coming on strong but their systems need to be tested.

The Governing Board approved moving forward with the contract for July 1, 2006, even though some states still have issues with the contract. It is hoped that CSP's will be up and running but compensation won't be known.

b. Compensation

Work with four potential CSP companies providing compensation structures known as compensation models. The final vote will be at the Indianapolis meeting.

The Council discussed Iowa's issues with Taxware and Exacta. Jeff was confident we won't have a problem resolving our issues. States will certify even if they still need to work through some contract issues. In the contract, Kristi pointed out (page 6) C1. There's a concern that if a business signs up for a CSP for 3 years, that the CSP contract is only for 2 years. Don indicated that the drafting committee is working on a daily basis with CSP's on details of the contract.

Volunteer seller issue was discussed. There was discussion of developing a bright line test for nexus or non-nexus determination for purposes of compensation only. A payroll provision would be very difficult to administer. Kristi thinks the number of days in the state is a very good bright line. Don and Kristi also discussed amnesty.

IV. Update on Atlanta Meeting

At the Business Advisory Council (BAC) meeting, a lot of dialogue centered on around the Ohio sourcing issue. Texas used Utah to introduce their amendment regarding the sourcing issue, which wasn't received well by businesses or states.

Standard definitions in agreements are getting interpreted differently.

Larry Paxton mentioned the updating of the national Web site and that the exemption certificate form and instructions have been agreed on by most member states.

V. Update on Legislation & Rules

Rules that implemented 2005 corrective legislation have been filed with the Rules Coordinator. They're being published in the administrative bulletin. 2006 Code changes to be effective in 2008 were worked on by Dave Casey and Darwin Clupper with the bill drafter yesterday. These are based on amendments to the agreement and are now approved.

VI. Update on Registration and Revenue Tracking

Larry reported 491 registrations as of the March 24, 2006, report and included a breakdown in the number in each model.

Revenue generated from streamline registrations hasn't changed since the last Council meeting. This will be updated at the end of this quarter. The Council discussed the businesses that have been registering. Were they the ones streamline was targeting? Rod indicated we could do an analysis using business

class codes, etc.

VII. Preview of Indianapolis Governing Board Meeting

Issues to be discussed will be:

- Proposed amendments to the Agreement
- Sourcing issues (Don's projection is it probably won't result in any change)
- Compensation recommendation by the Executive Committee. Approval process on compensation methodology and CSP contract.
- State dues possibly exceeding \$20,000 annually depend on final budget. Process to approve Governing Board's Budget.
- Rules Interpretation committee is reviewing several requests.
- Issues on Interpretation on prepared foods
- Certification process not only CSPs but automated software process (CAS)

BAC issues to discuss are:

- Dues structure
- Member structure and openings
- Web site
- Process for reporting back to the Governing Board concerning verifying all members are represented.

VIII. Set Next Meeting

The State and Local Advisory Council (SLAC) and Business Advisory Council (BAC) will be meeting in Des Moines on May 11 and 12 at the Embassy Suites.

Kristi noted that the BAC has an open meeting.

Here's the information received from FTA regarding this meeting:

To: SST Participants

The next meeting of the State and Local Advisory Council to the Streamlined Sales Tax Agreement has been set for Thursday and Friday, May 11 and 12, 2006, in Des Moines, Iowa. The Council will meet all day on Thursday, May 11 and until 12 noon on Friday, May 12. Topics to be discussed include purchaser use tax issues, audit, bundling, MPUs, digital goods, software maintenance, medical equipment and rules derived from issue papers. An agenda is forthcoming.

The Business Advisory Council is scheduled to meet on Wednesday, May 10, but the exact times have not been determined. Questions about the BAC should be addressed to Steve Kranz of the Council on State Taxation at skranz@statetax.org. There will be a \$75 registration fee for the BAC meeting.

That fee may be paid via online registration (see below.) If you do not pay this fee online, you should bring the BAC registration fee to the meeting.

The meeting will be held at the Embassy Suites – On the River, located at 101 East Locust Street in downtown Des Moines. The hotel is about 5 miles from the airport. The hotel runs a courtesy shuttle, apparently on an hourly basis at “the top of the hour.” There is a courtesy phone at baggage claim to call the shuttle. Cab fare is roughly \$10 to the hotel.

A block of rooms has been set aside at the Embassy Suites at the rate of \$119 per night plus tax. You should make your reservations directly with the hotel by calling 515/244-1700 or 800/562-2779. Be certain to indicate you are with the FTA Streamlined Sales Tax meeting to receive the group rate. The deadline for making hotel reservations is April 17, 2006. The hotel has a 24-hour cancellation policy. [Note: I will pass along a URL that will allow you to make hotel reservations online when I receive it.]

The registration fee for the SLAC meeting is \$175. This will cover lunch on Thursday and breaks on both days of the meeting as well as a reception on Thursday evening to honor one of our Founding Brothers, Don Cooper of the Iowa Department of Revenue, who will be retiring from state service in the not-too-distant future. The hotel serves a “complimentary cook-to-order” breakfast, so no breakfasts are included as part of the meeting registration.

You can register and/or pay online at <http://www.taxexchange.org/meet/0506sales.taf>. In addition, a registration form is attached to this message. Paper registrations should be faxed to 202/624-7888. An additional \$50 fee will be assessed for on-site registration.

Thank you for your continued support of this effort. Please contact Diane Hardt dhardt@dor.state.wi.us or Marshall Stranburg stranbum@dor.state.fl.us if you have questions about the meeting.

Harley Duncan
harley.duncan@taxadmin.org
Ph. 202/624-5891

Our Council will meet again the end of May. We will propose 2 dates and confirm with the Council.

IX. Adjournment

Mark adjourned the meeting.

Iowa Streamlined Sales Tax Advisory Council Meeting Minutes

June 29, 2006

Hoover State Office Building

I. Welcome & Opening Comments

Mark Schuling opened the meeting at 10:05 a.m., welcomed everyone and stated the meeting would be an informational meeting and that the Council would need to address new legislation this fall with a follow up report to the legislature by January.

Kristi Magill indicated she was just back from a nine-week long period of work related travel and was looking forward to information to bring her currant.

II. Update on Governing Board Meeting in Indianapolis

Kristi updated the Council on the meeting in Indianapolis . Meetings held were SST Governing Board meeting, plus BAC and other workgroups. She indicated there were two noteworthy items for the Iowa SST Advisory Council. The first item was the contract drafted for CSPs. At our last meeting, the Council had concerns regarding the definition of voluntary seller in Section D of the draft. That issue was resolved and that was accomplished by using the definition used for unemployment compensation guidelines.

The second item was CSP financial assistance. SLAC was assigned a project to determine impact on state businesses. Diane Hardt asked for clarification from that meeting. No specific directives have gone out to the States for a study, but it will probably be an agenda item for Bismarck .

Don indicated several amendments (OH & UT) on sourcing were given in Indianapolis , but all were defeated. A lot of administrative type issues were handled in Indianapolis such as amendments to bylaws or rules, expanded the definition of states specifically for Puerto Rico , and set budget for states for the next fiscal year.

III. Update on SLAC & BAC Meetings in Des Moines

The Des Moines meeting dealt more with technical issues. Project teams were working on: bundling, digital goods, categorizing durable medical equipment and mobility enhancing equipment. Prepared foods was on the table, but was addressed through the Compliance Review and Interpretations Committee. Larry Paxton will provide Kristi with the final paper concerning prepared foods when available.

Warren Townsend updated the Council on the BAC meeting. Between the Des Moines meeting and June 28 th there was a push to finalize papers for discussion at the upcoming meeting in Bismarck, North Dakota. Warren wished more Council members had been in attendance.

The Southeastern Association of Tax Administrators (SEATA) meeting is scheduled for July 17-18-19 in Memphis , Tennessee .

July 19-20 Various Workgroups and SST SLAC meetings will also be held in Memphis .

The schedule for Bismarck , North Dakota , is:

8/28 a.m. BAC

8/28 p.m. Implementing States & Executive Committee

8/29-31 SST Governing Board

8/30 & 31 SLAC

Warren indicated BAC is looking at States who are not on board. He discussed amnesty and two federal SSTP bills. These bills differ on small business dollar thresholds, one supported by Amazon and the other supported by eBay.

IV. Update on Legislation & Rules

Dave Casey provided a handout with legislative information and discussed it with the Council. Diane will provide a copy when she e-mails the minutes.

The department has updated a number of its rules, including the excise tax change pertaining to hotel/motel and construction equipment.

As part of the 2006 Legislative Session, a legislative request was made to the Director of Revenue and the Council for recommendations to be made by 1/1/07 for the following:

- Determine the number of sellers impacted by the SST Agreement.
- What additional administrative burden exists for these sellers?
- Recommendations to address the additional burden.

Kristi and Mark agreed the information in the Cost of Collection study might be useful in this determination.

All amendments from the Phoenix meeting are incorporated into this year's legislation. States have two legislative sessions to get amendments through. A letter indicating we are in compliance and our legislation is updated will need to be provided to the Governing Board. The Vermont petition for membership will be up for approval at the August Governing Board meeting.

Dave Casey reminded the Council that the department will have an annual SST bill every year to stay in compliance with amendments to the Agreement.

Kristi indicated the letter to the Governing Board expressing the Council's position on CSP issues did not get sent before the meeting Indianapolis. Some of the issues were addressed at the meeting so the information in the letter is outdated. Kristi asked the Council for permission to change the letter to recognize the Governing Boards efforts and to reinforce the need to move down that path and that meaningful progress is being made. There were no objections to Kristi's changes to the letter. Warren also offered that smaller business have been impacted by SST. Dick Koberg agreed with Warren. A final draft with revisions will be circulated. She will have the letter to the Governing Board for the Bismarck meeting.

V. Update on Registration and Revenue Tracking

Larry Paxton reported 669 streamlined registrations have been received. Of those 669, 147 signed up as Model 1's using CSPs and 68 as Model 2's using certified automated software. The majority of these companies have not been filing with the department.

Rod provided the registration update and noted that a change was made to provide indicator SST allowance to the seller.

SST Collections Report has true SST Retailers and Retailers (in 2002) who came forward but are not registered. It truly reflects what additional revenue collected from SST project. We're not counting retailers already remitting with the department. Larry reported the collection of \$1,144,000 so far since last October.

The Council discussed registration panels and links. Larry has been contacting Iowa based retailers regarding registration just to clarify they are registering correctly. The Council expressed that as a marketing concept, people need to understand SSTP before they register. Larry will discuss providing information on what model 1 and model 2's mean at the Executive Committee meetings.

Amnesty does not start until model 1 and model 2 contracts have been signed. The amnesty clock has started ticking on model 4s effective 10/1/05 .

VI. Next Governing Board Meeting in Bismarck

Warren already informed the Council of the schedule for Bismarck . If anyone interested in the Bismarck meeting information, please contact Diane.Stoecker@iowa.gov or taxexchange.org.

VII. Changes to Delegates in Governing Board

Rod Erickson and Don Cooper are both retiring within the next two weeks. Mark thanked them for all the work they've on the project. Lucy Hardy from the Attorney's General retired on June 15, 2006. She has served the Revenue department for a number of years and the Council. Steve Roberts moved that a resolution from the Advisory Council recognizing their services to this Council and State of Iowa be made. Kristi Magill and Dick Koberg

seconded and there were no objections from the Council.

There are four delegates to the Governing Board: two from the legislative branch which are House Speaker Christopher Rants and Senator William Dotzler and two from the Department of Revenue which are the Director (Don Cooper was serving for the Director) and Dave Casey. Mark Schuling will replace Don and the remaining delegates will stay the same.

VIII. Set Next Meeting

Mark suggested mid-September. The minutes will be sent as soon as possible and provide proposed meeting dates at the same time.

Don discussed the Governing Board headquarters being housed in Iowa and that the Department made an offer to house rent free.

Casey indicated that the Executive Committee of the Governing Board will basically continue with the same leadership under Senator Cook. Don has resigned from the Finance Committee and a new member will replace him in Bismarck .

Dick Koberg wondered if we know how many potential businesses would register. The department does not know. Kristi suggested that the industries might gather that information. Don indicated no set goals to have a certain number of businesses by a certain time have been made. The Council discussed the projected revenue loss from the University of Kentucky study, but it would be difficult to rely on since there are too many assumptions that might be made. Kristi might check it out with industry groups at a future meeting.

IX. Adjournment

Mark and Kristi adjourned the meeting at 11:28 AM .

Iowa Streamlined Sales Tax Advisory Council Meeting Minutes

October 9, 2006

Hoover State Office Building

Present: Jay Turner, Steve Roberts, Ross Larson, Stacey Johnson, Andy Warren, Kristi Magill, Marc Michaelsen, Jerry Fleagle, Mark Schuling, Dave Casey, Larry Paxton, Jeff Aten, Darwin Clupper. Ann Stocker attended by telephone.

I. Welcome, Introductions & Opening Comments

Mark Schuling and Kristi Magill opened the meeting at 10:05 a.m. by welcoming everyone. Two new members were introduced: Andy Warren from NFIB/Iowa and Ross Larson from Colorfx.

II. Update on Meetings in Bismarck

A. Business Advisory Council

Kristi updated the Council on the BAC meeting in Bismarck which was also attended by Stacey Johnson, who is also on the National Business Advisory Council Board of Directors. The BAC discussed the importance of defining digital goods separate from tangible personal property. The issue needs more work, and the BAC needs to come up with a definition. Progress was made on the purchaser equality issue. It was discussed that penalty, interest and tax relief would be given to purchasers who rely on data base information. A purchaser relying on the taxability matrix would receive penalty relief. The BAC will discuss these issues again at their next meeting.

B. Implementing States

Dave gave an update on the Implementing States meeting. Bruce Johnson of Utah was head of the Implementing States. Now that the Governing Board has been implemented established, the Implementing States group will be going away. There are now three groups that are a part of the Governing Board:

- 1) Member states (full voting rights)
- 2) Associate States (some voting rights)
- 3) Advisor States (no voting rights)

There are 15 full member states (the newest two are Vermont & Rhode Island) and 6 associate member states. There are 45 states with sales tax (about half are members of Streamlined in one form).

C. Governing Board

Dave gave a Governing Board update. The Governing Board went through the yearly recertification exercise to be sure everyone is in conformance. Every State (with the exception of New Jersey) was recertified. Iowa was recertified and found to be in compliance.

1. Advisor States

Dave stated there are currently 22 states participating as Advisor States.

2. Liability Relief for Purchasers

Dave stated a penalty, interest and tax provision passed but he does not have a copy of the final version. It provides liability relief for the purchaser. It was a heavily debated topic and several states were opposed to it in the beginning.

3. New Member States

Dave stated the two new member states are Vermont & Rhode Island. They are members effective January 1, 2007. There are now 15 full member states.

4. Digital Products

The use of digital products was referred to the SLAC for further review and discussion. The department will propose legislation to impose the tax on specific items that are now downloaded either electronically or digitally. It would impose a tax on all music, video and books for personal use. Currently, if these items are downloaded electronically or digitally, tax is not paid. The concept will be to create a level playing field on the sale of music, videos and books.

5. Multiple Points of Use (MPU)

This issue was also referred to the SLAC group to review. The goal was to get the issue resolved at the Columbus meeting, but that didn't happen. The big issue is computer software used in multiple states and where it gets taxed.

6. Other Business in Bismarck

Iowa's dues for next year were set at \$28,000. The President and Vice-President remain unchanged, thereby providing some continuity with those who are involved in the Governing Board.

D. State and Local Advisory Council (SLAC)

Larry gave an update of the SLAC meeting in Columbus. Issues discussed at the meeting were:

1. Issue paper and rules - to be presented at the upcoming Seattle meeting.
2. Definition of fur clothing was discussed. More discussion at next the

meeting.

3. Digital property. Moving cautiously on the definition.
4. Bundling discussion. One issue is the deminimus test.
5. MPU discussion. This is not a major issue in Iowa.

Larry felt the meeting was productive and a number of issues were moved forward.

III. Analysis Required by Iowa State Legislature Regarding Impact on Iowa Businesses

Mark explained that new legislation requires the Iowa Department of Revenue Director and the Council to provide recommendations to address the new administrative burden identified in the Council's 2005 report by January 1, 2007. When Iowa went from origin to destination sourcing, retailers had to report differently and it created an additional burden on some the retailers. The department will attempt to segregate retailers affected by additional filing jurisdictions and type of business. Dave will lead a sub-committee of Stacey, Kristi, Ross, Jay, Marc and Jim, to come up with a recommendation to present to the full Council in December. The sub-committee will meet by conference call to discuss recommendations.

IV. Update on Legislation & Rules

Dave stated that legislation may be needed relating to liability to purchasers and said it would could be a part of the department's policy bill. Stacey made a recommendation that this issue be a stand alone bill. It was agreed that it would be a separate bill.

The department is currently drafting streamlined sales tax rules. All of the old rules are being updated and past references are being removed.

Dave stated Mark had sent an email to the Iowa Governing Board delegates suggesting a meeting by conference call to discuss and reach a consensus on issues and amendments to the agreement before the next Governing Board meeting in December.

V. Update on Registration and Revenue Tracking

Larry gave an update on registration and revenue tracking. Currently, there are:

- 1,049 registrants on the Streamlined project
- 216 are model 1 (use CSP's)
- 113 are model 2 (use certified automated system)
- 720 are model 4 (calculate own taxes and submit in paper form by mail)
- Most model 4's registered because of amnesty, which ran out on September 30th .

Collection figures for FY ending June 30 is \$2,845,000. \$4 million is projected for FY07.

VI. Next National Meeting

A. SLAC – will meet before the Governing Board meeting in Seattle in December.

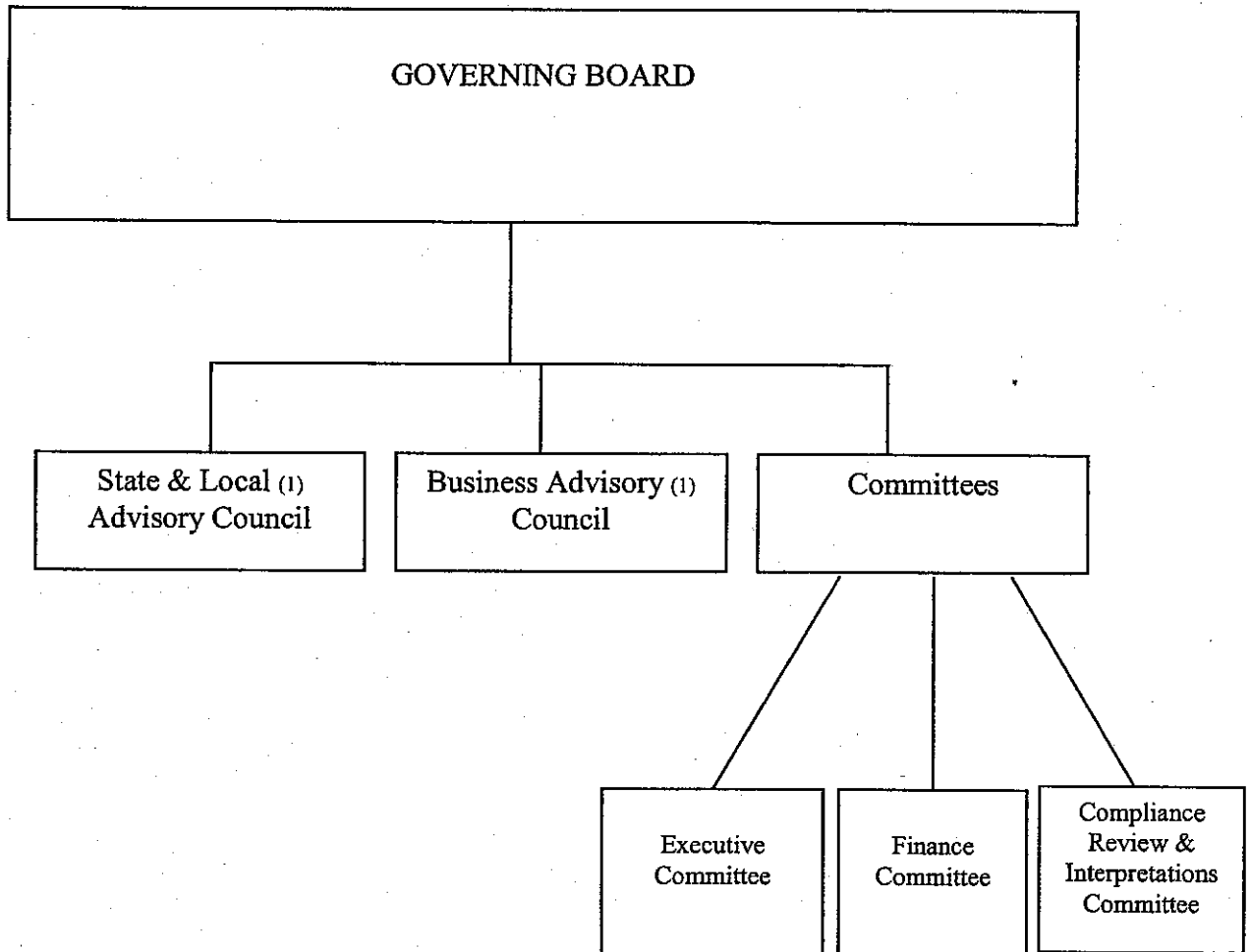
B. Governing Board – will meet December 11-14 in Seattle. BAC will also meet.

1. Excise Tax - Kristi stated this issue will be watched and scrutinized closely.

VII. Next Advisory Council Meeting

The next meeting will be set for sometime early December. Proposed dates will be sent out by email within the next few days.

Streamlined Sales Tax Project Organizational Structure



- (1) 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.

July 19, 2006

The Honorable Dwight Cook
State Senator
North Dakota Legislative Assembly
600 East Boulevard, State Capitol
Bismarck, North Dakota 58505-0360

The Honorable Joan Wagnon
Secretary of Revenue
915 South West Harrison
Topeka, Kansas 66612

RSM McGladrey, Inc.
Town Centre, Ste. 300, 221 3rd Ave. SE
Cedar Rapids, IA 52401-1512
O 319.298.5333 F 319.366.6970
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Dear Senator Cook and Secretary Wagnon:

I write you in your capacity of officers of the Streamlined Sales Tax (SST) Governing Board. As you are aware, Iowa is currently a full member of the Governing Board. To guide our state's implementation of the streamlined sales tax, the Iowa General Assembly created the Iowa Streamlined Sales Tax Advisory Council. This body, comprised of representatives of small, mid-, and large-sized businesses, has been indispensable as the state seeks to implement streamlined sales tax changes. This letter will serve to provide you and the members of the Governing Board with the views of the Council relative to recent developments concerning Certified Service Provider (CSP) compensation models.

At its final meeting in 2005, the Council unanimously passed a motion supporting the concept of providing Model 1 and Model 2 outsourcing and software capabilities to all affected businesses, regardless of nexus. We believe that this position is supported by the SST Agreement (Agreement) Article VI. The Council and many members of the legislature understood this to be the position of the SST Project since the inception of the Agreement. In fact, the Iowa Department of Revenue, at the direction of the Iowa Council, put tremendous effort into a statewide educational effort confirming this opportunity.

Without providing these compliance capabilities many Iowa businesses are put in a detrimental position including increased compliance costs due primarily to the mandatory change in the sourcing provisions required to participate in the Project. This issue has also been expressed as a significant concern by several legislators who supported the SST conforming legislation in Iowa based upon the understanding that CSP capabilities would be provided to Iowa businesses forced to adopt the new sourcing provisions, with minimal or no cost.

Members of the Iowa Council requested this letter be drafted to share the Council's concern regarding the current direction that the CSP compensation models appear to be taking. Iowa's adoption of the SST conforming legislation was supported in large part due to the expectation that compliance assistance would be available to all affected businesses, regardless of nexus. It is our understanding that there was discussion at the April meeting of the Governing Board concerning the need to direct states to gather information to help assess what constitutes an "affected" business. The Iowa Council strongly encourages this process to continue. The information derived from this process should be used to develop means to support businesses, whether intra or inter-state, that have been negatively impacted, particularly by the sourcing change. Expanded consideration should be given to eligibility requirements for free access to CSPs and certified software for affected businesses.

Thank you for your consideration. Iowa looks forward to continuing to work with you and others to develop and implement the Streamlined system.

Sincerely,

Iowa Streamlined Sales Tax Advisory Council



Kristine Magill
Advisory Council Co-Chair
National Managing Director, RSM McGladrey, Inc.

cc: Christopher Rants, Speaker of the Iowa House of Representatives
William Dotzler, Iowa State Senate

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