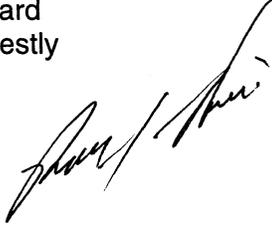


Memorandum

To : Honorable John Chiang, Chair
Honorable Claude Parrish, Vice Chairman
Ms. Betty T. Yee, Acting Board Member
Honorable Bill Leonard
Honorable Steve Westly

Date: March 23, 2006

From : Ramon J. Hirsig
Executive Director



Subject : **Streamlined Sales Tax Project**
Executive Director's Report, Item P1 (1), March 29, 2006

Larry Bergkamp and I will be providing an update on the status of the Streamlined Sales Tax Project and California's involvement at the March 29, 2006 Board meeting. Attached is a summary of the following:

- Current status of the Streamlined Sales Tax Governing Board
- California's status
- Federal Legislation
- Board of Equalization staff activities

RJH:fr
Attachment

BOE Meeting March 28 - 29, 2006
Executive Director's Report
Streamlined Sales Tax Project

Current Status of the Streamlined Sales Tax (SST) Governing Board

- The Streamlined Sales and Use Tax Agreement (SSUTA) became effective and the SST Governing Board was established on October 1, 2005.
- The SST Governing Board is comprised of 13 Full Member States and 6 Associate Member States. Associate Member states must be in substantial compliance by December 31, 2007.
- To date, over 450 businesses have registered under the SSUTA.
- The SST Governing Board is currently working to:
 - Finalize contracts with Certified Service Providers;
 - Establish audit procedures and policies; and
 - Complete its Bylaws and Operating Rules and Procedures

California's Status

- California's voting right was changed to advisory-only on October 1, 2005. Prior to October 1, 2005, California had a vote on interpretations and amendments to the SSUTA as an Implementing State. When the SST Governing Board was established on October 1, 2005, it took over the administrative responsibility for the SSUTA.
- California is a voting member of the State and Local Advisory Council (SLAC). The SLAC makes recommendations to the SST Governing Board on issues relating to the SSUTA. The SLAC provides states that are not members of the SST Governing Board an opportunity to discuss and comment on issues, interpretations and amendments to the SSUTA.

Federal Legislation

- Federal Legislation has been introduced (S. 2152 and S. 2153).
- Senators Enzi (R-Wyo.) and Dorgan (D-N.D.) introduced separate bills that would authorize states that are members of the SSUTA to require remote sellers to collect sales and use tax.
- The bills specify a variety of new simplification requirements that must be amended into the SSUTA.
- The bills are identical except for the "small business exception." The Enzi bill (S. 2152) was introduced with the \$5 million threshold. The Dorgan bill (S. 2153) establishes a procedure where the Small Business Administration would undertake a rulemaking process to recommend a small business exception. The number would have to be approved by Congress before becoming effective.
- Local government groups have indicated that they will oppose both bills because the proposals could lead to restrictions on local telecommunication taxes and the requirement that local telecommunication taxes and fees be administered at the state level rather than by individual local governments.

BOE Staff Activities

- Staff continues to monitor the progress of the SST Governing Board, participate in the SLAC and work on the comprehensive analysis of the SSUTA, including proposed amendments.
- To date an analysis has been completed for eight sections of the SSUTA including one revenue estimate. A study to determine the impact of a sourcing change has been placed on hold pending the outcome of several proposed amendments to the SSUTA.
- The analyses of eight additional sections are nearing completion.