

- For Information
- For Discussion
- For Decision Making

BOARD OF GOVERNANCE  
**INFORMAL ISSUE PAPER**

---

**Streamlined Sales and Use Tax Agreement (SSUTA)**

***Proposal 16 – Motion to Amend Section 801, Entry into Agreement***

**I. Issues**

Should the Board of Governance grant authority to its representative to vote on the motion to amend SSUTA Section 801, as proposed by the State of Minnesota?

Should the Board of Governance vote to amend Section 802 to provide a carve-out for health care definitions, and also provide that those definitions must be adopted by July 1, 2007? (Exhibit 1 provides the language of Section 801, including the proposed revisions. Exhibit 2 provides the motion.)

**II. Staff Recommendation**

Staff recommends the Board of Governance authorize its representative to vote on the motion to amend SSUTA Section 801.

Staff also recommends the Board of Governance vote “yes” on the motion to amend Section 801 to insert a carve-out for health care definitions, and provide that those definitions must be adopted by July 1, 2007.

**III. Background**

SSUTA Section 801 currently provides that, after the effective date of the SSUTA, the proposed date of entry for any state applying to become a member of the SSUTA “shall be a date on which all provisions necessary for the state to be in compliance with the Agreement are in place and effective.” This amendment would provide a carve-out for health care definitions, and provide that those definitions must be adopted by July 1, 2007. According to representatives from the State of Minnesota, there continues to be considerable discussion and differences about how to interpret the health care definitions and additional time is needed to resolve those issues.

## **Proposal 16**

Amend Section 801

### **IV. Summary**

Several issues have arisen recently regarding the SSUTA health care definitions that could have an impact on the effective date of the SSUTA. An amendment is necessary to allow the SSUTA to go into effect without resolution as to these health care definitions. This proposed amendment is primarily intended to address the concerns of some of the Conforming States that have already petitioned for certification under the SSUTA. However, the allowance for delayed implementation of the health care definitions would also provide flexibility for states that pursue certification at a later date.

For the reasons stated above, staff recommends a “yes” vote on the proposed amendment.

Prepared by Larry Bergkamp, Sales and Use Tax Department  
Current as of March 29, 2005

**Section 801: ENTRY INTO AGREEMENT**

After the effective date of the Agreement, a state may apply to become a party to the Agreement by submitting a petition for membership and certificate of compliance to the governing board. The petition for membership shall include such state's proposed date of entry. The petitioning state's proposed date of entry shall be on the first day of a calendar quarter. The proposed date of entry shall be a date of entry on which all provisions, except for the health care definitions, necessary for the state to be in compliance with the Agreement are in place and effective. Any state that is deemed substantially in compliance with the Agreement except for the health care definitions must adopt the health care definitions by July 1, 2007.

The petitioning state shall provide a copy of its petition for membership and the certificate of compliance to each member state when the petitioning state submits its petition for membership to the governing board. A petitioning state shall also post a copy of its petition for membership and certificate of compliance on that state's web site.

**Amendment # 16 – Offered by Minnesota**

**Motion to amend Section 801 of the Agreement as follows:**

Section 801: Entry into Agreement

After the effective date of the Agreement, a state may apply to become a party to the Agreement by submitting a petition for membership and certificate of compliance to the governing board. The petition for membership shall include such state's proposed date of entry. The petitioning state's proposed date of entry shall be the first day of a calendar quarter. The proposed date of entry shall be a date of entry on which all provisions, except for the health care definitions, necessary for the state to be in compliance with the Agreement are in place and effective. Any state that is deemed substantially in compliance with the Agreement except for the health care definitions must adopt the health care definitions by July 1, 2007.

Background and Explanation

At the November SSTP meeting the business community raised concerns about states' compliance with the uniform health care definitions. There was considerable discussion and differences of opinion offered on how to interpret these definitions. Until the matter is resolved, we would like to make an amendment to the agreement to allow those states that are in substantial compliance with all other provisions of the Streamlined Sales Tax Agreement except for the health care definitions to petition for membership in the governing board. Like other provisions in the Agreement, the amendment would require a state who is able to petition for membership in the Governing Board under these conditions to adopt the health care definitions by July 1, 2007.