☐ For Information
☒ For Discussion
☒ For Decision Making

BOARD OF GOVERNANCE

INFORMAL ISSUE PAPER

Streamlined Sales and Use Tax Agreement (SSUTA)

Proposal 9 – Motion to Amend Article VI of the SSUTA: Monetary Allowances for New Technological Models for Sales Tax Collection

I. Issue

Should the Board of Governance grant authority to its representative to vote on the motion to amend SSUTA Article VI, as proposed by Senator Dwight Cook of North Dakota?

Should the Board of Governance vote to amend Article VI of the SSUTA to allow each member state to establish the monetary allowances provided to sellers based on an amount or rate authorized by the member state's laws? (Exhibit 1 provides the language of Article VI, 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 Article VI.

Staff also recommends the Board of Governance vote "yes" on the motion to amend SSUTA Article VI to allow member states to establish the amount or rate of the monetary allowances provided to sellers.

III. Background

SSUTA Article VI, Sections 601, 602, and 603 currently provide for a "monetary allowance" to be paid to sellers according to the terms established between the Governing Board and the sellers. The proposed amendments to Article VI would allow each member state to establish the monetary allowance provided to sellers, not the Governing Board. The amendments also provide an additional factor for determining the amount of the monetary allowance.

Proposal 9
Amend Article VI, Sections 601, 602, and 603

IV. Summary

Amending Article VI as proposed would be beneficial for California. The amended provisions would allow California to have more discretion in determining the amount of the monetary allowance paid to sellers. The Board of Governance would not be allowed to contract with sellers to establish the monetary allowances.

For the reasons stated above, staff recommends a "yes" vote on the motion to amend SSUTA Article VI, Sections 601, 602, and 603.

Prepared by Lynda Cardwell, Sales and Use Tax Department
Current as of March 29, 2005

ARTICLE VI

MONETARY ALLOWANCES FOR NEW TECHNOLOGICAL MODELS FOR SALES TAX COLLECTION

Section 601: MONETARY ALLOWANCE UNDER MODEL 1

A. Each member state shall provide a monetary allowance to a ~~CSP in~~ Model 1 seller in a manner authorized by the member state's laws ~~accordance with the terms of the contract between the governing board and the CSP. The details of the monetary allowance will be provided through the contract process.~~ The governing board shall require that such allowance be funded entirely from money collected in Model 1.

B The monetary allowance provided to a Model 1 seller ~~contract between the governing board and a CSP~~ may be based ~~base the monetary allowance to a CSP~~ on one or more of the following:

1. A base rate that applies to taxable transactions processed by the CSP.
2. For a period not to exceed twenty-four months following a voluntary seller's registration through the Agreement's central registration process, a percentage of tax revenue generated for a member state by the voluntary seller for each member state for which the seller does not have a requirement to register to collect the tax.
3. A rate authorized by the member state's laws.

Section 602: MONETARY ALLOWANCE FOR MODEL 2 SELLERS

The member states initially anticipate that they will provide a monetary allowance to sellers under Model 2 based on the following:

A. All Model 2 sellers shall receive a monetary allowance ~~base rate for a period not to exceed twenty-four months following the commencement of participation by a seller~~ in a manner authorized by the member state's laws. ~~The base rate will be set after the base rate has been established for Model 1. This allowance will be in addition to any discount afforded by each member state at the time.~~

B. The ~~member states anticipate a~~ monetary allowance provided to a Model 2 Seller based on the following:

1. For a period not to exceed twenty-four months following a voluntary seller's registration through the Agreement's central registration process, a percentage of tax revenue generated for a member state by the voluntary seller for each member state for which the seller does not have a requirement to register to collect the tax.
2. Following the conclusion of the twenty-four month period, a seller will only be entitled to a vendor discount afforded under each member state's law at the time the base rate expires.
3. A rate authorized by the member state's laws.

Section 603: MONETARY ALLOWANCE FOR MODEL 3 SELLERS AND ALL OTHER SELLERS THAT ARE NOT UNDER MODELS 1 OR 2

The ~~member states anticipate that they will provide a~~ monetary allowance ~~to sellers~~provided to a ~~under~~ Model 3 and to all other sellers that voluntarily register to collect the tax ~~are not under Models 1 or 2~~ may be based on one or more of the following:

A. For a period not to exceed twenty-four months following a voluntary seller's registration through the Agreement's central registration process, a percentage of tax revenue generated for a member state by the voluntary seller for each member state for which the seller does not have a requirement to register to collect the tax.

B. Vendor discounts afforded under each member state's law.

C. A rate authorized by the member state's laws.

Proposal 9 **Exhibit 2**
Amend Article VI, Sections 601, 602, and 603

AMENDMENT # 9 – OFFERED BY SENATOR DWIGHT COOK, NORTH DAKOTA

Motion to amend Article VI of the Streamlined Sales and Use Tax Agreement regarding monetary allowances:

STREAMLINED SALES & USE TAX AGREEMENT
Proposed Amendment to Agreement
Prepared by North Dakota State Senator Dwight Cook

ARTICLE VI

MONETARY ALLOWANCE FOR NEW TECHNOLOGICAL MODELS FOR SALES TAX COLLECTIONS

Section 601: MONETARY ALLOWANCE UNDER MODEL 1

A. Each member state shall provide a monetary allowance to a ~~CSP in~~ Model 1 seller in a manner authorized by the member state's laws ~~accordance with the terms of the contract between the governing board and the CSP~~. ~~The details of the monetary allowance will be provided through the contract process.~~ The governing board shall require that such allowance be funded entirely from money collected in Model 1.

B. The monetary allowance provided to a Model 1 seller ~~contract between the governing board and a CSP~~ may be based ~~base the monetary allowance to a CSP~~ on one or more of the following:

1. A base rate that applies to taxable transactions processed by the CSP.
2. For a period not to exceed twenty-four months following a voluntary seller's registration through the Agreement's central registration process, a percentage of tax revenue generated for a member state by the voluntary seller for each member state for which the seller does not have a requirement to register to collect the tax.
3. A rate authorized by the member state's laws.

Section 602: MONETARY ALLOWANCE FOR MODEL 2 SELLERS

A. All Model 2 sellers shall receive a monetary allowance ~~base rate~~ ~~for a period not to exceed twenty-four months following the commencement of participation by a seller~~ in a manner authorized by the member state's laws. ~~The base rate will be set after the base rate has been established for Model 1. This allowance will be in addition to any discount afforded by each member at the time.~~

B. The ~~member states anticipate a~~ monetary allowance provided to a Model 2 Seller may be based on one or more of the following:

1. For a period not to exceed twenty-four months following a voluntary seller's registration through the Agreement's central registration process, a percentage of tax revenue generated for a member state by the voluntary seller for each member state for which the seller does not have a requirement to register to collect the tax.
2. Following the conclusion of the twenty-four month period, a seller will only be entitled to a vendor discount afforded under each member state's law at the time the base rate expires.
3. A rate authorized by the member state's laws.

Section 603: MONETARY ALLOWANCES FOR MODEL E SELLERS AND ALL OTHER SELLERS THAT ARE NOT UNDER MODELS 1 OR 2

The ~~member states anticipate that they will provide a~~ monetary allowance ~~to sellers~~ provided to a ~~under~~ Model 3 and to all other sellers that voluntarily register to collect the tax ~~are not under Model 1 or 2~~ may be based on one or more of the following:

A. For a period not to exceed twenty-four months following a voluntary seller's registration through the Agreement's central registration process, a percentage of tax revenue generated for a member state by the voluntary seller for each member state for which the seller does not have a requirement to register to collect the tax.

B. Vendor discounts afforded under each member state's law.

C. A rate authorized by the member state's laws.