

MINUTES
STREAMLINED SALES TAX ADVISORY COUNCIL

November 20, 2018
1:30PM to 2:45PM
Hoover Building, #430

Present: Hollie Welch, Adam Humes, Alana Stamas, Courtney Kay-Decker, Dave Krutzfeldt, Jim Henter, Logan Shine, Matt Everson, Mike Ralston, Tim Reilly, Tom Sands

Via Phone: Bill Brown, David Brunori, Michael Rubino, Chris Theisen, Dale Busacker

Not Present: Dick Koburn, Michelle Hurd, Don Brown, Naval Tandon, Melissa Smith, Warren Townsend, Monti Miller (unable to contact, no viable information)

01. Introduction

- Streamlined Sales Tax Governing Board
 - March 2000
- HF 683 passed legislation that enabled Iowa to enter streamlined sales and use tax agreement
 - June 2003
- Iowa became a full member
 - October 2005
- Purposes of Streamlined
 - simplify and modernize sales and use tax administration in order to substantially reduce the burden of tax compliance
- 10 ways Streamlined seeks to do that
 - State level administration of sales and use tax collections.
 - Uniformity in the state and local tax bases.
 - Uniformity of major tax base definitions.
 - Central, electronic registration system for all member states.
 - Simplification of state and local tax rates.
 - Uniform sourcing rules for all taxable transactions.
 - Simplified administration of exemptions.
 - Simplified tax returns.
 - Simplification of tax remittances.
 - Protection of consumer privacy.

02. 2018 Reform

- Sales Tax Provisions, Signed by Gov. Reynolds May 30, 2018
- Important to note: increased sales tax revenue used to help pay for income tax reductions, reform, and federal conformity

- Sales tax changes in 4 categories
 - expand who has to collect Iowa sales tax
 - base expansion
 - expand who had to collect and expanded the sales subject to tax that must be collected
 - if have to collect, collect sales tax and LOST--the same as Iowa-based retailers
 - other uniformity and consistency of streamlined definitions
- Result of SF 2417
 - Increased sales tax revenue will result in an increase in SAVE, school infrastructure funding (current 1/6 of sales tax collected)
 - Expanded collection obligation and base to include mostly items that aren't sold at a business location
 - Positive development for LOST wherever it applies collect in rural counties
 - Further improvement: uniform state rate with money distributed to local jurisdictions another way

03. Wayfair Summary

- Wayfair v. South Dakota, June 21, 2018
- Previous rule: physical presence rule
 - Before a retailer can be required to collect a state's sales tax, the business must have a physical presence in the state (i.e. property, employees, agents, etc. in Iowa)
- By time of Wayfair, this "physical presence" requirement was a restriction specific to sales tax
- Wayfair decision: overturned the physical presence rule
 - sales tax laws will be measured by the same dormant commerce clause standard that applies to other state taxes:
 - apply to an activity with a substantial nexus with the taxing state,
 - fairly apportioned,
 - does not discriminate against interstate commerce, and
 - fairly related to the services the state provides
- Court specifically pointed to SD's membership in Streamlined Agreement as standardizing and reducing administrative and compliance costs
- Removal of physical presence rule basically freed the company to invest anywhere the made business sense--not dependant on sales tax collection considerations
- Tax Foundation: Wayfair Checklist--issued in August 2018
 - Safe harbor
 - No retroactive collection
 - Single state level administration of all sales taxes
 - Uniform definitions of products and services
 - Simplified tax rate structure
 - Access to tax administration software
 - Immunity for sellers who rely on software
- Iowa's remote seller law: that part of the statute is identical to SD's
 - Starts 1/1/19--reasonable for retailers to get ready, starts in the future
 - no retroactive collection

- Iowa is a streamlined member
- Sales tax administered only by IDR
- Uniformity of certain terms and other simplification
- Result: Iowa is good to begin collecting sales tax from out of state retailers on 1/1/19
- Tax Foundation: in August 2018 listed Iowa as just 1 of 11 states that satisfied the entire “Wayfair checklist”--in the strongest position to require sales tax collection
- Important: Wayfair = one of the purposes of Streamlined achieved
 - reduce the compliance burden so that states could lawfully require out of state sellers to collect without imposing undue burdens

04. Rulemaking Status

- Website Links:
 - [Remote Sellers](#)
 - [Marketplace Facilitators](#)
 - [Wayfair](#)

05. Guidance to Date

- Request for Guidance [Link](#)

06. Recent Streamlined Activities and Upcoming Governing Board decisions

- New Streamlined Sales Tax Website: 52.15.48.162/home