

Iowa Streamlined Sales Tax Advisory Council Meeting Minutes
Hoover State Office Building
November 26, 2013

Members Present: Victoria Daniels, Dustin Blythe, Stephen Roberts, Jim Henter, Representative Guy Vander Linden, Ann Stocker, Senator Bill Dotzler, and Marc Michaelsen.

Members via Telephone: Dale Busacker, Dave Krutzfeldt, , and Warren Townsend.

Others present: Larry Paxton, JJ Severson, and Matt Bishop, IDR staff

I. Welcome & Opening Comments – Victoria Daniels.

II. Issues voted on at the annual meeting in Madison, WI.

- a. Best Practice - Deal of the Day Vouchers (Groupon).
 - i. Best Practice will now be identified in an Appendix to the Agreement. Streamlined States will also be required to either agree with or not agree with a best practice by checking a box on a best practice matrix. If a state does not follow a best practice they will document on the matrix their current practice along with a reference to the law or rule they follow.
- b. Naturally Flavored Water
 - i. Beverages that do not include natural or artificial sweeteners, including juices, qualify as bottled water. Essence, spices, and natural flavoring is ok.
- c. Chocolate Fondue
 - i. Chocolate fondue pouches meet the definition of candy. The chocolate wafer inside the fondue pouch is sold in the form of a “bar, drop, or piece” which meets the definition of candy.
- d. Registration RFP changes
 - i. The Streamlined Governing Board (SSTGB) currently has an RFP posted to update the Streamlined (SST) registration system in order to handle registrations from non-SST states and allow non-SST states access to our system.
- e. Non-Member States using registration system
 - i. It is still unclear how SSTGB will deal with allowing non-member states to use our system. We don't expect the non-SST states to cover all costs but do expect there will be some costs involved with the use of our system.
- f. Non-Member States using Certified Service Providers (CSP) and participating in certification process
 - i. Streamlined has a proven track record, regarding the use of CSP. There is a certification process where member states submit test decks to the CSP to verify their software is not only calculating the tax correctly but also sourcing the sale to the proper jurisdictions. This process is documented and has been accepted by SST states and CSP. It should not be much of an issue to add other states to the process.
- g. Dues Increase
 - i. At this time the Governing Board has voted to continue with the contracts to retain our Federal Lobbyists in order to not lose momentum, at the Federal level, for passage of the Marketplace Fairness Act. With that said, the lobbyists annual contract is a drain on normal operating expenses of the Governing Board. In order to maintain an ending balance of about 50% of annual operations a 25% increase in annual dues would be

required. After much discussion among the Governing Board states, the vote to increase the 2015 dues carried with 12y. 10n and 2absent. Our dues would increase from \$21080 to \$26350.

III. Certificate of Compliance and Taxability Matrix/Annual Recertification.

- a. Iowa had no issues this year and was found to be not out of compliance with the Streamlined Sales Tax Governing Board Agreement.

IV. Update on Registration and Revenue Tracking.

- a. Iowa for FY 13 received just over \$18 million in remote sales tax receipts.
- b. There are currently 2,050 sellers registered.
 - i. There are 344 model one sellers that use a CSP to file their returns.
 - ii. There are 1,706 model four sellers that file their own returns.
 - iii. There are about 383 Streamlined registrants that have sales in Iowa.

V. Legislation and Rules

- a. Chapter 423.3 (57): Clarify definition of Dietary Supplements).
- b. Chapter 223.16 (1): Clarify sourcing language for watercraft and modular homes.

VI. Federal Legislation.

- a. Marketplace Fairness Act (MFA) passed Senate in May, 2013.
 - i. Bill now stalled in House Judiciary Committee.
 - ii. House Judiciary Committee chairman Robert Goodlatte has released seven principles needed for a House bill:
 - 1. Tax Relief
 - 2. Tech Neutrality
 - 3. No Regulation Without Representation
 - 4. Simplicity
 - 5. Tax Competition
 - 6. States' Rights
 - 7. Privacy Rights
- b. Preparations
 - i. Streamlined Level
 - 1. Federal Implementation Committee has been formed and has setup work groups to address issues such as:
 - i. State contacts.
 - ii. Central registration system.
 - iii. Federal bill analysis.
 - iv. Frequently asked questions (FAQ).
 - ii. Department Level
 - 1. Currently have ITE project working to upgrade our internal systems to handle MFA type registrations.
 - 2. Working to publish a MFA webpage where FAQ and answers can be posted. This page will allow for updates as they become available.

VII. Next meeting – wait and see what happens federally. Department will prepare and circulate the Annual Report to the Legislature for review.