

Streamlined Sales and Use Tax Wants You! Should You Enlist?

By Richard A. Vallari CPA, CMI

Last month's column gave a general introduction to the Streamlined Sales and Use Tax Streamlined Project (SSTP) including an overview of its history and contents. At that time, I also mentioned a few advantages this project claims to offer to businesses that voluntarily elect to register under the SSTP. This article details the major advantages that SSTP offers its participants.

Whether or not a business should voluntarily register as a seller under the SSTP depends upon the individual circumstances of the business. If a business operates solely in Nevada, or in several of SSTP's member states, SSTP offers no advantages. In contrast, a multi-state business that operates in a majority of member states under SSTP may likely benefit from voluntary registration. Currently, 20 states are full pledged members under SSTP; once a business elects to become a member of SSTP, it requires that business to register in all member states.

First and foremost, the SSTP offers uniform definitions for goods and services in all participating jurisdictions. As examples, what constitutes prepared food, computer software, or clothing often differs in definition from state to state. Experienced sales tax professionals recognize these two facts: (1) There is often a fine line that designates how items are defined between states; and (2) Understanding the definition of an item is paramount to sound compliance. SSTP eliminates any concerns regarding definitions.

Second, tax rate simplification measures are included with SSTP. States are allowed one state rate, and in certain instances one additional lower state rate for food and drug items (if a state chooses to tax these). In addition, local jurisdictions are allowed to have only one rate. It is common in some states for local jurisdictions to tax, as an example, telecommunication services at one rate and tangible personal property at another. Participation in the SSTP eliminates these differences.

Another advantage of the SSTP is that it requires that states must have uniform rules for how they will source transactions to state and local governments. Sourcing is the term used to describe which state and local jurisdic-

tions have the right to tax a transaction. The uniform rules are based on the destination/delivery or receipt by the purchaser and will be the same for tangible personal property and services.

One last advantage of SSTP I would like to mention is the software used by companies to ensure compliance in all jurisdictions covered under SSTP. A relationship has been established with specific vendors of sales tax administration software. The software is user-friendly and allows audit immunity for sales processed with the software. There are currently four certified companies; SSTP plans on additional vendors in the future. Additionally, each state must provide a database that matches local tax rates with each 9 digit zip code in every jurisdiction. A business is able to look up one address at a time; either on-line or through a download of the entire database. These states are required to make the databases available to any business that wishes; and certify the accuracy of them.

These benefits are among several others that registered sellers may reap under SSTP. For further information regarding these advantages, as well as information on additional benefits, I urge you to visit the Streamlined Sales Tax Project's website at www.streamlinedsalestax.org.



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