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**The Role of the CSP and
Certified Software in the
Streamlined Effort
(What Streamlined Means to the CSP)**

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Role of CSP and Certified Software in Streamlined Effort

(What Streamlined Means to the CSP)

- Provide outsourced certified tax compliance solution for sellers (CSP)
- Provide certified software for installation inside sellers tax compliance programs (CAS)
- Implement technology provisions of Streamlined Agreement
- Assist states in implementing streamlined provisions and market CSP and CAS solutions

Role of CSP and Certified Software in Streamlined Effort

(What Streamlined Means to the CSP)

- Provide input to states and sellers on simplification & technology initiatives
- Increase value of solutions to sellers
- Increase base of sellers that can justify 3rd party solution
- Advance simplification principles nationwide

Certified Service Provider (CSP)

- Third party providing tax calculation service
- Service includes software for calculation, filing of returns and remitting tax
- CSP software applications must apply SSTP certification standards
 - Calculation accuracy standards
 - Technology standards (e.g., ISO 17799, SAS70)
- CSPs are government contractors compensated by states
- Businesses use CSP at no cost for non nexus states

Liabilities and Responsibilities In The CSP World

CSP

- Integrations
- Data & Calculations
 - Rates -Exemptions
 - Special rules
 - Sourcing rules
 - Certificate adm
- Returns & EFT
- System performance

Merchant

- Fraud or malfeasance
- Accounts payable transactions (purchases)

Government

- Certification process

Consumer

- Claimed entity- or use-based exemptions

Certified Automated System (CAS)

- Business may not be able to use CSP
 - Technology policies may prohibit transfer of data outside of firewall
 - Slower processing speed for remote tax calculations
- Certified automated systems are installed inside a company's firewall, linked to your transaction source
- Taxpayer compensates CAS provider & receives some compensation from states for two years where taxpayer is volunteer collector

Liabilities and Responsibilities In The CAS World

Merchant

- Integrations
- Tax liability and statistical reporting
- Funds transfers
- System performance
- Fraud or malfeasance
- Accounts payable transactions (purchases)

CAS Provider

- Applied data/tax calculations
 - Rates – exemptions
 - Special rules
 - Sourcing rules
 - Certificate adm

Government

- Certification process

Consumer

- Claimed entity- or use-based exemptions

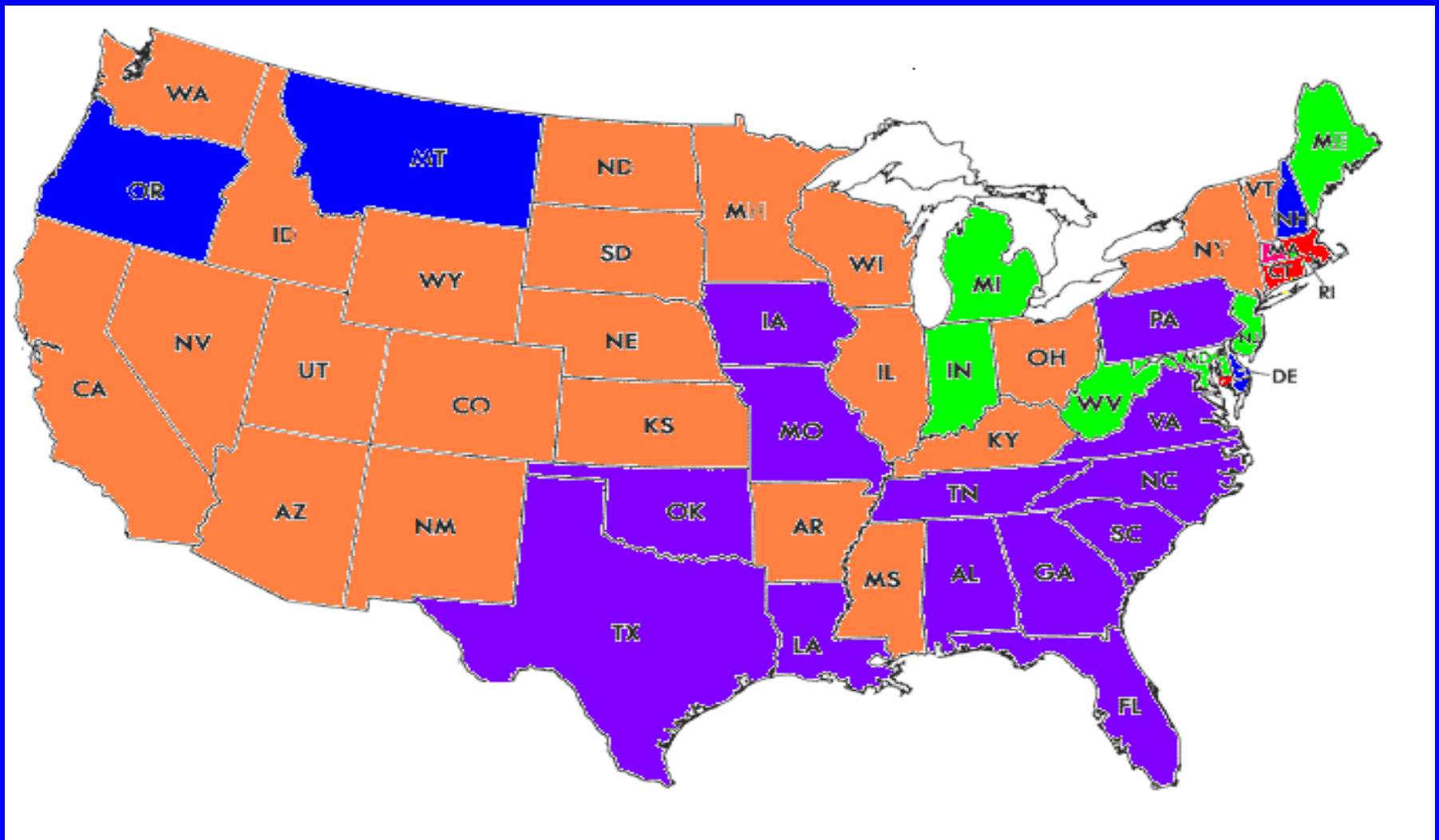
SST Technology Provisions to Be Implemented and Used by CSP

- **State provided matrix of exempt products**
- **Central Electronic Registration System**
- **Rates and Boundaries Databases**
- **Uniform Returns and Remittances**
- **Certification of Tax Compliance Systems**

Benefits and Value of Certified Systems for Sellers

- Indemnification benefits
 - Errors in tax calculation not subject to assessment
- Audit reduction
- Addresses parts of Sarbanes-Oxley
- All or part of compliance cost paid by government

Addressing Sales Tax Complications



Blue = no sales tax

Green = state rate only

Red = state rate only with a tax holiday

Orange = local taxes with no tax holiday

Purple = local taxes and a tax holiday

Sales Tax Complications

- **Taxability issues**
 - **Products or services exempt for tax**
 - **Varying definitions among states**
 - **Products taxed at less than general rate**
 - **Products subject to a maximum tax**
- **Tax rates issues**
 - **Forty five states & DC have one or more rate for sales or purchases**
 - **Local governments in 37 states have local tax rates**
 - **Generally county and city**
 - **Local governments can include special taxing jurisdictions**
 - **Overall over 11,000 rates**

Sales Tax Complications

- Tax base issues
 - Products and service subject to tax
 - Varies among states and can vary among state and locals
- Exemption certificates
 - Exemption from tax based upon entity or use
 - Certificate contains verification information
 - Certificate information varies among states and some expire
- Tax administration
 - Procedures and process vary among states
 - Home rule states – locals can administer their tax levies

Sales Tax Complications

- Sourcing of local taxes
 - Origin basis for intrastate shipments
 - Destination basis for intrastate shipments
- Sales tax holidays
 - Period where tax is suspended for a period usually a weekend
 - 16 states had holidays in 2007
 - Applies to limited products
 - Difficult for many retailers to administer

Sales Tax Complications

- Returns
- Payments
- Audits
- Notices
- Refunds/Credits
- Registrations