

State Tax Update

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Agenda

Arizona Tax – Updates

Selected States – Updates

Questions & Answers

Arizona Tax - Updates



AZ – Use Tax Liability on Transfer of Software from Out-of-State to In-State

- Private Taxpayer Ruling LR09-001
 - Company utilizes enterprise software licensed in another state acquired by electronic download upon which no sales/use tax was paid in the other state
 - Company wants to transfer hosting function to a third party in AZ
 - The Department determined that the Company's licenses constituted leases of tangible personal property
 - At the state level, no use tax liability exists on leases of tangible personal property
 - Maintenance and upgrade fees may be subject to AZ transaction privilege tax under the personal property rental classification as it pertains to Arizona-based users
 - Note that result could be different for cities since § -620 of the Model City Tax Code makes leases or rentals subject to city use tax

AZ – Application of Use Tax on Equipment Deemed Component Parts of a Building

- Private Taxpayer Ruling LR09-002
 - Taxpayer is designing a special telescope and protective dome to be used for scientific research
 - Taxpayer seeks ruling as to whether the dome machinery, which in part controls the telescope optics, is exempt as qualifying research and development machinery and equipment
 - Under A.R.S. § 42-5075(B)(7), if tangible personal property is incorporated into real property and its removal would cause substantial damage to the real property, then it is deemed to be a part of the real property
 - The Department also considered the “Reasonable Person” test outlined by the AZ Court of Appeals in *AZ Dept. of Revenue v. Arizona Outdoor Advertisers, Inc.* (App. Div. 1 2002) 202 Ariz. 93, 41 P. 3d 631
 - The Department ruled that the machinery and equipment that was incorporated into or affixed to the dome was a component part of a building and subject to use tax; the machinery and equipment deemed to be separate from the building qualified for the exemption

AZ – Transaction Privilege Tax Application to Lease or Rental of Reusable Plastic Containers

- Private Taxpayer Ruling LR09-003
 - Company rents or leases reusable plastic containers (RPC's) to farmers and growers within AZ
 - Question as to applicability of the transaction privilege tax to the lease or rental of RPC's under the personal rental property classification
 - Transaction privilege tax is tax on privilege of doing business in AZ and is the lessor's responsibility
 - Tax base to determine gross income for the rental or lease of tangible personal property includes “charges for installation, labor, insurance, maintenance, repairs, pick-up, delivery, assembly, set-up, personal property taxes, and penalty fees”
 - Company is subject to transaction privilege tax on rental activity and gross income determination includes charges for crate rental, crate deposit, pallet charge, and fuel surcharge

AZ – Municipal Tax Treatment of Residential Home Sale

- Decision of Municipal Tax Hearing Officer MTHO #462
 - Taxpayers “made improvements to real property to construct a custom home” and later sold the home after final completion
 - City concluded that the sale of the home was subject to the speculative builder tax
 - The term speculative builder includes an owner-builder who sells improved real property consisting of a custom house
 - City has an exemption for “homeowners’ bona fide non-business sale of family residence” subject to a 3-prong test
 - Determined that taxpayers failed to meet the first prong, which requires taxpayers to make the home their primary residence for 6 months following its completion prior to any sale
 - The hearing officer determined that the taxpayers were speculative builders subject to tax

AZ – Nexus and Computer Software Sales

- Office of Administrative Hearings, Decision and Order No. 09C-200900086S-REV
 - Taxpayer based outside of AZ sold computer software and provided support services and updates for said software
 - From Oct. 1999 through Sep. 2000, Taxpayer had one employee residing within AZ, who performed no sales or service activity
 - On-site support provided for a few AZ customers in 1999 for Y2K compliance
 - 4-day training seminar performed in 2002 for one AZ customer by separate company at out-of-state Taxpayer's request
 - In Apr. 2005, Taxpayer entered into agreements with independent contractors to sell software in AZ
 - AZ claimed nexus for 1999 through 2006 because of the aforementioned physical contacts in AZ, the volume of software sales in AZ, and software updates and maintenance agreements
 - Taxpayer contested, and argued that there was no physical presence from Oct. 2000 through Apr. 2005

AZ – Nexus and Computer Software Sales

- Office of Administrative Hearings, Decision and Order No. 09C-200900086S-REV (continued)
 - Office of Administrative Hearings held that nexus existed throughout the audit period of 1999 through 2006. The tribunal reasoned that the services provided in 1999 for Y2K compliance established nexus and that updates and software maintenance contracts from 2000 through 2005 where “activities...significantly associated with the taxpayer’s ability to establish and maintain a market in this state for sales” sustained that nexus
 - The tribunal’s analysis is silent as to the relevancy of the employee based in AZ from Oct. 1999 through Sep. 2000 and the Apr. 2002 training performed by a third party at the Taxpayer’s request
 - The Department’s post-hearing memorandum stated that the Taxpayer’s service of maintenance agreements containing periodic updates are taxable unless the Taxpayer can prove that the agreements are strictly for technical support and do not entitle the customer to software updates.

AZ – *City of Mesa v. Val-Pak East Valley, Inc.* (Ariz. Ct. App., #1 CA-TX 08-0010, 1/5/2010)

- Val-Pak East Valley (EV), franchisee of Val-Pak Direct Marketing (DM), sold advertising flyers to local businesses
- EV contracted with DM to print and mail flyers directly to EV's customers
- Tax court held that EV owed use tax on the materials used in producing the flyers and direct mail
- The Court of Appeals reversed the Tax Court's decision and applied the dominant purpose test to find that DM's dominant purpose was to provide job printing services and that the provision of tangible personal property was inconsequential
 - The cost of the paper accounted for only 9% of the invoiced amount
- The Court determined that DM did not meet the definition of a retailer and, therefore, EV had not acquired tangible personal property from a retailer

AZ – MDC Holdings, Inc., et al v. AZ Dept. of Revenue (Ariz. Ct. App. #1 CA-TX 07-0011, 10/6/2009)

- The Arizona Court of Appeals partially affirmed the Arizona Tax Court's previous decision by holding that a homebuilding/selling unitary business could only include the *net gains* from its secondary market mortgage sales in its Arizona sales factor
 - The gross amounts contained double-counted returns of principal that would distort the apportionment formula and unfairly represent the taxpayer's in-state business activity
- The Court concluded that the proper interpretation of state law required that these transactions be treated similarly to short-term investments and only net gain be included as a "sale" for sales factor purposes
- The Court partially reversed the Arizona Tax Court's previous decision to hold that the numerator of the Arizona sales factor should *not* include the net proceeds from the sales of these mortgage loans or the sales of mortgage servicing rights when, as under the facts in this case, the costs of performance are not incurred in Arizona

AZ – MDC Holdings, Inc., et al v. AZ Dept. of Revenue (Ariz. Ct. App. #1 CA-TX 07-0011, 10/6/2009) (continued)

- The Court agreed with the taxpayer that mortgages/mortgage servicing rights are generally considered intangible personal property under state law and cannot be tied to the location of the underlying homes since the provisions of A.R.S. § 43-1147 require that each income producing activity be considered separately

AZ – Proposed Legislation

Arizona Job Recovery Act

- H.B. 2250
 - Establishes a new Arizona Job Training Program, the Arizona Quality Jobs Program, and the Arizona Opportunity Fund
 - Expands the type of businesses that qualify for Enterprise Zone tax incentives
 - Reduces the Class 1 property assessment ratio from 20% to 15% over five years beginning in TY 2012
 - Phases out the state equalization assistance property tax over three years
 - Decreases the corporate income tax rate from 6.968% to 5% over four years beginning in TY 2011
 - Increases the corporate sales factor from 80% to 100%
 - Lowers the individual income tax rate to a maximum of 4.10% over four years beginning in TY 2011
 - Passed by the House and transmitted to the Senate on January 28, 2010

AZ – Proposed Legislation

Ballot Initiative – Temporary Tax Increase

- SCR 1001
 - Proposed temporary increase in privilege and use tax rates
 - Goal is to raise funds for primary and secondary education, health and human services, and public safety
 - If passed, will be in effect from June 1, 2010, until May 31, 2013
 - Increase would be “one per cent of the tax base for each transaction privilege classification that is subject to a rate of five per cent or more and one per cent of the tax base for the use tax”
 - The same exemptions, deductions, and exclusions for each transaction privilege tax classification and use tax will apply

AZ – Legislation Enacted in 2009

- H.B. 2008 – Effective June 30, 2009, through June 30, 2011
 - The transaction privilege tax rate imposed on construction contracting activity shall not be increased by cities or towns
 - Does not apply to transaction privilege tax rates adopted before June 1, 2009

AZ – Legislation Enacted in 2009

- S.B. 1403 – Effective from January 1, 2010, through December 31, 2015
 - Creates income tax credits and favorable property tax classifications for expanding or locating a qualified renewable energy business in AZ
 - Certification as a qualified renewable energy business must be obtained from the AZ Department of Commerce
 - To qualify for income tax credits:
 - At least 51% of net new full-time employment positions at qualified renewable energy business must pay a wage that equals or exceeds 125% of the AZ annual median wage
 - All net new employment positions must include 80% employer provided health insurance

AZ – Legislation Enacted in 2009

- S.B. 1403 (continued)
 - To qualify for favorable property tax classification (reduced 5% assessment ratio)
 - Qualifying investments in fixed capital assets must total at least \$25 million
 - Employment requirements:
 - If 51% or more of net new full-time employment positions at the qualified business pay at least 125%, but less than 200% of the AZ median annual wage, then favorable property tax classification is granted for 10 years
 - If 51% or more of net new full-time employment positions at the qualified business pay at least 200% of the AZ median annual wage, then favorable property tax classification is granted for 15 years

AZ – City of Phoenix Subjects All Food for Home Consumption to Transaction Privilege Tax

- Ordinance G-5485 – Effective April 1, 2010
 - All sales of food for home consumption are subject to transaction privilege or use tax
 - Prior to the approval of the ordinance, only prepared foods, alcoholic beverages, and tobacco were subject to the transaction privilege tax
 - Exemption remains for food purchased with food stamps
 - All food purchases and sales will be subject to transaction privilege and use tax rate of 2%
 - Special filing instructions due to April 1, 2010 implementation

Selected States - Updates



CA – Distributed Promotional Compact Discs Qualified for Printed Sales Message Exemption

- *PeoplePC, Inc. v. State Board of Equalization* (Court of Appeal of CA, Fourth Appellate District, Division One, 2009 Cal. App. Unpub. LEXIS 7204, 9/4/2009)
 - Utilized mass mailings of CDs from CA to entice recipients to sign up for low cost internet access
 - Each CD had a printed promotional advertising message on it, which PeoplePC had specially ordered
 - Intent with CDs was to promote and advertise services; custom software on CDs allowed recipients to sign up for internet service
 - Exemption from CA use tax for “catalogs, letters, circulars, brochures, and pamphlets consisting substantially of printed sales messages for goods and services printed to the special order of the purchaser”
 - The court held that the CDs qualified for the state’s sales/use tax exemption as the CDs were imprinted with a promotional message

CA – Highly Anticipated Ruling Concerning Sales Tax Lawsuits Against Retailers

- *Loeffler v. Target Corp.* (Court of Appeal of CA, Second Appellate District, Division Three, 93 Cal. Rptr. 3d 515, 5/12/2009)
 - In a class action lawsuit, Target Corporation was sued for improper collection of sales tax on hot coffee to go
 - After review, the court found that the customers did not have a right to sue for reimbursement of sales tax or damages
 - CA statutes do not provide for a private cause of action by customers to recover sales tax reimbursement
 - Only a retailer can assert a sales tax refund and/or litigate the sales tax issue

CA – New Information on Treatment of Drop Shipment Transactions

- CA Publication 121, *Sales and Use Tax Facts*
 - Application of sales/use tax to drop shipment transactions
 - Defines a drop shipment transaction as “the delivery of tangible personal property by a California retailer on behalf of an out-of-state retailer to a consumer in California”
 - Liability for sales/use tax initially may fall on the out-of-state retailer provided it holds a valid CA seller’s permit or a CA Certificate of Registration-Use Tax and tax is owed, even if the property is delivered by another CA retailer
 - If the seller’s permit or certificate of registration-use tax is not held by an out-of-state retailer, then the CA retailer (drop shipper) may be responsible for collecting sales/use tax if owed
 - If more than one drop shipper is used and the responsibility of collection falls upon the drop shipper, then generally the first drop shipper is the party who collects the tax

CA – Refund of LLC Fees

- *Ventas Finance I, LLC v. Franchise Tax Board* (Court of Appeal of CA, First Appellate District, Division One, 81 Cal. Rptr. 3d 823, 8/11/2008)
 - CA Court of Appeals upheld that the LLC fee established in CA tax statutes was unconstitutional as it violated the U.S. Commerce Clause
 - The apportionment method used to compute the total income upon which the fee was based was unfair
 - During litigation of this case, many LLCs filed refund claims with the CA Franchise Tax Board (FTB)
 - As a result of this ruling, the FTB stated that it would process the refund claims for LLCs with “substantially the same factual situation” as that in *Ventas*

CA – Proposed Net Business Receipts Tax Report Issued

- Commission on the 21st Century Economy
 - Goal is to ensure fair taxation, stabilize revenue streams, and retain competitive advantage with other states
 - Commission proposed instituting a business net receipts tax
 - Business gross receipts from all sources less purchases from other businesses
 - Includes economic nexus
 - Water's-edge unitary combination
 - Single-factor sales apportionment
 - By 2012, corporate franchise/income tax and \$800 minimum tax would be phased out
 - Would reduce personal income taxation to 2 brackets

CA – Changes to San Francisco Payroll Tax

- Payroll Expense Tax (PET)
 - Tax on every “person”
 - Certain types of pass-through entities qualify as a “person”
 - Tax calculated on 1.5% of person’s “payroll expense” for services performed
 - Litigation regarding whether Proposition Q (passed by voters in November 2009) expands PET tax base to include profits distributions paid to owners of pass-through entities to the extent such distributions may represent compensation for services rendered in San Francisco
 - Proposition Q also added safe harbor that may benefit certain pass-through entities
 - Must have 4 or more San Francisco-based employees
 - 2009 return due February 28, 2010

CT – “An Act Concerning Expenditures and Revenue for the Biennium Ending June 30, 2011”

- For tax years beginning on or after January 1, 2009, a new 10% surcharge will be imposed on a corporation’s business tax liability based on either net income or capital tax base and will be effective from 2009 to 2011
- Corporate groups filing combined corporation tax returns are now subject to a supplemental “preference” tax
- Domestic production activities deduction no longer available for tax years beginning on or after January 1, 2009
- Economic nexus standard created for years beginning on or after January 1, 2010
 - “Doing business” in CT
 - “Substantial economic presence” in CT
 - Targeted business activity in CT
 - Level of activity
- Individual income tax rate increased for high wealth individuals, trusts, and estates

IL – Amended Computation of Illinois Replacement Tax for Partnerships

- Public Act Number 096-0045
 - New law affects tax years ending on or after December 31, 2009
 - Partnerships are limited to a deduction for guaranteed payments paid to partners for personal services provided to the partnership
 - Can no longer deduct the greater of personal service income for services provided to the partnership by a partner or a reasonable allowance for such service
 - Guaranteed payments deducted for federal income tax purposes are no longer required to be added back to federal taxable income

LA – New Requirements to Request an Extension

- Revised Statute 47:103
 - State income tax filing extension no longer granted for merely attaching federal extension form to state tax return
 - 4 options to request a state extension
 - File paper state extension Form R-2868
 - File an extension request electronically through the LA Department of Revenue
 - File a paper copy of federal extension form on or before the due date of LA income tax return
 - Check the state extension box when preparing with tax software and file electronically
 - A similar rule exists for Corporate tax returns as well

MA – Combined Reporting for Unitary Businesses

- H.B. 4904
 - Mandatory combined reporting for corporations that are engaged in unitary business operation
 - Applies to tax years beginning on or after January 1, 2009
 - Under the law, a “unitary business” is one in which a commonly owned group is “sufficiently interdependent, integrated, or interrelated through their activities so as to provide mutual benefit and produce a significant sharing or exchange of value among them or a significant flow of value between the separate parts”
 - Can file on a worldwide basis or a water’s edge basis
 - Method is an election that is binding for 10 years
 - New apportionment calculation
 - Each member must add to its sales factor a percentage of the total sales of the group’s nontaxable members
 - Complex rules to attempt to equalize different business types within the group
 - Tax Rate Reduction
 - From 9.5% to 8.75% in 2010
 - To 8.25% in 2011
 - To 8% in 2012

MA – New Hampshire Retailers Can Avoid Collection of Use Tax

- *Town Fair Tire Centers, Inc. v. Commissioner* (Supreme Judicial Court of MA, 911 N.E.2d 757, 8/25/2009)
 - Tires were sold in NH to MA residents with vehicles licensed in MA
 - Town Fair did not collect MA use tax on sales at its stores outside of MA
 - The court determined that MA use tax was applicable only if the tires sold were actually “stored, used, or consumed” in MA and there was no evidence that the tires were stored, used, or consumed in MA
 - There is no statutory presumption in MA that personal property will be used in MA if the personal property is sold to a MA resident and is affixed to property registered in MA

MI – Federally Disregarded Single Member LLC (SMLLC) Required to File SBT Return

- *Kmart Michigan Property Services, LLC v. Department of Treasury* (Court of Appeals of MI, 770 N.W.2d 915, 5/12/2009)
 - MI Department of Revenue issued Revenue Administration Bulletin (RAB) 1999-9 which stated that the MI Single Business Tax (SBT) follows the federal “check-the-box” regulations
 - Result was that a SMLLC is taxed in its member’s return, not as an individual entity separate from its member
 - However, the MI Court of Appeals in *Kmart* found that the RAB did not have the force and effect of law and did not follow the intent of the SBT Act
 - SMLLCs are required to file an SBT return as they are considered a separate taxable entity regardless of their federal classification
 - Michigan Treasury appealed decision to MI Supreme Court and review was denied

MI – Federally Disregarded Single Member LLC (SMLLC) Required to File SBT Return (continued)

- *Kmart Michigan Property Services, LLC v. Department of Treasury* (Court of Appeals of MI, 770 N.W.2d 915, 5/12/2009)
 - On February 5th, the MI Department of Treasury issued a “Notice to Taxpayers Regarding *Kmart*”
 - The Notice has sparked significant controversy, particularly the Notice’s directive that a disregarded entity SMLLC is a “non-filer” for SBT purposes and must file SBT returns from the original creation date of the SMLLC (i.e., potentially back to 1999) with *no refund or offset within the Single Member’s as-filed SBT return* beyond the normal four year SOL period (i.e., limited to 2005-2007 tax years for most calendar year SBT filers as of this date)
 - While taxpayers should have already considered the impact of filing separate SBT returns for the open SOL years under as measured by the Single Member (again, 2005-2007 tax years for most calendar year taxpayers) to determine whether separate filings result in a material difference from the as-filed SBT liability of the Single Member, the Department may face serious technical challenges in sustaining the requirement of additional SBT filings for the disregarded entity SMLLC for periods prior to this
 - A real possibility exists of legislation being enacted to retroactively “reverse” the impact of the *Kmart* decision on prior SBT filings

MN – Recent Tax Law Changes

- Corporate and Personal Income Taxes
 - Corporate franchise tax, individual income tax, and estate tax were updated to conform to federal tax administrative provisions made between December 31, 2008, and March 31, 2009
 - Designated member of a unitary group chosen to represent the group in tax matters not required to have MN nexus
 - Did not adopt bonus depreciation extension or increased Sec. 179 amounts
 - 80% of federal bonus depreciation must be added-back to taxable income – Deduction is taken over five years
 - Federal deferral of discharge of indebtedness income from the reacquisition of business indebtedness in 2009 and 2010 not adopted
 - Increase in weight of sales factor in apportionment formula from 81% to 84%

NY – New Budget Measures Bring Significant Tax Law Changes

- A. 157-B
 - All partnerships with a gross New York source income of \$1 million or more are subject to the partnership/LLC filing fee
 - Minimum interest rate on underpayment of several tax types increased
 - New higher personal income tax brackets established and phase out of all itemized deductions except for 50% of charitable contributions if personal income is more than \$1 million

NY – New York City Recent Tax Law Changes

- A. 8866 and A. 8867
 - New laws bring New York State and New York City tax laws into closer compliance
 - Over the next 10 years, beginning in 2009, the NYC General Corporation Tax and Unincorporated Business Tax will gradually shift to a single sales factor apportionment formula
 - Double weighted sales factor for manufacturers will no longer be available for years beginning on or after 1/1/2011
 - Combined reporting requirements follow NY State's requirements; substantial intercompany transactions warrants combined reporting
 - Minimum tax requirements based on NYC source gross receipts; minimum tax ranges from \$25 to \$5,000
 - Mandatory electronic filing of business tax returns
 - Mandates that corporations must receive tax clearance before being allowed to receive certificate of dissolution
 - Increase in NYC sales tax rate from 4% to 4.5%

NY – New Budget Measures Bring Significant Tax Law Changes

- A. 157-B
 - Affiliate nexus sales tax implications
 - Expanded definition of vendor
 - Seller with taxable sales in New York and is either affiliated with a vendor who uses the same trademarks, service marks, or trade names as the seller or is affiliated with a person who performs actions that aid the seller in growing its New York market
 - Nexus requirements under the U.S. Constitution must be met

NC – Withholding Required on Contractors Without Social Security Numbers

- S.B. 1006
 - Taxpayers with Individual Taxpayer Identification Numbers (ITINs)
 - If pay more than \$1,500 during a calendar year as compensation other than wages to an ITIN holder, then must withhold 4% of the payment and remit it to the NC Department of Revenue

OR – Voters Approve Changes in Corporate Income/Excise Tax and Personal Income Tax

- Measures 66 and 67 approved on January 26, 2010
 - Signed by OR Governor in July 2009, but went to the voters
 - Becomes effective on February 25, 2010
 - Changes generally apply to tax years beginning on or after January 1, 2009
 - Increased minimum tax liabilities for corporations (C and S) and new minimum tax requirement for partnerships
 - As applied to C corporations, based on Oregon Sales
 - Increase in corporate income tax rates
 - Now graduated from 6.6% to 7.9% for tax years beginning on or after January 1, 2009 and before January 1, 2011
 - New higher income tax brackets for individuals
 - Reduced deduction for federal income taxes paid for individuals
 - Unemployment compensation deduction for individuals

PA – New Budget Brings Tax Law Changes

- Act 48
 - Expansion of Net Operating Losses
 - For tax years beginning after December 31, 2008, the limitation is the greater of \$3 million or 15% of PA taxable income
 - For tax years beginning after December 31, 2009, the limitation is the greater of \$3 million or 20% of PA taxable income
 - Increase in weight of sales factor in apportionment formula to 90% for years beginning on or after December 31, 2009
 - Capital Stock/ Foreign Franchise Tax repeal extended until tax years beginning after December 31, 2013; phase out begins in 2012
 - New payroll withholding payment due dates based on amount remitted
 - Tax amnesty program
 - April 26, 2010 through June 18, 2010

WI – Unitary Combined Reporting

- "Budget Stimulus and Repair Bill"
 - For tax years beginning on or after January 1, 2009, if a corporation conducts business in unity with other corporations, then combined reporting is required
 - Specific requirements for foreign corporations and controlled foreign corporations that are part of a unitary group concerning income and apportionment calculations
 - Unitary test:
 - Unity of ownership
 - Unity of operation
 - Unity of use
 - If any member of the unitary group is within WI's taxing jurisdiction, then all members of the group are deemed to be within WI's taxing jurisdiction
 - NOLs can be shared among the group members, but not credits

WI – Budget Bill Adopted that Changes Combined Reporting and Other Significant Tax Laws

- Assembly Bill 75
 - For tax years beginning on or after January 1, 2009, WI will not follow the provisions of the federal domestic production activities deduction
 - New combined reporting rules
 - 10-year election allowed to include all group members in the WI combined group return despite lack of participation in same unitary business
 - Conformity to federal consolidated return regulations
 - NOLs first used to offset each business's own income within the combined group and then any remaining NOLs may be shared proportionately among the group members to the degree it is derived from the same unitary business
 - Doing business standard expanded and if any business is conducted in WI during the year, then deemed to have done business in WI for the entire year
 - Nonresident shareholders, partners, members, or beneficiaries of pass-through entities must make quarterly estimated payments of withholding tax
 - New Enterprise Zone Capital Investment Credit provides for up to a 10% return of significant capital expenditures for operation in an enterprise zone
 - Jobs Credit creates an up to 10% return of wages paid to eligible employees

WI – Withholding Reciprocity with Minnesota Terminated under Certain Circumstances

- WI Statutes, Sec. 71.64(7)
 - Generally, WI residents employed in MN are subject to MN income tax withholding, but if the employer also conducts business in WI, then WI income tax withholding is also required
 - Under new law, WI income tax withholding is not required
 - If the employee legally resides in WI but earns wages in MN and
 - The wages earned in MN subject to MN income tax withholding would also be subject to WI income tax withholding
 - If WI residents in this situation expect to owe \$200 or more in WI for income tax and WI income tax is not withheld, then estimated tax payments to WI will be required

Streamlined Sales and Use Tax Agreement (SSUTA)

- History

- Approved November 2002 by a group of states; several revisions
- Actual agreement began on October 1, 2005
- Founding ideas include simplification, uniformity, and technology
- Current full member states include:

Arkansas

Indiana

Iowa

Kansas

Kentucky

Michigan

Minnesota

Nebraska

Nevada

New Jersey

North Carolina

North Dakota

Oklahoma

Rhode Island

South Dakota

Vermont

Washington

West Virginia

Wisconsin

Wyoming

Streamlined Sales and Use Tax Agreement (SSUTA)

- Goals
 - Administration by states of sales and use tax collections
 - State and local tax base uniformity
 - Uniform definitions of major tax base
 - Centralized electronic registration system
 - Ease of use in determining state and local tax rates
 - Standardization of sourcing rules for taxable transactions
 - Protect consumer privacy
 - Make it easier to remit taxes
 - Simplify tax returns
 - Simpler method to administer exemptions

Streamlined Sales and Use Tax Agreement (SSUTA)

- Achievements (Areas made uniform)
 - Treatment of bank holidays
 - Rules for sales tax holidays
 - Drop shipment rule
 - Bad debt credits rule
 - Definition of certain products

Tax Amnesty Programs

Jurisdiction	Tax Periods Covered	Program Likely to Become Effective
District of Columbia	Periods ending prior to December 31, 2008; if program covers dates after 2008, then will be for tax periods ending prior to December 31, 2009	March 2, 2010
Massachusetts	Two consecutive months within fiscal year 2010, but before June 30, 2010	November 24, 2009
Pennsylvania	April 26, 2010 – June 18, 2010	December 5, 2009

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