

Streamlined Sales Tax Commission Report

January 2008

Charge of the Committee

Public Act 07-4, of the June Special Session, established a Streamlined Sales Tax Commission to study and evaluate the changes that would need to be made to the provisions of chapter 219 of the Connecticut General Statutes in order for the state to become a full member of the Streamlined Sales Tax Governing Board and the benefits, to the state and to retailers, if the state were to become such a full member.

This report is in response to that directive and provides a summary of the Streamlined Sales Tax Project, a listing of the member states, issues that are unique to Connecticut as well as the recommendation of the Streamlined Sales Tax Commission.

Committee Members

Section 100 of Public Act 07-4 states: There is established a Streamlined Sales Tax Commission which shall be comprised of the following members: (1) The chairpersons and ranking members of the joint standing committee of the General Assembly having cognizance of matters relating to finance, revenue and bonding, or their designees; (2) two members appointed by the Governor; (3) two members appointed by the speaker of the House; (4) two members appointed by the president pro tempore of the Senate; (5) one member appointed by the House Majority Leader; (6) one member appointed by the Senate Majority Leader; (7) one member appointed by the House Minority Leader; (8) one member appointed by the Senate Minority Leader; and (9) the Commissioner of Revenue Services and the Secretary of the Office of Policy and Management, or their designees.

The members of the Streamlined Sales Tax Commission respectively are:

- (1) Senator Eileen M. Dailey Co-Chair – Chair of the Finance Revenue and Bonding Committee
Representative Cameron C. Staples – Chair of the Finance Revenue and Bonding Committee
Senator William Nickerson – Ranking Member of the Finance Revenue and Bonding Committee
Representative Craig Minor - Ranking Member of the Finance Revenue and Bonding Committee
- (2) Mr. Luigi G. Vasquez – Kaufman, Osit & Vasquez, PC
Ms. Laura Wyeth – Pricewaterhouse Coopers
- (3) Mr. Alan Lieberman – Shipman and Goodwin, LLP
Mr. Timothy Phelan – Connecticut Retail Merchant’s Association
- (4) Mr. Fred Carstensen – University of Connecticut
Mr. Rick Pomp – University of Connecticut School of Law
- (5) Ms. Jennifer Blanchard – Geisler’s Supermarkets
- (7) Mr. Charles H. Lenore – Day Pitney, LLP
- (8) Mr. Scott Roberti – General Electric Company
- (9) Ms. Pam Law – Commissioner of Revenue Services
Mr. Jeff Beckham Co-Chair – Office of Policy and Management

Streamlined Sales and Use Tax History

Two U.S. Supreme Court cases were instrumental in the ultimate decision to create the Streamlined Sales Tax Project (SSTP). In 1967, in *National Bellas Hess v. Department of Revenue*, the U.S. Supreme Court found that a state could not require that use tax be collected and paid over by a retailer whose only connection with the state was through a common carrier or the United States mail. Bellas Hess was a Missouri mail order house that did not have any outlets or sales representatives in Illinois. The only contact was through catalogs and occasional nationwide mailings.

In 1992, in *Quill Corp. v. North Dakota*, this same issue again went before the Supreme Court. The Court ruled that states cannot require remote sellers to collect sales and use taxes, citing the complexity of the many state and local sales tax systems and the complexity in dealing with 45 states and thousands of local taxing jurisdictions that were neither consistent nor uniform in applications and definitions and therefore were regarded as barriers to interstate commerce.

As a result of Quill, it was the states understanding that simplification of their sales tax laws and administration would address the burden on the interstate commerce issue. The Court also said that Congress had the ability to determine whether states' should be required to collect use taxes on remote sales.

In March 2000, 26 states came together to try to simplify and modernize sales and use tax collection and administration through the creation and implementation of a multistate agreement (SSTP). The purpose of the project was to develop a new, simpler sales tax system that would incorporate principles of uniformity, privacy and technology. The goal was to streamline the tax collection process for vendors, saving compliance and auditing costs, while saving the states administrative costs and increasing voluntary compliance. However, the primary goal of the SSTP was to convince Congress to confer collection authority over remote sales on the states that enact the streamlined system on the theory that the system eliminates the burdens on interstate commerce that had been the justification for denying states that authority.

After much work and numerous meetings, the SSTP's implementing states came to closure on a final agreement in November 2002. Each implementing state still needed to have its legislature formally adopt the agreement and bring its statutes into compliance. With the completion of the agreement and it becoming operational on October 1, 2005, the Streamlined Governing Board, a permanent organization responsible for administering the Agreement was established. Scott Peterson from South Dakota was appointed full-time Executive Director.

Mr. Peterson appeared before the Commission on November 8, 2007 and gave a presentation on the Streamlined Sales Tax Project. That presentation can be found in [Appendix A](#).

Streamlined Sales Tax Project

In response to the U.S. Supreme Court decision in *Quill v. North Dakota*, the Streamlined Sales Tax Project is an effort by state government, with input from local governments and the private sector, to simplify and modernize sales and use tax collection and administration. The goal of the Project is to streamline and simplify state tax codes across the U.S. to make them more conducive to the collection of sales tax by out-of-state retailers. A side benefit would be that this type of project will undercut the argument that the Supreme Court has been receptive to in the past that sales tax codes are too complex to require retailers without physical nexus in a state to collect sales taxes.

Key features of the project include:

- **Uniform definitions within tax laws.** While Legislatures still choose what is taxable or exempt in their state, common definitions of key items in the tax base will be used.
- **Rate simplification.** States will be allowed one state rate and a second rate in limited circumstances (food and drugs). Sales taxes applied after dollar thresholds or up to dollar caps would have to be eliminated.
- **State administration of all state and local sales and use taxes.** Business will no longer have to file returns with each local government within a state.
- **Uniform sourcing rules.** The states will have uniform and simple rules for how they will source transactions. The rules will be destination/delivery based and, with few exceptions, uniform for tangible personal property, digital property and services.
- **Simplified exemption administration for use and entity based exemptions.** Sellers will be relieved of the “good faith” requirements that exist and will no longer be liable for uncollected tax. Purchasers will be responsible for paying the tax, interest and penalties for claiming the incorrect exemptions.
- **Uniform audit procedures.** Sellers who participate will be subject to audits of a limited scope, and states may conduct joint audits of large multi-state businesses.
- **State funding of the system.** To reduce the financial burdens on sellers, states will assume responsibility for funding some of the technology models.

Governance of the Streamlined Sales Tax Project

The Governing Board of the Streamlined Sales Tax Project is comprised of 22 states, 17 full member states which include Arkansas, Indiana, Iowa, Kansas, Kentucky, Michigan, Minnesota, Nebraska, New Jersey, North Carolina, North Dakota, Oklahoma, Rhode Island, South Dakota, Vermont, West Virginia and Wyoming. Additionally, there are 5 associate member states on the Governing Board including, Nevada, Ohio, Tennessee, Utah and Washington. These states either had future effective dates for compliance in their legislation or had to rework some part of their law to come into full compliance. However, these associate states are not allowed to vote on certain issues.

The Governing Board is governed not only by the Streamlined Sales and Use Tax Agreement (SSUTA) but also by a set of bylaws. The Board is comprised of up to four representatives from each member state, with each state receiving only one vote. The Governing Board is charged with interpretations and amendments to the Streamlined Sales and Use Tax Agreement. Any interpretation or amendment must be adopted by a three-quarters vote of the board. The board also certifies tax technology systems and service providers for the collection and remittance of the sales and use tax; it reviews state compliance with the SSUTA, it implements vendor compensation and contracts, it governs multi-state audit procedures and it handles dispute resolution. Associate member states on the Governing Board are not allowed to vote on amendments to or interpretations of the SSUTA or on whether a petitioning state is in compliance with the SSUTA.

The Governing Board is advised by a State and Local Advisory Council (SLAC) as well as a Business Advisory Council (BAC). While SLAC provides a forum for state and local government officials not represented on the Governing Board to express their ideas and concerns, BAC provides a forum for the private business sector to express theirs. Both councils also have a formal process to bring concerns to the Governing Board. Additionally, both are charged with advising the Governing Board on matters pertaining to the administration of the SSUTA, including admission of states into membership, noncompliance, interpretations, and revisions or additions to the SSUTA. Both are also charged with seeking the advice and response of the other prior to formulating a recommendation to the Governing Board or its committees.

Committees of the Streamlined Sales Tax Project

In addition to the Governing Board, the State and Local Advisory Council and the Business Advisory Council, the project has the following committees:

- ***Nominating Committee.*** The nominating committee is an eight-person delegation to the Governing Board. The President serves as member and chair of the nominating committee. Members serve one year terms with no more than three consecutive terms. The committee actively seeks candidates for nominations as Officers and Directors of the executive committee as well as voting members at the annual meeting.
- ***Compliance Review and Interpretations Committee.*** The Compliance Review and Interpretations Committee has the dual responsibility for: (1) recommending rules to the Governing Board to respond to statements of non-compliance, making recommendations to the Governing Board on applications of states for compliance with the Agreement, maintaining a Compliance Review Guide, reviewing all compliance review reports to determine any needs for reassessment, recommending findings of compliance or non-compliance to the Governing Board, and fulfilling such other responsibilities as specified in the Agreement or assigned to them by the Executive Committee; and (2) making recommendations to the Governing Board on matters involving interpretations, definitions, revisions or additions to the Agreement. The President, with the approval of the Executive Committee, shall annually appoint a Committee Chair and six committee members from the member states of the Governing Board. Committee members must be executive or legislative branch employees from the member states but are not required to be a delegate to the Governing Board.
- ***Finance Committee.*** The Finance Committee has the responsibility to prepare an annual budget, monitor finances, review contracts, establish banking procedures and other financial policies, and to recommend cost allocations for States for the Governing Board's approval. The Secretary-Treasurer shall act as Finance Chair. The Chair shall annually select four additional committee members to serve on the Finance Committee from the membership of the Governing Board.
- ***Issue Resolution Committee.*** The Issue Resolution Committee has the responsibility to promulgate rules and to implement the issue resolution process outlined in the bylaws of the Streamlined Sales Tax Governing Board, Inc. The President, with the approval of the Executive Committee, shall annually appoint an Issue Resolution Committee Chair and four committee members from the member states of the Governing Board. Committee members must be executive or legislative branch employees from the member state but are not required to be a delegate to the Governing Board.
- ***Audit Committee.*** The primary role of the Audit Committee is to formulate and perform audit processes as required by the Streamlined Sales and Use Tax Agreement (SSUTA).
- ***Certification Committee.*** The Certification Committee advises the Governing Board on matters pertaining to the evaluation, testing, certification and recertification of service providers and automated systems. The Committee will consider and respond to those matters referred to it from the Governing Board or its committees regarding evaluation, testing, certification or recertification. The Committee may also recommend items to the Governing Board for consideration.
- ***Other Committees (Standing/Ad Hoc).*** The President, with the approval of the Executive Committee, may establish such other standing or ad hoc committees as from time to time are deemed necessary or desirable, and may, with the approval of the Executive Committee, appoint Chairs to such Committees.

Seller Benefits of the SSUTA

- ***State level administration.*** Each member state must administer its own state and all local sales and use taxes at the state level. In order to be in compliance, a member state's local tax

base must be identical to the state tax base and there can only be one local sales tax rate or local use tax rate per local jurisdiction which significantly eases the compliance burden on the seller. In addition, member states administer the registration, return filing, remittance and audits for the seller.

- **Registering under the SSUTA.** The system is a quick and easy way for sellers to register and update sales and use tax information for all members and selected associate states (those selected by the seller) at one time and place. The use of the system will register a seller in each of the member states and those associate member states chosen by the seller. Once registered the seller must collect and remit sales and use taxes for all taxable sales into the member states, and those chosen associate member states. This requirement includes all the states that become member states after the seller's registration. The system provides one identification number to be used to file and pay taxes for all registered states as well as the ability to update registration data with all registered states at one time and place.
- **Amnesty.** Each state must provide an amnesty when they become a member of the SSUTA. The amnesty is for uncollected or unpaid sales or use taxes for a seller who registers to pay or collect and remit applicable sales or use taxes on sales made to purchasers in the state. The amnesty will preclude assessment for uncollected or unpaid sales or use taxes together with interest or penalty for sales made during the period the seller was not registered in the state, provided registration occurs within 12 months of the effective date of the state's participation in the Agreement. The amnesty will be granted regardless of "nexus" of the seller if all other requirements are met. Amnesty is not available for sales and use taxes already paid or remitted to a state or to taxes collected by a seller. Amnesty is applicable only to sales or use taxes due from a seller in its capacity as a seller and not to sales or use taxes due from a seller in its capacity as a purchaser. No amnesty is available under the Streamlined Sales and Use Tax Agreement for taxes other than sales or use taxes. A member state may allow amnesty on terms and conditions more favorable to a seller than is required by the Streamlined Sales and Use Tax Agreement. To obtain amnesty, the seller must agree to register in all full member states of the Streamlined Sales and Use Tax Agreement if not currently registered. This includes registration in full member states joining the Agreement after the seller's registration. The seller may elect to register in associate member states. The seller is not eligible for amnesty in a member state if the seller: (1) was registered in the member state for the 12 month period preceding the effective date of the state's participation in the Streamlined Sales and Use Tax Agreement; or (2) has received notice of an audit by the member state and the audit is not yet fully resolved, including any related administrative and judicial processes.
- **Uniform Destination-Based Sourcing.** The SSUTA agreement originally implemented a uniform destination sourcing rule when the transfer of tangible property did not occur on the premises. That meant that if goods were being shipped, the tax would be based on the address of the entity that they were being shipped to. While this is how Connecticut law currently treats the transfer of tangible personal property, many states with local sales taxes see this as a significant barrier to becoming a full member as their taxes are origin based. At the December 12, 2007 meeting, the SSUTA agreement was amended to allow states to elect origin-based sourcing, effective January 1, 2010, if the order is in the same state as the destination of the product and the recordkeeping system of the seller used to calculate the proper amount of sales or use tax to be imposed captures the location where the order is received.
- **Collection and Remittance.** If a seller uses a Certified Service Provider (CSP), the CSP will file the tax returns for those sellers. For all other sellers, each state will provide information on how to file and pay taxes for that state. Also, the CSP will pay the tax for those sellers that use a CSP. For all other sellers, each state will provide information to sellers on how to pay taxes for that state. States must accept ACH Debit, ACH Credit or same day alternative payment options if the seller is using the simplified electronic return. Sellers not using the simplified electronic return may choose an option currently available with each member state. If the tax payment is due on bank holiday or a weekend, the payment is due the next business day. Some sellers in some states may have to make more than one tax payment per month. The

state will inform the seller of the process for those payments. If a seller uses a CSP each member and associate member state has certified the accuracy of the software and will provide liability relief for errors that may result in the incorrect calculation of the tax amount.

Results of the SSUTA

As of November 28, 2007, there were 1,072 companies registered on the SSUTA system. The table below shows the revenue collections attributed to the SSUTA for the member states for the one year period October 1, 2006 through September 30, 2007.

Streamlined Sales Tax Collections October 1, 2006 through September 30, 2007 Member States

Arkansas	\$4,271,676	North Carolina	\$12,440,696
Indiana	\$6,265,162	North Dakota	\$1,273,393
Iowa	\$8,836,221	Oklahoma	\$6,456,221
Kansas	\$7,290,684	Rhode Island *	\$447,342
Kentucky	\$3,522,617	South Dakota	\$1,231,273
Michigan	\$8,050,660	Vermont *	\$322,903
Minnesota	\$3,499,105	West Virginia	\$1,435,202
Nebraska	\$7,734,635	Wyoming	<u>\$1,243,623</u>
New Jersey	\$6,246,123	Total	\$80,567,536

* Collections did not begin until January 1, 2007.

The SSUTA prohibits a member state from sharing or granting access to an associate member state any seller information from the seller's registration. Additionally, neither the Governing Board nor a member state may share or grant access to any seller information to an associate member state from an audit conducted by the Governing Board or a member state on behalf of the Governing Board unless the associate member state is a party to the audit. However, the SSUTA states that a seller may, but is not required to, collect sales or use tax on sales into an associate member state unless the seller is otherwise required to collect such taxes under applicable law. A seller that volunteers to collect tax in an associate member state is not required to collect tax in all associate member states. The table below shows voluntary collections for associate member states for the one year period October 1, 2006 through September 30, 2007.

Streamlined Sales Tax Collections October 1, 2006 through September 30, 2007 Associate Member States

Nevada	Not Available
Ohio	\$5,240,426
Tennessee (1)	\$5,345,503
Utah	\$287,984
Washington (2)	<u>\$20,465</u>
Total	\$10,894,378

(1) For January 1, 2007 through September 30, 2007.

(2) For July 1, 2007 through September 20, 2007.

Issues affecting Connecticut's implementation of the SSUTA

There are several issues that have been identified as unique to Connecticut or that would require a major revision to the current sales tax law.

- **Prohibition of multiple rates.** §308 of the SSUTA prohibits multiple state sales tax rates. The following have been identified as requiring change:
 - The room occupancy tax is currently under the Sales and Use Tax statute at a rate of 12%. Member states have either removed their room occupancy tax from their Sales and Use Tax chapters by adding a replacement/excise tax or excluded it from their petition.
 - Computer and data processing services are imposed at a 1% rate.
 - The Manufacturing Recovery Act of 1992 fifty percent exemption is currently levied at an effective rate of 3% on manufacturers, fabricators and processors.
- **Prohibition of exemptions based on value of item.** §323 of the SSUTA prohibits exemptions that are based on the value of the transaction or item. The following have been identified as items that may require change:
 - The exemption for clothing under \$50. Connecticut currently foregoes \$140 million in revenue for this exemption.
 - Monthly charges of \$150 or less for electricity otherwise exempt.
 - The first \$2,500 of funeral expenses.
 - Items not costing more than \$20 each by certain nonprofit organizations and schools.
 - Sales of certain items for not more than \$100 by nursing homes, rest homes, residential care homes, convalescent homes or adult day care centers.
- **Treatment of Services.** Connecticut, unlike many other states, taxes a broad array of enumerated services under the sales and use tax. The SSUTA requires that a state must use destination sourcing for taxing services. Under the agreement, general sourcing definitions for receipt of services is where the services are first used. However, the Governing Board has not fully clarified what destination means for services, which could pose a problem for Connecticut.

Pros/Cons for Connecticut's joining the SSUTA

Currently, Internet and catalog retailers without physical presence do not collect sales taxes, while other "clicks and bricks" retailers with both online and traditional stores are required to collect sales taxes on all taxable sales. As Internet sales displace "Main Street" sales, state governments need to stop the erosion in this traditionally stable revenue source to be able to reliably fund necessary services for its citizens into the future and level the playing field between domestic and out-of-state retailers. To the extent sellers voluntarily collect and remit under the SSUTA, the playing field is somewhat leveled.

According to estimated population figures from the U.S. Bureau of the Census for 2005, only 21.3% of the country's population lives in states that are members of the SSUTA. If associate member states are added in, that percentage rises to 30.7%. While Connecticut joining would only increase that percentage to 31.9%, it would show that states like Connecticut consider this an important issue and may provide impetus for Congress to pass federal legislation to require that all remote sellers register and remit sales and use taxes to those states that are part of the SSUTA.

For retailers that voluntarily agree to collect and remit sales taxes, uniformity of definitions greatly decrease the burden of compliance and force states to be less parochial as members of the world economy.

While the SSUTA was created to remove barriers to interstate commerce by providing uniformity in tax base definitions and sourcing rules for all taxable transactions, central electronic registration, as well as simplification of rates, exemptions, and remittances while preserving an individual state's taxing authority, the decision to comply with the SSUTA can only be made by each governor and state

legislature. A state can withdraw at any time. However, the Agreement shall continue in full force until the first day of a calendar quarter after a minimum of sixty days' notice. A state that withdraws from the Agreement remains liable for its share of any financial or contractual obligations that were incurred by the governing board prior to the effective date of that state's withdrawal. The appropriate share of any financial or contractual obligation shall be determined by the state and the governing board in good faith based on the relative benefits received and burdens incurred by the parties.

Also, the governing board of the SSUTA can impose sanctions on a member state not in compliance with the SSUTA. The sanctions that the governing board may impose include expulsion from the Agreement, or other penalties as determined by the governing board. However, no member state shall be sanctioned for failing to comply with any amendment, interpretation or interpretive rule adopted, if such action requires the state to make a statutory change. The member state has until the later of the first day of January at least two years after the adoption of such item or the first day of a calendar quarter following the end of one full session of the state's legislature to come into compliance. A state that is expelled from the Agreement remains liable for its share of any financial or contractual obligations that were incurred by the governing board prior to the effective date of that state's withdrawal. The appropriate share of any financial or contractual obligation shall be determined by the state and the governing board in good faith based on the relative benefits received and burdens incurred by the parties.

The SSUTA also addresses taxpayer confidentiality through its privacy policy. If anyone other than a member state, or a person authorized by that state's law or the Agreement, seeks to discover personally identifiable information, the state from whom the information is sought should make a reasonable and timely effort to notify the individual of such request. This privacy policy is subject to enforcement by member states' attorneys general or other appropriate state government authority.

Currently, compliance in member states and associate member states is voluntary. Federal legislation has been introduced during the last few congressional sessions that would have required certain remote sellers to collect sales taxes for states that would otherwise not have taxing jurisdiction over the sellers, as long as the states had petitioned for membership under the SSUTA and had been found in compliance with the SSUTA. Until such time as federal legislation is enacted, remote sellers are not required to collect sales tax for states in which they do not have a substantial physical presence. The table below shows the estimated receipts versus the actual receipts for a sample of member states for voluntary sellers. The estimated yearly increases were generated by the states themselves and the yearly actuals, for the period October 1, 2006 through September 30, 2007, are from the SSTP. The table indicates that voluntary collections did not generate the receipts that were anticipated by these states.

**Streamlined Sales Tax Collections
(In Millions of Dollars)**

	<u>Yearly Estimate</u>	<u>Yearly Actual</u>	<u>Difference</u>
Iowa	\$25.0	\$8.8	(\$16.2)
Kansas	\$25.9	\$7.3	(\$18.6)
Minnesota	\$20.0	\$3.4	(\$16.6)
New Jersey	\$34.7	\$6.2	(\$28.5)
Rhode Island *	<u>\$4.1</u>	<u>\$0.4</u>	<u>(\$3.7)</u>
Total	\$109.7	\$26.1	(\$83.6)

* Collections did not begin until January 1, 2007.

Additionally, both New York's Department of Taxation and Finance and California's State Board of Equalization have released studies indicating that, with regard to their state economies, membership in the SSUTA may not result in revenue increases. Experience has shown that it would be very difficult to quantify what Connecticut could expect from becoming a member state.

If a term defined in the Library of Definitions appears in a member state's sales and use tax statutes or administrative rules or regulations, the member state shall enact or adopt the Library definition of the term in its statutes or administrative rules or regulations in substantially the same language as the Library definition. A member state shall not use a Library definition in its sales or use tax statutes or administrative rules or regulations that is contrary to the meaning of the Library definition. Except as specifically provided in Section 316 and the Library of Definitions, a member state shall impose a sales or use tax on all products or services included within each definition or exempt from sales or use tax all products or services within each definition. The Library of Definitions includes administrative definitions, product definitions and sales tax holiday definitions. The Library of Definitions can be found in Appendix C of the SSUTA which is in as [Appendix B](#) of this report. The Commissioner and Legal Director of the Department of Revenue Services feel that a large rewrite of Chapter 219 of the Connecticut General Statutes would be required in order to come into compliance with the SSUTA. Included as [Appendix C](#), is the current Connecticut tax treatment of product definitions versus treatment under the SSUTA.

Under the SSUTA, each member state is charged with lessening the difficulties faced by sellers when there is a change in a state sales or use tax rate or base. It requires that each state make a reasonable effort to provide sellers with as much advance notice as practicable of a rate change, limit the effective date change to the first day of a calendar quarter and notify sellers of legislative changes in the tax base and amendments to sales and use tax rules and regulations.

The SSUTA calls for vendors who participate to be given compensation for collecting taxes. Connecticut is currently one of twenty states who do not provide a vendor allowance for the collection and remittance of the sales tax.

Finally, a replacement tax is a tax that is levied by a state on a specific item of tangible personal property or taxable service that functions in an identical fashion to traditional sales and use tax. In most cases, replacement taxes are enacted by states as a result of the SSUTA uniform tax rate and/or uniform base requirements; they are intended to maintain member state's "pre-streamlined" tax rate or tax base that would not otherwise conform to the SSUTA and are not labeled a sales tax. While a replacement tax for room occupancy has not caused controversy, Minnesota and New Jersey have enacted replacement taxes on fur clothing that has been controversial. An amendment to the SSUTA prohibiting replacement taxes was rejected by member states, but to date, this issue has not reached final resolution.

Recommendations

1. In order to move forward, Connecticut would have to deal with the prohibition of multiple rates and the prohibition of exemptions based on the value of an item. If it is decided that it is in Connecticut's best interest to participate, the executive and legislative branches of government need to reach consensus on these issues.
2. If it is decided that it is in Connecticut's best interest to participate, the state would need to develop a methodology to estimate what the revenue impact would be. Because the revenue impact will be based on the tax rate and base, it would be imperative that recommendation 1 be completed first.
3. The primary goal of the SSTP was to convince Congress to confer collection authority over remote sales on the states that enact the streamlined system on the theory that the system

eliminates the burdens on interstate commerce that had been the justification for denying states that authority. That has not yet happened making the current system voluntary. Connecticut should postpone its decision on becoming a participating member until such time as federal legislation is enacted.