

STREAMLINED SALES TAX GOVERNING BOARD, INC.

RULES AND PROCEDURES

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STREAMLINED SALES TAX GOVERNING BOARD, INC.

RULES AND PROCEDURES

TABLE OF CONTENTS

I. ARTICLE I. Purpose and Principle. [Reserved.]

II. ARTICLE II. Definitions. [Reserved.]

III. ARTICLE III. Requirements Each State Must Accept to Participate

Rules 301—308. [Reserved]

Rule 309. Sourcing Transactions.

Rule 309.1. Sourcing Certain Transactions.

Rule 309.2. Sourcing Prewritten Computer Software.

Rule 309.3. Sourcing Computer-Related Services.

Rules 309.4. Sourcing Software Post-Sale Support Agreements that Combine Both Prewritten Computer Software and Services (Software Post-Sale Support Agreements.)

Rules 310—313. [Reserved]

Rule 314. Telecommunication and Related Services Sourcing.

Rule 314.1. Use of Uniform Telecommunication and Related Services Sourcing Rules.

Rules 315 and 316. [Reserved.]

Rule 317. Administration of Exemptions.

Rule 317.1. Simplified Administration Process.

Rule 317.2. Drop Shipments.

Rules 318----326. [Reserved]

Rule 327 – Library of Definitions

Rule 327.2. Telecommunication Definitions.

Rule 327.3 Healthcare Definitions.

Rule 328. Taxability Matrix.

Rule 329. Effective Date for Rate Changes. [Reserved.]

Rule 330. Bundled Transactions.

Rule 330.1. Definition of a Bundled Transaction.

Rule 330.2. How to use the bundled transaction definition.

IV. ARTICLE IV. Seller Registration.

Rule 401. Seller Participation.

Rule 401.1. Registration. Time allowed a Model 1 or 2 seller to integrate with a CSP or CAS before losing amnesty.

Rule 401.2. Cancellation of Registration. [Reserved.]

Rule 402. Amnesty for Registration. [Reserved.]

Rule 403. Method of Remittance. [Reserved.]

Rule 404. Registration by an Agent. [Reserved.]

V. ARTICLE V. Provider and System Certification.

Rule 501. Certification process.

Rule 501.1 Definitions.

Rule 501.2 Certification of service providers.

Rule 501.3 Acceptance requirements for service providers.

Rule 501.4 Recertification process for Providers who have been Certified.

Rule 501.5 Certification of Model 2 automated systems.

Rule 501.6 Acceptance requirements for automated systems.

Rule 501.7 Certification Committee.

Rule 501.8 Testing Central.

VI. ARTICLE VI. Monetary Allowances for New Technological Models For Sales Tax Collection.

Rule 601. [Reserved.]

Rule 602.1 Monetary Allowance for Model 2 Sellers.

Rule 602.2. Monetary Allowance of Model 2 Sellers Procedural Rule.

VII. ARTICLE VII. Agreement Organization.

Rule 701. Effective Date. [Reserved.]

Rule 702. Approval of Initial States.

VIII. Article VIII. State Entry and Withdrawal.

Rule 801. Entry Into Agreement. [Reserved.]

Rule 802. Certificate of Compliance. [Reserved.]

Rule 803. Annual Recertification of Member States. [Reserved.]

Rule 804. Requirements for Membership Approval. [Reserved.]

Rule 805. Compliance. [Reserved.]

Rule 806. Agreement Administration.

Rule 806.1 Administration of Governing Board

806.1.1 Bylaws, Articles of Incorporation

806.1.2 Finance Administration Policies

806.1.3 Personnel Policies

- 806.1.4 Communication Policies
- 806.1.5 Cost Allocation Formula to Member States
- 806.1.6 Preservation and Destruction of Records
- 806.1.7 Publishing of Official Documents
- Rule 806.2 Notice Requirements.
- Rule 806.3. Administration of Compliance Audit Process
 - 806.3.1 Authority
 - 806.3.2 Definitions
 - 806.3.3 Audit Committee
 - 806.3.4 Audit Core Team
 - 806.3.5 Compliance Audit of a CSP
 - 806.3.5.1 Communication with Model 1 sellers
 - 806.3.5.2 Timeline for Compliance Audit Process
 - 806.3.5.3 Report on Audit Findings
 - 806.3.5.4 Contract Compliance Audit of CSP
 - 806.3.5.4.1 Transaction Documentation
 - 806.3.5.5 Tax Compliance Audit of Transactions Processed by the CSP
 - 806.3.6 Compliance Audit of a Model 2 Seller (Reserved)
 - 806.3.7 Compliance Audit of a Model 3 Seller
- Rule 807. Meetings.
 - Rule 807.1. Open Meetings.
 - Rule 807.2. Regular Meetings. [Reserved.]
 - Rule 807.3. Emergency Meetings.
 - Rule 807.4 Electronic Participation, Voting
- Rule 808. Withdrawal or Expulsion of a Member.
 - Rule 808.1 Withdrawal of a Member. [Reserved.]
 - Rule 808.2 Expulsion of a Member. [Reserved.]
- Rule 809. Sanction of a Member State. [Reserved.]
- Rule 810. State and Local Advisory Council.
 - Rule 810.1. Statement of Purpose
 - Rule 810.2. Council Membership, Officers, Steering Committee
 - Rule 810.3. Meetings
 - Rule 810.4. Council Resources
- Rule 811. Business Advisory Council. [Reserved.]

IX. Article IX. Amendments and Interpretations.

- Rule 901. Amendments to Agreement.
- Rule 902. Interpretations of Agreement.
 - Rule 902.1. Interpretive Rules.
- Rule 903. Definition Requests.
 - Rule 903.1. Requests for Additional Definitions.
 - Rule 903.2. Requests for Interpretation of a Definition.
- Rule 904. Compliance Petitions.

X. Issues Resolution Process.

- Rule 1001. Rules and Procedures for Dispute Resolution
- Rule 1002. Petition for Resolution.
- Rule 1003. Final Decision of Governing Board. [Reserved.]
- Rule 1004. Limited Scope of this Article. [Reserved.]

XI. Relationship of Agreement to Member States and Persons. [Reserved.]

STREAMLINED SALES TAX GOVERNING BOARD, INC.

RULES AND PROCEDURES

ARTICLE I

Purpose and Principle

[Reserved.]

ARTICLE II

Definitions

[Reserved.]

ARTICLE III

Requirements Each State Must Accept to Participate

Rules 301—308. [Reserved]

Rule 309. Sourcing Transactions.

Rule 309.1. Sourcing Certain Transactions.

Sections 309, 310 and 311 of the Streamlined Sales and Use Tax Agreement (SSUTA) contain the general sourcing regime. Rules 309.1, 309.2, 309.3, and 309.4 describe the application of Sections 309, 310 and 311 of the SSUTA to prewritten software transactions, to computer-related services, and sourcing software post-sale support agreements. Retail sales of software, or services with respect to such software, other than computer pre-written software, are not covered by Rules 309.1, 309.2, 309.3, and 309.4. For purposes of Rules 309.1, 309.2, 309.3, and 309.4, “location” means a geographic situs within a particular jurisdiction. Under Section 309 of the

SSUTA, the provisions of Rules 309.1, 309.2, 309.3, and 309.4 do not affect the obligation of a Purchaser or lessee to remit tax on the use of the product to the tax jurisdiction of that use.

Rule 309.2. Sourcing Prewritten Computer Software.

Using the hierarchy outlined in section 310 of the SSUTA, prewritten computer software is sourced as follows:

- (1) When prewritten computer software is received by the purchaser at a business location of the seller, the retail sale is sourced to that business location.
- (2) When prewritten computer software is not received by the purchaser at a business location of the seller, the retail sale is sourced to the location(s) where receipt by the purchaser occurs. Receipt may occur at multiple locations if the seller delivers the software to multiple locations. The transaction is sourced to those locations if the seller receives delivery information from the purchaser by the time of the invoice.

Example 1: Seller ships multiple hard copies of prewritten computer software to multiple locations of the Purchaser. The retail sale is sourced to those locations indicated by the instructions for delivery to each jurisdiction in which the Purchaser receives the prewritten computer software.

Example 2: Seller electronically delivers copies of the prewritten computer software to multiple locations of the Purchaser. The Seller has the information identifying the multiple locations for the electronic delivery of the prewritten computer software. The Seller sources the retail sale to each jurisdiction where the Purchaser receives the prewritten computer software.

Example 3: Seller electronically delivers prewritten computer software to the Purchaser's server in State A. The Seller has information identifying the location of the server in State A. Purchaser subsequently downloads copies of the prewritten computer software to its multiple locations. The Seller sources the retail sale to the jurisdiction where the Purchaser receives the prewritten computer software, at the location of the server in State A. Seller has no responsibility to source the retail sale to any other state.

Example 4: Purchaser headquartered in State A also has locations in States B and C. The Seller electronically delivers prewritten computer software to the Purchaser's server located in State B. The Seller has information identifying all of these locations. The Purchaser's prewritten computer software will be accessed by its employees in all three states. The Seller sources the retail sale to the jurisdiction where the Purchaser receives the prewritten computer software, at the location of the server in State B. Seller has no responsibility to source the retail sale to any other state.

- (3) When subsections (1) and (2) of this rule do not apply, the retail sale is sourced to the location indicated by an address for the purchaser that is available from the business

records of the seller that are maintained in the ordinary course of business when use of this address does not constitute bad faith.

Example: Seller electronically delivers prewritten computer software to an unknown location(s) of the Purchaser. The Seller has information identifying an address that is maintained in the Seller's files for business purposes. The Seller sources the retail sale to the jurisdiction for the address of the business location of the Purchaser available in the Seller's business records.

- (4) When subsections (1), (2), and (3) of this rule do not apply, the retail sale is sourced to the location indicated by an address for the purchaser obtained during the consummation of the retail sale, including the address of a purchaser's payment instrument if no other address is available when this address does not constitute bad faith.

Example: The Seller makes retail sales of prewritten computer software by allowing Purchasers to electronically download the prewritten computer software from Seller's website. In connection with the retail sale, the Purchaser discloses an address associated with the credit card used to pay for the prewritten computer software. This is the only location information the Seller receives from the Purchaser in connection with the retail sale. The Seller sources the retail sale to the jurisdiction of the address for the Purchaser associated with the credit card payment.

- (5) When neither subsections (1), (2), (3), or (4) of this rule apply, including circumstances in which the seller is without sufficient information to apply subsections (1), (2), (3), or (4) of this rule, then the retail sale is sourced to the jurisdiction for the address of the location from which the prewritten computer software was shipped or, if delivered electronically, was first available for transmission by the seller. "First available for transmission" means the location from which the software originated, irrespective of where it is routed, including intermediary servers.

Rule 309.3. Sourcing Computer-Related Services.

A retail sale of a computer-related service (hereinafter a "service") is sourced where the purchaser receives the service. "Receipt" is defined in Section 311 of the SSUTA to mean where the purchaser makes first use of the service. The purchaser may make first use of a service in more than one location.

- (1) If the purchaser receives the service at a business location of the seller, the retail sale is sourced to that business location of the seller.

Example: A Purchaser drops off two of its computers at a Seller's location for the purpose of having data recovered from one computer and transferred to the second computer. Upon the completion of the service, the Purchaser picks up the computers at the Seller's location. The retail sale of the service is sourced to the Seller's location.

(2) When the service is not received by the purchaser at a business location of the seller, the retail sale is sourced to the location(s) where receipt by the purchaser occurs.

- a. If the service is received by the purchaser exclusively at one or more locations of the purchaser and the amount of the service received by the purchaser at each location is known by the seller, the retail sale is sourced to those locations.

Example 1: A Purchaser receives computer services at the Purchaser's location. The retail sale of computer services is sourced to the Purchaser's location.

Example 2: Seller sends computer repair personnel to two of Purchaser's locations to perform data recovery services in States A and B. Seller bills Purchaser at an hourly rate for the work performed by its employee. The Seller's employee tracks its time based on the work performed at each location. The Seller shall source the retail sale to States A and B in accordance with the time spent at each location.

Example 3: Purchaser, with a single location in State A, accesses, but does not license, software located on Seller's server located in State B, which is characterized in both States A and B as a computer-related service. The Seller knows that the Purchaser makes first use of this service at its location in State A. Seller sources the transaction to State A.

- b. If receipt occurs in multiple locations and the purchaser and seller agree to allocate the retail sale to multiple locations based on a reasonable and consistent method, the seller shall source the retail sale to those locations using such method. The locations and allocation must be provided by the purchaser by the time of the invoice.

Example: Purchaser, headquartered in State A, and Seller enter into a data processing services agreement. Under the agreement, Seller will conduct the data processing services from its facility located in State P. Purchaser has employees evenly distributed in States A, B, C, and D who will be accessing Seller's facility remotely using a communications network and making use of Seller's data processing services. Purchaser requests that Seller's invoice reflect the fact that it will be receiving the data processing services equally in States A, B, C, and D. Seller agrees to the Purchaser's request and sources the transaction between the four states where the Purchaser will be receiving the services. Seller has satisfied its responsibility for sourcing the transaction under Section 310(A)(2).

- c. If the seller does not receive information as to the location(s) where the service will be received by the purchaser or the purchaser and seller do not agree, the seller shall source the retail sale to a single location in accordance with subsection (3), below.

Example: Purchaser is located in States A, B, C, and D. Purchaser and Seller enter into a data processing services agreement. Under the agreement, Seller will conduct the data processing services from its facility located in State P. Purchaser's employees in States A, B, C, and D will be accessing Seller's facility remotely using a

communications network and making use of Seller's data processing services, but this information is not provided to the Seller. Seller sends the invoice to Purchaser in State A. Seller sources the transaction to State A. Seller has no responsibility for sourcing the transaction to any other state.

- (3) When subsections (1) and (2) of this rule do not apply, the retail sale is sourced to the location indicated by an address for the purchaser that is available from the business records of the seller that are maintained in the ordinary course of business when use of this address does not constitute bad faith.

Example: Purchaser accesses software located on the Seller's server from an unknown location. Seller's server is located in State A. The Seller has business records that identify the Purchaser's address as State B. The retail sale of access services is sourced to State B, where the Purchaser receives the service.

- (4) When subsections (1), (2), and (3) of this rule do not apply, the retail sale is sourced to the location indicated by an address for the purchaser obtained during the consummation of the retail sale, including the address of a purchaser's payment instrument, if no other address is available, when this address does not constitute bad faith.

- (5) When neither subsections (1), (2), (3), or (4) of this rule apply, including circumstances in which the seller is without sufficient information to apply subsections (1), (2), (3), or (4) of this rule, then the location is determined by the address from which the service was provided.

Rule 309.4. Sourcing Software Post-Sale Support Agreements that Combine Both Prewritten Computer Software and Services (Software Post-Sale Support Agreements).

- (1) The initial retail sale of a software post-sale support agreement sold by the seller of the software is sourced to the same address(es) as the retail sale of the underlying software.
- (2) a. The retail sale of a software post-sale support agreement sold after the retail sale of the underlying software, the renewal of a software post-sale support agreement, or the retail sale of a software post-sale support agreement by a seller other than the seller of the software is treated separately from the retail sale of the underlying software and shall be sourced in accordance with Section 310(A) of the SSUTA.

b. Where Section 310(A)(1) and (2) of the SSUTA do not apply, sourcing a retail sale of a renewal of a software post-sale support agreement to an address where the purchaser received the underlying software will not constitute bad faith so long as the seller has not received information from the purchaser indicating a change in the location of the underlying software.

Rules 310—313. [Reserved]

Rule 314. Telecommunication and Related Services Sourcing.

Rule 314.1. Use of Uniform Telecommunication and Related Services Sourcing Rules.

1. Who is required to use. Uniform sourcing rules pertaining to telecommunications services, ancillary services and Internet access service that are contained in section 314 of the Streamlined Sales and Use Tax Agreement shall be used by all member states that impose sales and use taxes on such services, Member states must utilize the sourcing definitions contained in section 315 in applying the sourcing rules in section 314.

2. Use of sourcing rules. Sourcing rules pertaining to telecommunications services, ancillary services and Internet access service that are provided in section 314 of the Streamlined Agreement shall be used by member states that impose sales or use taxes on such services. These sourcing rules do not apply to other services not included in the definition of “telecommunications service” or “ancillary service” or that are not Internet access service. Nothing in the Agreement shall be construed to require states with existing excise taxes on telecommunications and related services to modify their existing excise tax sourcing rules.

3. Use of sourcing definitions. The sourcing definitions provided in section 315 are only applicable for applying the sourcing rules. They do not apply for tax imposition or exemption, which requires the use of the definitions contained in the Library of Definitions.

4. Location of the customer is not known. If the location of the customer’s service address, channel termination point or place of primary use is not known, the location where the seller receives or hands off the signal shall be deemed to be the customer’s service address, channel termination point or place of primary use.

Rules 315 and 316. [Reserved.]

Rule 317. Administration of Exemptions.

Rule 317.1. Simplified Administration Process.

A. Administrative Issues

1. Identifying Information of Purchasers Claiming Exemption from Tax. Unless waived by a state pursuant to Section B7, a seller shall obtain the following information from a purchaser who claims exemption from tax: its name, address, type of business (see A2 below), reason for exemption (see A4 below), ID number required by the state to which the sale is sourced, state and country issuing ID number and, if a paper form is used, a signature of the purchaser.

2. Identification of business type. A purchaser claiming exemption from tax shall select one of the following business type--codes to identify its type of business:

- a. Accommodation and food services

- b. Agricultural, forestry, fishing and hunting
- c. Construction
- d. Finance and insurance
- e. Information, publishing and communications
- f. Manufacturing
- g. Mining
- h. Real Estate
- i. Rental and leasing
- j. Retail trade
- k. Transportation and warehousing
- l. Utilities
- m. Wholesale trade
- n. Business services
- o. Professional services
- p. Education and health-care services
- q. Nonprofit organization
- r. Government
- s. Not a business
- t. Other _____

3. Exemption Reason Coding System. All sellers and governing board states shall adopt the following exemption reason coding system to assist member states in identifying purchasers whose eligibility to claim exemption should be verified.

4. Reason for exemption. A purchaser claiming exemption from tax shall select one or more of the following reason codes for claiming exemption from tax:

- a. Federal government
- b. State or local government
- c. Tribal government
- d. Foreign diplomat
- e. Charitable organization
- f. Religious or educational organization
- g. Resale
- h. Agricultural production
- i. Industrial production/manufacturing
- j. Direct pay permit
- k. Direct mail
- l. Other _____

5. Uniform paper exemption certificate. Member states shall adopt the uniform paper exemption certificate developed for use by member states and adopted by the Governing Board. [See SSUTA § 317.A.3.]

- a. A member state shall not customize the uniform exemption certificate except to gray out exemption reason types not authorized by a particular state's law.
- b. A member state shall accept the uniform paper exemption certificate or the electronic form described in A7 below for all exemptions.
- c. A member state shall allow purchasers and sellers to use substitute exemption certificates if they contain the same information as the uniform exemption certificate.

6. ID numbers. The following provisions shall apply to member states with regard to ID numbers required from purchasers claiming exemption from tax:

- a. Each member state shall be permitted to choose whether to require an ID number. A state has the option to require a number for some exemptions, e.g., resale, but not for others, e.g., farmers.
- b. If a member state requires the use of an ID number, it shall require purchasers claiming exemption from tax to use only:
 - (i) A state-issued business number;
 - (ii) A state-issued exemption number;
 - (iii) A state-issued driver's license number; or
 - (iv) A United States federal ID number.
- c. Use of an ID number issued by a foreign government shall only be acceptable when claiming a resale exemption for purchases of services, other than services to real or tangible personal property.
- d. A member state shall not request a purchaser's social security number.
- e. A member state shall advise the Governing Board and the general public as to whether it requires a purchaser to provide an ID number to claim exemption from the tax.
- f. If a member state requires a purchaser to provide an ID number to claim exemption from tax, such member state shall advise the Governing Board and the general public as to which of the ID numbers set forth in (6)(b) above is required or allowed for each type of exemption claimed.
- g. A seller shall not be required to verify whether the purchaser has provided the correct ID number to claim exemption from the tax.

7. Electronic forms. The standard form for claiming an exemption electronically shall be a standard set of data elements (Standard Data Elements) that correspond to the information that the purchaser would otherwise provide the seller in the uniform paper exemption certificate at the time of purchase. The Standard Data Elements will be specifically identified by the Governing Board at the time the uniform paper exemption certificate is adopted. Once such Standard Data Elements are captured, a seller shall be deemed to have received a proper electronic exemption form.

8. Direct pay authority and direct mail. Direct pay authority and direct mail are reasons for claiming exemption from tax at the time of purchase and self-assessing tax to the appropriate state or states (see A4 above). Reason codes shall be established for tax exemptions for these purposes and listed on the uniform exemption certificate form in the “reason for exemption” section of the form.

9. Multistate Supplemental Form. Purchasers may complete the Multistate Supplemental Form as an attachment to a single exemption certificate when they regularly make exempt purchases from the same seller and the purchases from that seller will be sourced to different states. Purchasers shall identify the reason for exemption and the identification number (if required) for each state the purchaser wants to claim exemption from tax.

10. Fully Completed Exemption Certificate and Required Standard Data Elements to be captured. Member states shall relieve a seller of the tax otherwise applicable if the seller obtains a fully completed paper exemption certificate or captures the Standard Data Elements from an electronic form.

- a. A fully completed paper exemption certificate includes all information fields requested on the Streamlined Sales and Use Tax Agreement’s Certificate of Exemption and Multistate Supplemental Form except for the exemption reason identification numbers requested in Section 5 of the paper Certificate of Exemption.
- b. The Standard Data Elements are the same as for a fully completed paper exemption certificate except the signature of the authorized purchaser is not required.
- c. A faxed exemption certificate is considered a paper exemption certificate and requires a signature.
- d. Sellers that enter the Standard Data Elements from a paper exemption certificate into electronic format are not required to retain the paper copy of the exemption certificate.

B. Policy and Operational Issues

1. Completion of Taxability Matrix. Member states shall complete the Taxability Matrix approved by the Governing Board and shall show thereon their treatment of the definitions in the Streamlined Sales and Use Tax Agreement’s Library of Definitions.

2. Completion of information forms. Member states may complete the following forms:

- a. Member State Information on Product-Based Exemptions
- b. Member State Information on Taxable Services
- c. Member State Information on Other Exemptions

3. Blanket exemption certificates. All member states shall accept either the uniform paper exemption certificate form (see A5 above) or a substitute form containing the Standard Data Elements (see A5c and A7 above) filed for a particular reason and applicable to a current transaction and subsequent similar transactions. For example, a purchaser that has provided a seller with an exemption certificate for the purchase of items for resale shall not be required to provide the same seller with another exemption certificate when subsequently purchasing items for resale.

4. Blanket exemption certificates allowed for all purposes. Member states shall allow blanket exemption certificates for all exemption purposes.

5. Renewal of blanket exemption certificate information.

- a. Member states may require purchasers to update exemption certificate information or to reapply with the member state to claim certain exemptions.
- b. Member states may not request from sellers renewal of blanket certificates or updates of exemption certificate information or data elements when there is a recurring business relationship between the purchaser and seller. For purposes of this section, “a recurring business relationship” exists when a period of no more than twelve months elapses between sales transactions. [See SSUTA § 317.C. effective 1/1/08.]

6. Nonresident purchasers. With respect to seller liability, a member state shall honor an exemption certificate filed by a purchaser even if the purchaser is not a resident, resident organization or registered business in the member state.

7. When seller is required to obtain an exemption certificate. A seller shall obtain an exemption certificate or data elements from the purchaser on all sales of taxable products and services sold without collecting the tax unless the state imposing the tax has waived the requirement for an exemption certificate on the sale (e.g., a state may choose to waive the exemption certificate requirement on sales made to tax-exempt organizations).

C. Systems Related Issues

1. Default rules for coding the taxability of products.

a. Sellers, Certified Service Providers (CSP's), and Model 2 Automated Systems (CAS's) shall code all products that are tangible personal property as taxable unless a member state has specifically exempted or excluded the product from its tax base.

b. Sellers, CSP's, and CAS's shall code all services sourced to member states that enumerate taxable services as exempt unless a member state has specifically enumerated the service as a taxable service.

c. Sellers, CSP's, and CAS's shall code all services sourced to member states that tax services in the same manner as tangible personal property as taxable unless a member state has specifically exempted or excluded the service from its tax base.

3. Verification of exemption numbers not required. A member state shall not require a seller or a certified service provider to verify exemption numbers.

D. Audit Issues

1. Multi-item invoices containing exempt and nonexempt items. If a purchaser only claims exemption from tax on some of the items purchased on a multiple-item invoice and a seller, who does not have a mechanism in place to accurately track exempt and non-exempt items on a multi-item invoice, allows an exemption on all items on the invoice, then a member state shall hold the seller liable for the tax on the nonexempt items on the invoice.

2. Retention of records by a seller. A seller shall retain an exemption certificate submitted by a purchaser, or the Standard Data Elements, for as long as such seller is required to retain other sales and use tax business records under the law applicable in the state to which the sale is sourced.

3. Certified service providers ("CSP") and certified automated software ("CAS"). A CSP or a seller using a CAS shall collect and provide to member states on a periodic basis, sufficient aggregated information on each purchaser claiming exemption from the tax to enable member states to verify each purchaser's exemption eligibility status. Such aggregated information shall be provided to member states in the standardized format required by the Governing Board to facilitate data-extraction and data-mining so as to enable member states to identify purchasers as potential audit candidates and to verify the claimed tax exempt status of purchasers. Pursuant to SSUTA § 317A(6) of the Streamlined Sales and Use Tax Agreement, the Governing Board shall develop standard rules and requirements for collecting and providing aggregated information on purchasers claiming exemption from the tax.

4. Joint state auditing of exempt transactions. The Governing Board shall develop standard rules and administrative practices for joint auditing of exempt transactions by member states.

Rule 317.2 Drop shipments.

A. Definitions

1. Drop shipment sales defined. “Drop shipment sale” means a sale of tangible personal property that occurs when a seller accepts an order from a customer and then places the order with a drop shipper, such as a manufacturer or wholesaler, and directs the drop shipper to deliver tangible personal property sold directly to the customer.

2. Drop shipper defined. A “drop shipper” is a third party, such as a manufacturer or wholesaler, with whom an out-of-state seller that has accepted an order for tangible personal property from a customer and who places the order and directs to deliver the tangible personal property sold directly to the customer. The drop shipper may deliver the tangible personal property in its own truck, by common or contract carrier, or over-the counter at the drop shipper’s location.

B. Tax liability for drop shipment sales

1. Drop shipper collects and remits tax unless resale exemption applies. A seller of tangible personal property may issue a resale exemption certificate or other acceptable information evidencing qualification for a resale exemption to the drop shipper, even though the seller is not registered to collect sales or use tax in the state where the sale occurs. Upon receipt of the certificate or other acceptable information, the drop shipper shall not be subject to sales or use tax on the sale of tangible personal property that the seller directs the drop shipper to deliver to the seller’s customer.

2. Seller collects and remits sales tax if it has nexus or is a volunteer registrant in the state of delivery, unless an exemption applies. In a drop shipment sale transaction, the seller shall collect sales tax from its customer and remit such tax to the proper taxing authority, unless the customer has provided the seller with a resale certificate or other acceptable information evidencing qualification for exemption.

3. Customer is liable for use tax if seller does not collect tax. If the out-of-state seller or drop shipper does not collect and remit the appropriate sales tax due on a drop shipment sale, the seller’s customer shall be subject to use tax unless such customer can claim a valid exemption.

Note: Refer to Rule 317.1 regarding resale exemption requirements for transactions other than drop shipments.

Note: This rule does not address drop shipments as they may apply to services and digital products. Whether a state allows an out-of-state seller to provide a drop shipper with a resale exemption or other acceptable information evidencing qualification for a resale exemption on the sale of services or digital products is determined by each state’s law.

Rules 318---326. [Reserved]

Rule 327. Library of Definitions

Rule 327.2. Telecommunication Definitions.

A. Who is required to use. Uniform definitions pertaining to telecommunications that are contained in the Streamlined Sales and Use Tax Agreement shall be used by all member states in imposing sales and use taxes or in providing for exemptions.

B. Use of definitions. Definitions pertaining to telecommunications and related services that are provided in the Streamlined Sales and Use Tax Agreement shall be used by member states to impose sales or use taxes or in providing for exemptions. Nothing in the Agreement, its telecommunications definitions or in this rule shall be construed to require states with existing excise taxes on telecommunications and related services to modify their existing excise tax definitions.

C. Definitions not found in the Streamlined Sales and Use Tax Agreement. Definitions pertaining to telecommunications that are used for federal regulatory or tax purposes, for state or local regulatory purposes or for purposes of administering other state or local taxes do not apply for purposes of state sales and use taxation of telecommunication services, unless these definitions are specifically referenced in the Streamlined Sales and Use Tax Agreement.

D. Partial exclusion of a definition is prohibited. A member state choosing to tax telecommunication services shall use applicable definitions contained in the Streamlined Sales and Use Tax Agreement and shall not exclude from imposition a part of any definition or any item included in such a definition unless the Streamlined Sales and Use Tax Agreement specifically permits such a variation.

E. Telecommunications definitions are not limited to products sold by certain sellers. No definition pertaining to telecommunications services and related services in the Streamlined Sales and Use Tax Agreement shall be construed to limit such definition to products sold by a particular seller (i.e., “telecommunications services” sold by a telephone company may also be sold by other vendors).

F. Use-based and entity-based exemptions. A member state may choose to limit the imposition of sales taxes on telecommunications services by providing use-based or entity based exemptions. A state’s incorporation of the Streamlined Sales and Use Tax Agreement definitions applicable to telecommunication services and related services shall not prohibit such state from applying “use-based” or “entity-based” exemptions.

G. “Telecommunications services” does not include telephone answering services. The term “telecommunications services” does not include telephone answering services because the primary purpose of the transaction is the answering service rather than message transmission.

H. Definitions may be used for imposition and exemption purposes. The following provisions shall apply to member states that impose a tax on all telecommunications services and related services, on all such services with certain exclusions or exemptions, or only on certain telecommunications services:

1. A member state choosing to broadly impose a tax on telecommunications services shall use the definition of “telecommunications services” set forth in the Streamlined Sales and Use Tax Agreement. In so doing, the state will impose tax on all telecommunications services, including residential telecommunications service, telegraph service, value-added non-voice data service and voice over Internet Protocol, as well as 800 service, 900 service, fixed wireless service, local service, mobile wireless service, paging service, and private communications service, unless the state provides a specific exclusion or exemption for one or more of such services.

2. A member state shall define any telecommunications service that it wishes to exclude or exempt from taxation substantially as it is defined in the Streamlined Sales and Use Tax Agreement. It will be necessary for the state to define one of the subsets of “telecommunications services” only if an exclusion or exemption is desired (i.e., a state that wishes to tax all telecommunications services except 800 service, 900 service, paging service, and private communications service would impose a tax on “all telecommunications services except 800 service, 900 service, paging service, and private communications service” and specifically adopt the Streamlined Sales and Use Tax Agreement definitions of such excluded or exempted services).

3. A member state that imposes a tax on telecommunications services or components thereof shall not exclude or exempt from tax an item that is a telecommunications service if there is no definition of such an item in the Streamlined Sales and Use Tax Agreement, except as provided for local telecommunications service.

4. A member state that wishes to tax only limited types of telecommunication services, rather than the broad category with exceptions, shall impose the tax only on the specific types of telecommunication services that it wishes to tax and shall use the definitions set forth in the Streamlined Sales and Use Tax Agreement to define the telecommunication services taxed (e.g., a state could choose to tax only “900 services” because such services are specifically defined in the Streamlined Sales and Use Tax Agreement).

5. If a state imposes tax on a broad group of services that includes telecommunications services, it shall use the definition of “telecommunications services” in the Streamlined Sales and Use Tax Agreement to make it clear that such services are included in the broad group of services taxed. If a state wishes to tax Ancillary Services, it must explicitly impose its tax on Ancillary Services as defined in the Streamlined Sales and Use Tax Agreement (e.g., if “communication

services” are taxed, the language imposing the tax must specifically state that such services include “telecommunication services” and any “ancillary” services included in the broad group of communication services taxed).

6. A state that imposes sales and use tax on telecommunications services only if they originate and terminate in the state and that wishes to retain such a tax result under the Streamlined Sales and Use Tax Agreement shall amend its law to impose the tax on “intrastate” telecommunications services only and adopt the definition of “intrastate” services in the Streamlined Sales and Use Tax Agreement.

7. A state that imposes sales and use tax on telecommunications services that originate or terminate in the state and that wishes to retain such a tax result under the Streamlined Sales and Use Tax Agreement shall amend its law to impose the tax on “intrastate” and “interstate” telecommunications services (and “international,” if applicable), and adopt the definitions of “intrastate” and “interstate” (and “international,” if applicable) services in the Streamlined Sales and Use Tax Agreement.

8. A state may tax or exempt only a specific use of telecommunications services, such as residential use.

9. A state may tax, or exclude from tax, any one or all of the “ancillary services” that are not telecommunications services. For example, the tax may be imposed on “all ancillary services except detailed telecommunications billing service and directory assistance.” Or, the tax may be imposed on any one or more of the specific ancillary services, such as “voice mail services,” rather than on “ancillary services” in general.

10. A state imposing tax on telecommunications services but desiring to exempt pay telephone services shall specifically provide a statutory exemption using definitions provided in the Streamlined Sales and Use Tax Agreement for “pay telephone service” and/or “coin operated telephone service.”

11. A state imposing tax on telecommunications services but desiring to exempt value-added non-voice data services, such as encryption, device management, security authentication or data monitoring services that otherwise meet the definition of telecommunications services, shall specifically provide a statutory exemption using the definition provided in the Streamlined Sales and Use Tax Agreement for “value-added nonvoice data service.”

Rule 327.3. Healthcare Definitions

Member states enacting product-based exemptions for defined healthcare products or utilizing the defined healthcare terms in entity or use based exemptions shall include all products within each defined term unless specific exceptions are provided for in the definition. The attached

chart, (Appendix A) which is not an all inclusive list of all products within each defined term, is the placement of products within the correct defined healthcare term included in Part II of the Library of Definitions. Each member state shall utilize the defined terms and the placement of products within each of the defined terms if a member state adopted any of the healthcare definitions contained in Part II of the Library of Definitions. Where a product is not included in the list, member states shall use the list as guidance in placement of products within the defined terms.

Rule 328. Taxability Matrix.

Rule 329. Effective Date for Rate Changes. [Reserved.]

Rule 330. Bundled Transactions.

Rule 330.1. Definition of a Bundled Transaction.

A. Application and Severability of the Definition. Member states shall adopt and use all parts of the definition of a “bundled transaction” set forth in Part I of the Library of Definitions to determine whether a transaction is a bundled transaction and none of the definition’s parts shall be severable when making such a determination. Except as provided in this rule, a transaction that does not comply with any single part of the definition shall not be a bundled transaction.

B. Types of Products Included in a Bundled Transaction. For purposes of the “bundled transaction” definition found in Part I of the Library of Definitions, “products” shall include all types of products except real property and services to real property. Types of products include; tangible personal property, services, intangibles, digital goods, and products that a member state has directly imposed tax on the retail sale thereof but the imposition of tax on the retail sale of such products may not itself be considered tangible personal property, services, or digital goods. Member states may continue current sales and use tax treatment for transactions that include real property or services to real property. Services to real property include, for purposes of example only, such services as building framing, roofing, plumbing, electrical, painting, and janitorial, pest control and window cleaning.

1. Distinct and Identifiable Products. A “bundled transaction” is a retail sale of two or more products that are “distinct and identifiable.” Packaging that accompanies the retail sale of a product, products provided free of charge and items included in a member state’s definition of “sales price” and “purchase price” are not distinct and identifiable products.

a. Packaging is not a separate and distinct product when such packaging is the wrapping or packing that accompanies the retail sale of a product(s) and such packaging is incidental or immaterial to the retail sale of the product(s). Member states may exempt from tax the purchase or use of packaging or subject to tax the purchase of packaging that will accompany retail sales of products by limiting the seller’s authority to utilize a resale exemption.

b. A product provided free of charge is not a separate and distinct product. A product shall be considered to be provided free of charge in a retail sale if, in order to obtain the product, the purchaser is required to make a purchase of one or more other products and the price of the purchased products does not change based on the seller providing a product free of charge. Such products provided free of charge with the necessary purchase of another product (e.g. a free car wash with the purchase of gas or free dinnerware with the purchase of groceries) shall be considered “promotional products”. Member states may exempt from the tax the purchase by a seller of products that will be provided free of charge to a purchaser of another product or subject to tax the purchase of products that will be provided free of charge to the purchaser of another product by limiting the seller’s authority to utilize a resale exemption. Member states may have different tax treatments for different types of promotional products.

c. A retail sale is not considered to be for “two or more distinct and identifiable products” if the items are included in a member state’s definition of “sales price” and “purchase price.” For example, if a member state includes “delivery charges,” whether separately itemized or not, in its definition of “sales price,” the retail sale of a product and the delivery of that product for a single price shall not be considered a bundled transaction because the delivery charges are included in the sales price of the product under the definition of “sales price” adopted by the member state.

2. One Non-itemized Price. The sales price or purchase price of a bundled transaction is for one non-itemized price. If a retail sale of two or more products is not made for “one non-itemized price,” then the retail sale is not a “bundled transaction.” A transaction shall not be considered to be a bundled transaction if, by negotiation or otherwise, the sales price varies with the purchaser’s selection of the distinct and identifiable products being sold. A retail sale shall not be considered made for “one non-itemized price” if the purchaser has the option of declining to purchase any of the products being sold and, as a result of the purchaser’s selection of products, the sales price varies or a different price is negotiated.

a. A retail sale shall not be considered a bundled transaction if the price is separately identified by product on binding sales documents or other supporting sales-related documentation made available to the purchaser because the sale is not being made for “one non-itemized price.” The sales-related documents made available to a purchaser in paper or electronic form shall provide enough information for the purchaser to determine the price(s) of taxable and exempt products.

b. A transaction shall not be considered a bundled transaction if a seller bills or invoices one price for the sale of distinct and separate products but the price invoiced is equal to the total of the individually priced or itemized products contained in supporting sales-related documentation, such as a catalog, price list, or service agreement.

c. If the seller bills or invoices one price for a transaction that includes a bundle of products and also includes one or more additional products that are individually priced or itemized in a catalog or price list, the additional products individually priced or itemized

shall not be considered to be a part of the bundled products sold for one non-itemized price.

d. If a transaction does not qualify as a bundled transaction because of the provisions in this subsection (B.2.a-c), the transaction shall not be considered a bundled transaction as a result of the seller offering a subsequent discount of the total sales price without itemizing the amount of the discount for each product. In such a situation, if there is no sales-related documentation showing the allocation of the discount, the discount shall be considered to be allocated pro rata among the otherwise separately itemized products.

3. Records Required to be Maintained by the Seller. In order to show whether a retail sale was for one or more distinct and identifiable products and whether the products were sold for one non-itemized price, a seller shall maintain copies of invoices, service agreements, contracts, catalogs, price lists, rate cards and other sales-related documents given to, or made available to, the purchaser. A member state shall not be restricted in assessing tax because the seller or purchaser failed to provide documentary proof that the price varied based on the purchaser's selections of products.

4. Exclusions of Transactions that Otherwise Would Qualify as Bundled Transactions. Part C of the definition of a "bundled transaction" contains exclusions for transactions that would otherwise qualify as bundled transactions. For transactions that include tangible personal property and a service, or multiple services, sellers may utilize Part C-1 and C-2 of the definition or Part C-3 of the definition to determine if the transaction qualifies as a bundled transaction. Part C-1 does not apply to transactions that include only tangible personal property. Part C-3 may be applied to transactions that include all types of products to determine whether the transaction qualifies as a bundled transaction. Part C-4 does not apply to transactions that include products that are not tangible personal property.

5. True Object Part C-1 and C-2. "True object," as the term is used in Part C-1 or C-2 of the definition, shall mean the main product or item in the transaction. If as a result of applying Part C-1 or C-2 a transaction is not a bundled transaction, then the transaction shall be considered a retail sale of the service that is the object of the transaction.

a. Parts C-1 and C-2 of the definition of a bundled transaction are subjective in nature and shall be applied on a case-by-case basis to the particular facts involved in each situation. Examples, not intended to be all inclusive, of factors that might be considered are as follows:

- The business in which the seller is engaged.
- The purchaser's object in engaging in the transaction.

b. Member states are not prohibited from imposing tax or exempting from tax a seller's purchase of a tangible good or service that is essential to the use of a service that is the object of the transaction and that is provided exclusively in connection with such service.

Member states are not prohibited from subjecting such tangible good or service to tax by limiting the seller's authority to utilize a resale exemption.

c. A member state shall not limit the application of the true object test under Part C-1 and C-2 of the definition by using any of the following methods:

i. Placing a cap on the price of the transactions to which the test would apply.

ii. Using thresholds for the purpose of taxing a portion of the sales price of a transaction in which taxable products are determined to not be the true object of the transaction.

iii. Taxing the total sales price or total purchase price of a transaction that includes both taxable products and non-taxable products and the taxable products are determined to not be the true object of the transaction.

iv. Requiring sellers to separately price or itemize on a purchaser's invoice the taxable products that are not the true object from the non-taxable products included in the transaction for purposes of subjecting the sales price of the taxable products to tax.

6. De minimis Test Part C-3. A seller may use the sales price or the purchase price of each product in the transaction to measure or quantify whether the taxable products are de minimis under Part C-3 of the definition. A seller shall not use the sales price for some products in the transaction and the purchase price for other products in the transaction to measure or quantify whether the taxable product(s) in the transaction are de minimis.

a. If services have been sold under a service contract, the full contract price for the services shall be used to determine whether products in the transaction are de minimis regardless of the time period covered by the service contract. For the purpose of determining whether services in the transaction are de minimis, the price of the services shall not be prorated based on the term of the service contract.

b. When the taxable products in a transaction are determined to be de minimis, the transaction is not a "bundled transaction."

c. A member state shall not limit the application of the de minimis test under Part C-3 of the definition by using any of the following methods:

i. Placing a cap on the price of the transactions to which the test would apply.

ii. Using thresholds for the purpose of taxing a portion of the sales price of a transaction in which taxable products are determined de minimis.

iii. Taxing the total sales price or total purchase price of a transaction that includes both taxable products and non-taxable products and the taxable products in the transaction are de minimis.

iv. Requiring sellers to separately price or itemize on a purchaser's invoice the taxable products that are otherwise de minimis from the non-taxable products included in the transaction for purposes of subjecting the sales price of the taxable products to tax.

7. Primary Test Part C-4. A seller may use the sales price or the purchase price of each product in the transaction to measure or quantify whether the taxable products in the transaction are the primary products (more than 50% of the total sales price or purchase price) under Part C-4 of the definition. A seller shall not use the sales price for some of the products in the transaction and the purchase price for other products in the transaction to measure or quantify whether the taxable product(s) in the transaction are the primary products.

a. Part C-4 may be applied only to transactions that contain multiple products that are only tangible personal property and at least one product is: food and food ingredients including soft drinks, candy, and dietary supplements; drugs including over-the-counter and grooming and hygiene products; durable medical equipment; mobility enhancing equipment; prosthetic devices, all of which are defined in the Agreement; and medical supplies. The term "medical supplies" is not a defined term under the Agreement. Member states may define "medical supplies" according to its state laws for purposes of applying Part C-4.

b. When the taxable products in the transaction are not the primary products (more than 50%) under Part C-4 of the definition, then the transaction is not a "bundled transaction."

c. A member state shall not limit the application of the primary products (more than 50%) test under Part C-4 of the definition by using any of the following methods:

i. Placing a cap on the price of the transactions to which the test would apply.

ii. Using thresholds for the purpose of taxing a portion of the sales price of a transaction in which exempt products are determined to be the primary products (more than 50%) of the transaction.

iii. Taxing the total sales price or total purchase price of a transaction that includes only tangible personal property and at least one of the products is a product specified in Part C-4(a) of the definition and the taxable products are not the primary products (more than 50%) in the transaction.

iv. Requiring sellers to separately price or itemize on a purchaser's invoice the taxable products that are not the primary products (more than 50%) of the retail sale under Part C-4 of the definition for purposes of subjecting the otherwise taxable products to tax.

Rule 330.2. How to use the bundled transaction definition.

A. Member States' Requirements Under § 330 of the Streamlined Sales and Use Tax Agreement. Member states shall be required to adopt the definition of a bundled transaction and adopt provisions for the tax treatment of bundled transactions.

1. A member state may adopt provisions that would treat the taxation of some bundled transactions in one manner while treating the taxation of other bundled transactions differently. A member state may adopt provisions that provide for different tax treatment of bundled transactions based on the distinct and separately identifiable products included in the transaction.

2. A member state shall be prohibited from adopting provisions for the tax treatment of bundled transactions that are not in compliance with other provisions of the Streamlined Sales and Use Tax Agreement (i.e. imposing different tax rates or having caps or thresholds that apply to bundled transactions).

B. Telecommunication service, Ancillary service, Internet access and Audio Video Programming service. A member state shall be required to adopt the provisions of § 330(C) of the Streamlined Agreement that are applicable to bundled transactions that include all types of products except real property and services to real property when at least one product is a telecommunication service, ancillary service, internet access, or audio or video programming service.

1. A member state shall not be prohibited from imposing tax on the total non-itemized price of a bundled transaction unless the bundled transaction includes the distinct and separately identifiable products specified in Section 330(C) of the Streamlined Agreement and the seller has maintained books and records identifying through reasonable and verifiable standards that portion of the price attributable to the distinct products.

2. When the taxable portion of a bundled transaction's non-itemized price is subjected to taxation under § 330(C), a member state shall use only books and records maintained by the seller in the regular course of business. Books and records shall be considered to be maintained primarily for tax purposes when such books and records identify taxable and nontaxable portions of the price, but the seller maintains other books and records that identify different prices attributable to the distinct products included in the same bundled transaction. Generally, books and records kept in the regular course of business and that are acceptable for use by a member state for subjecting the taxable portion of a bundled transaction's non-itemized price to taxation under § 330(C) include financial statements, general ledgers, invoicing and billing systems and reports, and reports for regulatory tariffs and other regulatory matters; provided, however, that the books and records named herein shall not be considered all inclusive.

**ARTICLE IV
Seller Registration.**

Rule 401. Seller Participation.

Rule 401.1. Registration. Time allowed a Model 1 or 2 seller to integrate with a CSP or CAS before losing amnesty.

- (a) For a volunteer seller registering as a Model 1 Seller, the seller's obligation under SSUTA to collect and remit will commence no later than the first day of the calendar month 60 days after registration on the central registration system.
- (b) For a volunteer seller registering as a Model 2 Seller, the seller's obligation to collect and remit under SSUTA will commence no later than on the first day of the calendar month 60 days after registration on the central registration system.
- (c) A volunteer seller registered as a Model 1 or Model 2 that has contracted with a CSP for service, or for implementation of a CAS, may request and receive an extension of time from the Executive Director, if the implementation is unable to be completed within 60 days of registration. The Executive Director shall notify all states that an extension of time has been granted.
- (d) Model 1 sellers, regardless of volunteer status, that fail to register with a CSP and begin collecting within the time allowed will lose the amnesty granted under Section 402 of the Agreement. A seller may cancel its registration pursuant to the terms of the Agreement. Otherwise, a seller must change the business model status selected at the time of the original registration, and must immediately begin collecting tax for the Member States. Failure to do so will result in termination of registration.
- (e) Model 2 sellers, regardless of volunteer status, that fail to implement a CAS and begin collection within the time allowed will lose the amnesty granted under Section 402 of the Agreement. A seller may cancel its registration pursuant to the terms of the Agreement. Otherwise, a seller must change the business model status selected at the time of the original registration, and must immediately begin collecting tax for the Member States. Failure to do so will result in termination of registration.
- (f) The obligation to collect and remit sales and use taxes for 36 months as provided in Section 402 of the Agreement will begin on the date the collection obligation begins.
- (g) States will hold registrations of Model 1 and Model 2 volunteer sellers not already registered in that state in suspense and will not take enforcement action for failure to file a return until after the obligation to collect begins.
- (h) The Central Registration System will contain notice allowing registrants selecting Model 1 or Model 2 status to authorize disclosure of registration information to CSP or CAS providers.
- (i) For the purposes of this rule, a volunteer is a seller that does not have a legal obligation to collect.

Rule 401.2. Cancellation of registration. [Reserved.]

Rule 402. Amnesty for Registration. [Reserved.]

Rule 403. Method of Remittance. [Reserved.]

Rule 404. Registration by an Agent. [Reserved.]

ARTICLE V
Provider and System Certification

Rule 501. Certification process.

Rule 501.1 Definitions.

A. **Certified Service Provider (CSP).** An agent certified under the agreement to perform all the seller's sales and use tax functions other than the seller's obligation to remit tax on its own purchases.

B. **Certified Automated System (CAS).** Software certified under the Agreement to perform part of the seller's sales and use tax functions; must include ability to calculate the tax imposed by each jurisdiction on a transaction, determine the amount of tax to remit to the appropriate state, and maintain a record of the transaction. The seller is responsible for the maintenance of the seller's data, the security of the system, and remitting the taxes collected.

C. **TIGERS.** Tax Information Group for Ecommerce Requirements Standardization was formed in October 1994 by FTA, the states, the IRS, and business and service provider representatives, to provide an overall coordinative body for advice and counsel on government technical implementation of American National Standards Institute (ANSI)-based tax-related electronic data interchange applications.

D. **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.

E. **Testing Central.** An administrative process to manage and document communication between member states, Certified Service Providers, Certified Service Provider candidates, Certified Automated System providers and/or Certified Automated System applicants regarding testing and changes.

Rule 501.2 Certification of service providers.

The certification process for CSP candidates shall take place on a two-year cycle as described below and shown in Appendix A. (The initial process followed a different timeline as noted and shown in Appendix B.)

April 1, Odd Years – The Governing Board shall issue a request for service providers interested in responding to the terms and conditions for participation as a certified service provider. (For the initial process, a request for proposal was issued November 1, 2004.)

April 1 to June 1, Odd Years – Interested candidates shall respond to the request by submitting a completed self-evaluation assessment (see *Minimum Standards*, Appendix C. For the initial process *Minimum Standards* compared with the RFP were used, Appendix D) to the Executive

Director. The Executive Director shall notify the Certification Committee regarding candidates for further evaluation. (For the initial process, the responses were due February 1, 2005.)

June 1 to August 1, Odd Years – The Certification Committee shall review documentation submitted by candidates screen and identify candidates for further evaluation and testing. Any candidates not recommended for further evaluation may respond to the next request (April 1, odd years). (For the initial process, the reviews were completed by May 1, 2005.)

August 1 to November 1, Odd Years – The Certification Committee shall conduct evaluation and site review. (For the initial process, the reviews were completed by October 1, 2005.)

November 1, Odd Years to May 1, Even Years – Testing Central shall manage the system(s) testing between the CSP candidate and the member states. The criteria to begin testing must be met prior to the initiation of testing. Reference - *SST Testing Process for Certification of Service Providers*, Appendix E). Upon successful completion of testing, each member state shall recommend certification of the CSP candidate(s) to the Certification Committee. (For the initial process, the system tests will be completed by June 30, 2006.)

May 1 to May 12, Even Years – The Certification Committee shall submit the recommended candidate(s) to the Executive Director. For the initial process, the recommended candidate(s) shall be identified and placed under contract no later than July 1, 2006.

May 12 to May 15, Even Years – The Executive Director shall submit the recommended candidate(s) to the Executive Committee for certification.

May 15 to June 1, Even Years – The Executive Committee shall act on the new certification recommendation(s). Any candidate(s) not recommended for certification may respond to the next request (April 1, odd years).

June 1 to July 1, Even Years – Contracts shall be negotiated and signed by officers designated by the Executive Committee. To remain compliant with the contract, Certified Service Providers shall be operational for two years subsequent to the signing of the contract.

Rule 501.3 Acceptance requirements for service providers.

During testing, the member states, Certification Committee and the CSP candidates shall work cooperatively through Testing Central to identify and resolve issues in a timely manner.

Acceptance criteria. The criteria listed below, in addition to those listed in Section 501B of the Agreement are requirements for a recommendation for certification.

The CSP candidate shall execute test decks successfully* and provide results to the member states.

Member states shall successfully* test the single entry screen provided by the CSP candidate. Reference - *SST Testing Process for Certification of Service Providers*, Appendix E.

Member states and the CSP candidate shall successfully* complete end-to-end testing.
Reference - *SST Testing Process for Certification of Service Providers*, Appendix E.

Member states shall review and approve the tax rules defined in the system of the CSP candidate.

The CSP candidate shall provide an administrative site that allows each state the capability of obtaining activity reporting and error logging. Reference - *SST CSP Site Administration* paper, Appendix F.

The CSP candidate shall provide all financial data necessary to perform an assessment of financial soundness.

The CSP candidate shall meet all other requirements of the Streamlined Sales and Use Tax Agreement (SSUTA) and *Certification Standards*, Appendix G.

*Successfully means the transactions are returned with the correct taxability, tax amount and sourcing at an acceptable accuracy level as determined by each individual member state.

Rule 501.4 Recertification process for Providers who have been Certified.

The recertification process will verify that any provider that has been certified, as evidenced by a contract with the Governing Board, continues to be compliant with requirements set forth by the Governing Board, either in the contract, or by policy. Reference – *Recertification Process*, Appendix H; *Process flow*; Appendix I, *Contract between Streamlined Sales Tax Governing Board, Inc. and Company* ____.

On-going Basis – Testing Central shall continuously review operational performance of the CSP(s) and provide that information regularly to the Executive Committee.

Seven months prior to expiration of Contract - The Executive committee shall review CSP(s) Compensation and Contract terms, including any material changes to the minimum standards which had been in effect, and begin negotiations with the CSP(s) on compensation and any changes required for recertification. For renewal of contracts which began in 2006, CSP's will be required to provide an administrative site that allows each state the capability of obtaining activity reporting and error logging. Reference - *SST CSP Site Administration* paper, Appendix F.

Six months prior to expiration of Contract – The Certification Committee shall review CSP(s) performance to date and recommend CSP(s) for renewal and continued participation.

Three months prior to expiration of Contract - The Certification Committee shall submit recommendation(s) for renewal to the Executive Committee. Any CSP(s) not recommended for continued participation or renewal may respond to the next request (April 1, odd years).

One month prior to expiration of Contract – The Executive committee shall finalize CSP(s) Compensation and Contract terms and upon reaching agreement, the Executive Committee shall approve officers to sign the contract extensions, amendments or renewals.

On the Contract expiration date - The Officers so designated shall sign the contracts on behalf of the Executive Committee for whatever term has been negotiated.

Rule 501.5 Certification of Model 2 automated systems.

The certification process of a Model 2 automated system may begin at any time as described below and shown in Appendix J.

1. Applicant shall obtain a self-evaluation test deck and guidelines. Reference - *SST Testing Process for Certification of Model 2 Automated Systems* paper, Appendix K.
2. After successful self-evaluation, the applicant shall submit the results and apply to the Executive Director to begin the certification process.
3. The Executive Director shall submit the application to the Certification Committee for evaluation.
4. The Certification Committee shall screen and identify systems for further evaluation and testing. If a system is not recommended for further evaluation, the applicant may re-apply after three months.
5. Testing Central shall manage the system(s) testing between the model 2 CAS applicant and the member states. The criteria to begin testing must be met prior to the initiation of testing. Reference - *SST Testing Process for Certification of Model 2 Automated Systems*, Appendix K.
6. Upon successful completion of testing, each member state shall recommend certification of the automated system to the Certification Committee.
7. The Certification Committee shall recommend the acceptable system to the Executive Committee.
8. The Executive Committee shall act on the certification recommendation. Any system not recommended for certification may re-apply after three months.
9. Contracts shall be negotiated and signed by the officer(s) designated by the Executive Committee. Once signed, the Model 2 CAS is considered to be operational.

Rule 501.6 Acceptance requirements for automated systems.

During testing, the member states, Certification Committee and the model 2 CAS applicant shall work cooperatively through Testing Central to identify and resolve issues in a timely manner.

- A. The CAS must meet the requirements in Section 501(C) of the Agreement:
1. The CAS determines the applicable state and local sales and use tax rate for a transaction;
 2. The CAS determines whether or not an item is exempt from tax;
 3. The CAS determines the amount of tax to be remitted for each taxpayer for a reporting period;
 4. The CAS can generate reports and returns as required by the governing board; and
 5. The CAS can meet any other requirement set by the governing board.

B. Acceptance criteria. In addition to the requirements listed in A, the criteria listed below are requirements for a recommendation for certification.

1. The software program shall be a discrete set of tools for sale or licensing to sellers that is capable of being operated by sellers, certified by the Governing Board, and functions as a system. The seller is responsible for the maintenance of the seller's data, the security of the system, and remitting the taxes collected.
2. The required reports shall include:
 - a) Simplified Electronic Return (SER) and Information Report (IR) compliant with the TIGERS standards;
 - b) Reports required in the Simplified Exemption Administration paper;
 - c) Software version control logs;
3. The results from the self-evaluation of the potential automated system have been verified.
4. The CAS applicant shall execute test decks successfully* and provide results to the member states.
5. Member states shall successfully* test the single entry screen provided by the CAS applicant.
6. Member states and the CAS applicant shall successfully* complete end-to-end testing.
7. The CAS applicant meets all requirements in *Certification Standards*, Appendix G.

*Successfully means that transactions must be returned with the correct taxability, tax amount, and sourcing at an acceptable accuracy level as determined by each member state.

C. Integration. Integration is not part of the certification process, but is a critical element of proper implementation of the automated system into the seller's business process. Without proper integration the system may not produce the correct results.

Rule 501.7 Certification Committee.

A. State Membership.

1. Each Member State or Associate Member State of the Streamlined Sales Tax Governing Board shall designate at least one representative who is a state employee to represent that state in evaluation, testing, certification or recertification of service providers and automated systems. States may have more than one state employee attend and participate in the Committee meetings.

2. Participating States may also designate one representative who is a state employee to represent that state in evaluation, testing, certification or recertification of service providers and automated systems. "Participating States" are those States that support the mission of the project and for which an elected official or body of elected officials has committed the State to participate in the Streamlined Sales Tax Project. Any question over whether or not a State qualifies as a Participating State shall be resolved by a majority vote of the Governing Board.

3. The President of the Governing Board will appoint the chair of the committee, and may appoint other state officials to serve on the Committee as deemed appropriate or necessary.

B. Committee Meetings.

1. The work of the Certification Committee may be conducted in closed meetings as provided in Section 807 (B), (C) and (D) of the Agreement when dealing with proprietary information from businesses, consideration of issues incident to competitive bidding, requests for information, or certification, the disclosure of which would defeat the public interest in a fair and competitive process.

2. The Committee shall meet as often as is necessary to fulfill its mission. The Officers shall determine the time and place for regular meetings and notice of the meetings shall be given in accordance with the Rules of the Governing Board.

3. The Certification Committee may meet electronically.

Rule 501.8 Testing Central.

Testing Central is created as an administrative process under Governing Board staff supervision to manage and document communication between member states, Certified Service Providers, Certified Service Provider candidates, Certified Automated System providers and/or Certified Automated System applicants regarding testing and changes. Each Member State will designate at least one person to work with Testing Central. A more complete description of this process is found in Appendices E and K.

ARTICLE VI

Monetary Allowances for New Technological Models For Sales Tax Collection

Rule 601. [Reserved.]

Rule 602.1 Monetary Allowance for Model 2 Sellers

1. Authority. The Governing Board has the authority to determine the monetary allowance, if any, to be withheld from the amount remitted to the Member States and Associate Member States by Model 2 Sellers. The Governing Board may, in its discretion, limit the monetary allowance to taxes remitted to Member States and Associate Member States in which the Model

2 Seller is a Volunteer Seller. All Member States and Associate Member States must provide a monetary allowance to Model 2 Sellers in the amount and manner adopted by the Governing Board. Failure to provide any such monetary allowance may subject a Member State or Associate Member State to sanctions for noncompliance pursuant to Section 809 of the SSUTA.

2. Allowance Limitations. A Seller shall be entitled to the allowance only if the Seller has registered as a Model 2 Seller in compliance with the requirements of the registration system created under Article IV of SSUTA (“Central Registration System”), has filed and paid a timely return, and is otherwise in compliance with Governing Board requirements for receiving the allowance.

3. Additional Allowances. The allowance set forth in this Rule is in addition to any discount afforded by a Member State or Associate Member State. Individual Member States and Associate Member States may provide, in accordance with their own laws and procedures, allowances that supplement or extend the monetary allowance under this Rule. Nothing herein suggests or implies that any supplements or extensions will be forthcoming.

4. Definitions. Except as separately defined in this Rule, terms used herein shall have the same meaning as those terms are defined in the SSUTA. Definitions set forth in this Rule are included only for purposes of determining monetary allowances for Model 2 Sellers under this Rule. The definitions do not constitute a conclusion or an admission by the Governing Board, Member States, or Associate Member States that a Seller has or does not have a legal obligation to collect sales or use taxes in any Member State or Associate Member State. Monetary allowances to Model 2 Sellers under this Rule are not payments to a Seller for the administration of any state or local sales tax.

(a) Associate Member State means a state or other governmental authority that has petitioned for membership in the SSUTA and has been designated as an associate member state pursuant to the SSUTA, Section 704, Subsections B and C.

(b) Member State means a state or other governmental authority that has petitioned for membership in the SSUTA and has been found to be in compliance with the requirements of the SSUTA pursuant to Section 805.

(c) Volunteer Seller in a Member State or Associate Member State means a Seller that has registered as a Model 2 Seller in the Central Registration System and:

(1) Represented in its registration that it did not have a legal requirement to register and in fact did not have a requirement to register in the Member State or Associate Member State at the time of registration, regardless of any previous registration the Seller may have made in the Member State or Associate Member State; or

(2) For Sellers who registered with the Member State or Associate Member State after November 12, 2002, the Seller meets all of the following criteria during the twelve (12) month period immediately preceding the date of registration with the Member State or Associate Member State:

- a. no fixed place of business for more than thirty (30) days in the Member State or Associate Member State;
- b. less than \$50,000 of Property, as defined below, in the Member State or Associate Member State;
- c. less than \$50,000 of Payroll, as defined below, in the Member State or Associate Member State; and
- d. less than twenty-five percent (25%) of its total Property or total Payroll, as defined below, in the Member State or Associate Member State.

Notwithstanding subsection (c)(2) above, any Seller that registered in a Member State or Associate Member State after November 12, 2002 and prior to October 1, 2005, is not considered a Volunteer Seller for that Member State or Associate Member State, if the Seller had a legal requirement to register as a result of administrative, legislative, or judicial action in the state occurring prior to the date of the Seller's registration.

(d) Property is the "Average Value" of the Seller's real property and tangible personal property owned or rented by the Seller. Property owned by the Seller is valued at its original cost basis. Property rented by the Seller is valued at eight times the net annual rental rate. Net annual rental rate is the annual rental rate paid by the Seller less any annual rental rate received by the Seller from sub-rentals. The "Average Value" of Property shall be determined by averaging the values at the beginning and end of the twelve (12) month period immediately preceding the date of registration with the Member State or Associate Member State.

(e) Payroll is the total amount paid by the Seller for "Compensation" during the twelve (12) month period immediately preceding the date of registration with the Member State or Associate Member State. "Compensation" means wages, salaries, commissions and any other form of remuneration paid to employees and defined as gross income under Internal Revenue Code §61. "Compensation" is paid in a Member State or Associate Member State if (1) the individual's service is performed entirely within the Member State or Associate Member State, (2) the individual's service is performed both within and outside the Member State or Associate Member State, but the service performed outside the Member State or Associate Member State is incidental to the individual's service within the Member State or Associate Member State, or (3) some of the service is performed in the Member State or Associate Member State and (a) the base of operations, or if there is no base of operations, the place from which the service is directed or controlled, is in the Member State or Associate Member State, or (b) the base of operations or the place from which the service is directed or controlled is not in any state in which some part of the service is performed, but the individual's residence is in the Member State or Associate Member State.

5. Losing Volunteer Status. A Volunteer Seller shall lose its status as a Volunteer Seller in a Member State or Associate Member State if:

- (a) as a result of activities the Seller conducts in a Member State or Associate Member State after the date of the Seller's registration in the Member State or Associate Member State, the Seller becomes legally obligated to register in that Member State or Associate Member State; and

(b) as a result of activities the Seller conducts in a Member State or Associate Member State after the date of the Seller's registration in the Member State or Associate Member State, the Seller fails to meet one or more of the criteria under subsection 4(c)(2) above in that Member State or Associate Member State. For purposes of determining whether the Seller meets the criteria, the "Average Value" of Property shall be determined by averaging the values at the beginning and end of the last fiscal year of the Seller that terminates at least thirty (30) days before the date the determination is made; and Payroll shall be the total amount paid by the Seller for "Compensation" during the last fiscal year of the Seller that terminates at least thirty (30) days before the date the determination is made.

6. Disclaimer. Nothing in this Rule shall be construed to modify federal or state law regarding a Seller's responsibility to collect or remit sales or use tax to a Member State or Associate Member State.

Rule 602.2. Monetary Allowance for Model 2 Sellers Procedural Rule.

1. Effect of a State Becoming a New Member State or Associate Member State. If any state or other governmental authority that is not a Member State or Associate Member State on the Effective Date of this Rule becomes a Member State or Associate Member State, a Model 2 Seller shall be entitled to retain an allowance on sales and use taxes due to the new Member State or new Associate Member State, under the same conditions as apply to existing Member States and Associate Member States, from the effective date of the state or other governmental authority becoming a new Member State or Associate Member State.

[A Model 2 Seller shall be entitled to retain the allowance from a new Member State or Associate Member State for a period not to exceed twenty-four months after the Seller's first CAS was installed. If the CAS was installed before the Effective Date of this Rule, the Seller shall be entitled to retain the allowance from a new Member State or Associate Member State for a period not to exceed twenty-four months after the Effective Date.]

[A Model 2 Seller shall be entitled to retain the allowance from a new Member State or Associate Member State for a period not to exceed twenty-four months after the effective date of the state or other governmental authority becoming a new Member State or Associate Member State.]

2. Effect of Withdrawal or Expulsion of a Member State or Associate Member State from the SSUTA. If a Member State or Associate Member State withdraws or is expelled from the SSUTA, a Model 2 Seller shall be entitled to retain the monetary allowance on sales and use taxes due to that Member State or Associate Member State from transactions made by the Model 2 Seller prior to the effective date of the withdrawal or expulsion.

3. Effect of Losing Volunteer Seller Status. If a Model 2 Seller loses its status as a Volunteer Seller in a Member State or Associate Member State during any part of a calendar month, the Model 2 Seller shall be deemed to have lost its status as a Volunteer Seller in that state for the entire month.

4. Effect of Determining Taxes Without Using an Updated CAS. A Model 2 Seller shall not be allowed to retain a monetary allowance for a Member State or Associate Member State that is based on taxes that were determined or calculated (1) without the use of a CAS or (2) with a CAS that the Seller has failed to update or modify in accordance with the Seller's agreement with its CAS provider.

ARTICLE VII
Agreement Organization
[Reserved.]

ARTICLE VIII
State Entry and Withdrawal

- Rule 801. Entry Into Agreement.** [Reserved.]
Rule 802. Certificate of Compliance. [Reserved.]
Rule 803. Annual Recertification of Member States. [Reserved.]
Rule 804. Requirements for Membership Approval. [Reserved.]
Rule 805. Compliance. [Reserved.]

Rule 806. Agreement Administration.

Rule 806.1 Administration of Governing Board

806.1.1 Bylaws and Articles of Incorporation

The Streamlined Sales Tax Governing Board, Inc, was incorporated on October 1, 2005 under the laws of Indiana. The Bylaws and Articles of Incorporation are on file at the headquarters in Washington, DC. The corporation is organized under Section 501(c)(6) of the Internal Revenue Code. The Bylaws set forth the operation and administration of the Governing Board, its committees and advisory councils in accordance with the Agreement.

806.1.2 Finance Administration Policies

A. Basic Policy Statement

The Streamlined Sales Tax Governing Board, Inc. (Governing Board) is committed to responsible financial management. The entire organization including the Governing Board, Executive Committee, Standing Committees and staff will work together to make certain that all financial matters of the organization are addressed with care, integrity, and in the best interest of the Governing Board.

The rules and procedures contained in this section are designed to:

1. Protect the assets of the Governing Board;
2. Ensure the maintenance of accurate records of the Governing Board's financial activities;

3. Provide a framework of operating standards and behavioral expectations;

4. Ensure compliance with federal, state, and local legal and reporting requirements. The Executive Director has the responsibility for ensuring compliance with policies and procedures that have been approved by the Governing Board. The Executive Director shall have primary responsibility for ensuring that proper Financial Management procedures are performed and that the policies of the Board are carried out; and

5. Exceptions to written policies may only be made with the prior approval of the Finance Committee. Changes or amendments to these policies may be approved by the Governing Board at any time. A complete review of the financial policies shall be conducted initially one year after adoption of these policies and every two years hence.

B. Line of Authority

1. The Governing Board has the authority to execute any policies it deems to be in the best interest of the organization within the parameters of the Streamlined Sales and Use Tax Agreement, bylaws, and federal, state, and local law.

2. The Finance Committee has the authority to perform regular, in-depth reviews of the organization's financial activity; oversee the development of the annual budget; determine the allocation of investment deposits; and assure that adequate internal controls are in place.

3. The Executive Director has the authority to make spending decisions within the parameters of the approved budget, enter into contractual agreements within board designated parameters, make decisions regarding the disposition of investments within the parameters of the investment policy; make fixed asset purchase decisions and make decisions regarding the allocation of expenses. Unless otherwise specified in this document, principal responsibility for complying with the directives enumerated herein shall be vested in the Executive Director.

4. The Chair of each Standing Committee has the authority to recommend spending requests within the parameters of the approved budget to the Executive Director.

C. Indemnity Policy

1. The Executive Committee may indemnify any Employee or Agent against all costs, expenses and liabilities, including attorneys' fees, actually and necessarily incurred by or imposed upon them in connection with or resulting from their involvement with the Board.

2. No such reimbursement or indemnity shall relate to any expense incurred or settlement made in connection with any matter arising out of their gross negligence and/or intentional misconduct as determined either by a court of competent jurisdiction or, in the absence of such a determination, by the Governing Board acting on the advice of counsel.

3. The Executive Director is responsible for purchasing and maintaining indemnity insurance on behalf of any employee or agent as directed by the Executive Committee.

D. Investment Policy

1. The investment objectives of the Governing Board, in order of importance, shall be the **safety** of principal, **liquidity**, and a competitive **rate of return**.

2. General Investment Guidelines

- The Finance Committee shall have **primary responsibility** for the administration of the investment policy and for establishing any specific guidelines as to the mix and quality of the investment account(s).
- The Finance Committee may recommend the use of external groups such as investment managers, bank custodians and investment consultants to maximize the return on investments.
- Investments should be adequately diversified to reduce overall risk. In order to reduce the overall risk, investments should primarily include fixed-income investments (low risk).

E. Financial Controls and Operating Procedures

1. The Executive Director will direct the design and operation of the accounting system. Bookkeeping support may be provided by other staff as designated or by a qualified outside person or entity under contract with the Governing Board. Monthly reports shall be made to the Finance Committee covering, at a minimum, receipts, disbursements, receivables, and payables.

2. The **Executive Director** will be required to include budget comparisons in periodic financial reports to the Finance Committee and the Board.

3. The **Finance Committee** will be required to provide semi-annual budget reviews and annual reviews of the adequacy of insurance coverage.

4. The **Executive Committee** will be required to secure an independent audit annually.

5. Segregation of Duties

- Signature authority for checks must be vested in someone other than the employee responsible for maintaining the financial records of the organization on a daily basis.
- Bank statements are reconciled by someone other than the person authorized to sign checks.
- Deposit documentation and reconciliations are prepared by a person other than the one making the deposit or signing checks.

6. The Executive Director may authorize expenses for budgeted items up to 10 percent above the budgeted levels if funds necessary to cover the expense exist elsewhere within the authorized budget. If necessary funds are not available within the budget, the Governing Board must amend the budget to allow an increase in overall expenditures.

F. Financial Reporting

1. Annual budgets are prepared by the Finance Committee, referred to the Executive Committee, and approved by the Governing Board.
2. Budgets are reviewed mid-year (December) and as otherwise necessary by the Finance Committee as well as the Executive Committee and may be adjusted by the Executive Committee to reflect changing conditions. If changes are required to overall spending they must be approved by the Governing Board.
3. A Chart of Accounts is available and used to code receipts and disbursements to the proper accounts.
4. Annual Financial Reports are provided to the Secretary/Treasurer and the Finance Committee with 30 days of the close of the fiscal year, and must be prepared in accordance with generally accepted accounting principles. At a minimum, the reports should include:
 - a. Balance sheet;
 - b. Income/expense and year-to-date statement, including comparisons to budget;
 - c. Detailed schedule of cash and investments as of the balance sheet date with an attached acknowledgement that the bank statements have been reconciled; and
 - d. Detailed breakdown of receivables (e.g. dues, other amounts receivable) and payables (e.g. accounts payable, taxes payable, other amounts payable) as of the balance sheet date.
5. Quarterly Financial Reports are provided to the Secretary/Treasurer and the Finance Committee within 30 days of the close of the period, and must be prepared in accordance with generally accepted accounting principles. At a minimum, the reports should include:
 - Balance sheet; and
 - Income/expense and year to date statement, including comparisons to budget.
6. Detailed Financial Reports are provided to the Governing Board at each Board meeting, except for meetings held via teleconference unless requested in advance by the President.
7. Reference explanations for any and all budget variances of 10 percent or more are contained for the above referenced reports.
8. Annual audits will be conducted by an independent CPA at the close of each fiscal year. Copies of these reports will be made available to the public.
9. The Fiscal Period for the organization shall be July 1 to June 30.

G. Safeguarding Assets

1. The Finance Committee shall provide fiscal oversight in the safeguarding of the Assets of the Organization and shall have primary responsibilities for ensuring that all internal and external financial reports fairly present its financial condition.
2. A proper filing system will be maintained for all financial records.
3. Actual income and expenditures will be compared to the budget on a quarterly basis.
4. All excess cash will be kept in an interest bearing account.
5. Bank statements are promptly reconciled on a monthly basis.
6. Documents on all securities and fixed assets will be kept in a locked fire-proof file. Inventory records will contain description, serial numbers, date of purchase or receipt, valuation, and date of valuation.
7. Appropriate insurance for all assets will be maintained.
8. Copies of all critical hard-copy documents must be maintained off site, either imaged or in hard-copy format.
9. Back-ups of all critical computer files must be performed on a daily basis and files sent off site on a frequent basis in order to minimize the loss of data in the event of damage to the organization's hardware or software components.

H. Payroll Controls

1. Personnel files are to be maintained at the business office site for all employees. Changes in payroll data (i.e., pay changes) are approved by the Executive Committee before files are updated.
2. An outside payroll processing firm will be used to process the payroll. The Executive Director notifies the payroll service of any changes to the payroll master file. The payroll service generates the payroll register, payroll checks and tax deposit checks, and sends them to the organization. The payroll register is reviewed for proper processing of amounts.
3. The payroll and tax deposit checks are sent directly to the Executive Director, who is responsible for comparing the checks to the payroll register. Semi-annually, copies of the checks, check statements and appropriate payroll records are then presented to the Finance Committee for inspection.

I. Policies on Disbursements

1. The Executive Director has (a) expenditure approval up to the parameters set by the annual operating budget as approved by the Board, and (b) single signature authority up to and

including \$2,000 with the exception of the Executive Director's personal expense reimbursement items and salary which must be approved by either the President or Secretary/Treasurer. The deliberate splitting of vouchers or invoices which have the sole purpose or effect of meeting the parameters of this authority is expressly prohibited.

2. Pre-numbered check requests should be used and sequences accounted for monthly.

3. The Executive Director approves check requests after comparing to supporting documentation. All disbursements paid by check will be printed on pre-numbered checks only with approved requests. The unsigned check, support and request are presented to authorized check signers for their signatures (information on checks is compared to support for accuracy). Blank or unprepared checks shall not be submitted for signature.

4. Two signatures by persons authorized in Paragraph 13 of this section are required on all organizational checks over \$2,000. The Executive Director shall not sign his or her own personal expense checks.

5. All disbursements, except petty cash, are made by check or electronically and are accompanied by substantiating documentation.

6. All checks are pre-numbered and accounted for monthly.

7. All voided checks must be defaced and retained either on the check stub or with the canceled checks (or their images) returned with the bank statement.

8. No checks may be written to "cash" or "bearer".

9. Blank checks are stored in a locked drawer.

10. All invoices and check requests will be marked "PAID" once they have been paid.

11. An "imprest" petty cash account is used. The initial amount of the petty cash account is \$100. The account may be replenished from time to time at the direction of the Executive Director, but at no time should the account exceed \$200 unless approved by the Secretary/Treasurer.

12. Vouchers are required for all petty cash disbursements. The petty cash fund is reconciled (beginning amount less voucher amounts) before the fund is replenished. Checks are written only after an approved check request has been presented.

13. The President, Secretary/Treasurer, and the Executive Director shall have check-signing authority. The President shall appoint at least one other individual with check-signing authority. This individual must meet the requirements of Rule 806.1.2.E.5, Segregation of Duties. The President may revoke check-signing authority for any person at any time, but at no time shall fewer than the requisite number of check signers be authorized.

14. Blank checks may never be signed in advance.

J. Travel Guidelines and Reimbursements

1. The Finance Committee shall establish a travel request form that will include estimated costs of proposed travel as well as a travel reimbursement form on which claims for reimbursement are made.

2. Reimbursement for travel by Governing Board representatives may be authorized under the following conditions. No reimbursement from the Governing Board will be authorized unless the travel has been pre-approved.

The President or First Vice President may approve Governing Board representative travel in the following circumstances.

- a. The representative is representing the Governing Board, rather than his or her respective state, at a meeting or event that is not a meeting of the Governing Board or a Governing Board committee.
- b. The representative is representing the Governing Board, rather than his or her respective state, at a meeting of a Governing Board Committee for which the representative is not a member of the Committee.
- c. Such reimbursement shall only be allowed in instances where the meeting or event is not being held in conjunction with another Governing Board meeting or event at which the representative may attend and represent his or her state.
- d. Notwithstanding the foregoing, the President or First Vice President may approve representative travel in the interest of justice in exceptional circumstances.

Neither the President nor First Vice President may approve a request for his or her own travel. In approving a request for reimbursement, consideration shall be given to funds available and budgeted for this purpose.

3. Travel reimbursements will be based on the Federal mileage and per diem rates as published by the U.S. General Services Administration in effect during the period of travel. If anticipated expenses exceed the federal rate, the traveler may request in writing pre-authorization for reimbursement based on actual expenses. The request must include a justification for exceeding the Federal per diem lodging allowance such as:

- a. Lodging and/or meals are procured at a prearranged place such as a hotel where a meeting, conference or training session is held;
- b. Costs have escalated because of special events (e.g. missile launching periods, sporting events, World's Fair, conventions, natural disasters); lodging and meal expenses within prescribed allowances cannot be obtained nearby; and costs to commute to/from the nearby location consume most or all of the savings achieved from occupying less expensive lodging;
- c. Because of mission requirements; or

- d. Any other reason approved by the proper authority.
4. Reimbursement of Actual Expenses
- a. The approved request will be attached to the traveler's reimbursement voucher. In the case of emergency circumstances in which advance approval could not be obtained, the traveler must attach a signed statement to the voucher detailing the justification and circumstances prohibiting advance approval.
 - b. The traveler must itemize all expenses, including meals, (each meal must be itemized separately) for which he or she will be reimbursed under actual expense. However, expenses that do not accrue daily (e.g. laundry, dry cleaning, etc.) may be averaged over the number of days for which the traveler is approved reimbursement for actual expenses. Receipts are required for lodging, regardless of amount and any individual meal when the cost exceeds \$25.00. The approver may require receipts for other allowable per diem expenses, but must inform the traveler of this requirement in advance of travel. The approval for reimbursement based on actual expense may limit meal and incidental expenses (M&IE) reimbursement to either the prescribed maximum M&IE rate for the locality concerned or a reduced M&IE rate, and it may or may not require M&IE itemization at the approver's discretion.

5. All travel reimbursement requests will be submitted to the Executive Director for approval, and copies will be forwarded to either the President or the Secretary/Treasurer for inspection. The President or Secretary/Treasurer shall approve travel reimbursement for the Executive Director.

6. The Executive Director is authorized to travel to all Governing Board meetings (including committee meetings) without pre-approval. Whenever the Executive Director is representing the Governing Board at other meetings, he or she shall first receive approval from the President or First Vice-President. The Executive Director shall approve necessary travel for employees of the Governing Board.

7. Requests for travel approvals and signed authorizations may be submitted and returned via facsimile or via email, if the approver uses his or her own email account to establish authenticity of the approval.

K. Cash Receipt Procedures

1. All checks and other payments received are restrictively endorsed immediately and recorded in the cash receipts register, listing the date received, payor, check number, and amount received.

2. Two copies of each cash receipt will be made. All cash received shall be deposited in the bank on the day it is received or as soon as feasible. If it is not feasible to deposit receipts in the bank on the day received, then receipts should be safeguarded by placing them in an approved, fire-proof strong-box or safe in a secured location, or by entrusting them to a reputable third party that can safeguard them in an equivalent manner, if such third party provides

indemnification for any loss of funds entrusted to its care. A written receipt acknowledging funds entrusted to a third party must be obtained.

3. The office shall prepare the bank deposit daily or at the time of the deposit. The deposit receipt and copies of the cash receipts should be attached to the copy of the deposit slip. All cash receipts shall be coded according to the chart of accounts, and comparison of the cash deposit receipt with the listing of cash receipts for that day will be performed, to ensure that all cash receipts are deposited in the bank account. A deposit summary sheet is then prepared, attaching one copy of each cash receipt, the deposit slip copy, and the bank deposit confirmation slip. The second copy of the cash receipt is filed by type of revenue/support.

4. The cash receipts journal shall be prepared on a timely basis, using the cash receipts summary sheet.

L. Cash Disbursement Procedures

1. All invoices received are stamped with the date received.

2. Approval from the Executive Director of all invoices and expenditures is required before payment can be made.

3. The checks, with support documentation (approved invoices, check requests), are forwarded to the Executive Director. The Executive Director reviews all checks and supporting documentation prior to signing checks. Any check for amounts over \$2,000 needs a second signature.

4. After the checks are signed, the check request and all supporting documentation shall be stamped "PAID", noting check number and date. Two copies of each check and check request will then be made. One copy of the check, with supporting documentation attached, will be filed in numerical order. The second copy of the check and check request is filed by vendor, in alphabetical order.

5. The cash disbursements journal will be prepared and maintained on a timely basis, using the check file.

6. The cash disbursements journal will be posted to the general ledger on a timely basis, using the cash disbursements journal.

M. Payroll Procedures

1. All personnel salaries/wage rates are authorized by the Executive Committee. All changes in employment levels are likewise authorized by the Executive Committee.

2. The Executive Director maintains all personnel records and assures that all payroll-related laws are complied with, including workers compensation requirements.

3. The Executive Director may appoint a “payroll” employee to maintain the attendance records and monitor the usage of vacation and sick time, including requests for leave forms.
4. The Executive Director approves all time and attendance records for the employees.
5. The Executive Director may appoint the payroll employee to prepare the payroll, using the approved time records and salary/wage rates for each employee, using pre-numbered checks. All payroll checks are recorded in the payroll register by the payroll employee.
6. The payroll checks and payroll register are submitted to the Executive Director. The Executive Director reviews the payroll register and compares the payroll checks to the register, prior to signing the checks. Once the payroll checks are signed, the payroll employee distributes the payroll to all employees.
7. All payroll tax liabilities are calculated and prepared at the time payroll is prepared. In the case of electronic tax payments to the IRS or to states for payment of withholding or unemployment taxes, the check signer will instead approve the request for authorization to pay payroll taxes. The payroll taxes are paid when due.
8. Payroll checks will be prepared and paid to employees twice monthly: on the 15th and the 30th day of each month or the nearest working day before these dates.

N. Credit Card and Electronic Payment/Receipt Procedures

1. The Governing Board encourages the use of electronic record-keeping and electronic payments wherever such procedures can improve efficiency and reduce administrative costs of the organization.
2. The Executive Director may contract with an outside vendor for payroll services, collection of credit card receipts, automated clearing house (ACH) operations, and other electronic fund transfers. Electronic fund transfers will comply with ACH rules.
3. The Governing Board may authorize use of a credit card to be issued in the name of the Governing Board to facilitate purchases for official business of the Governing Board. Authorization for such purchases shall proceed according to procedures outlined in Section L above. Debit cards should not be issued to any employee or other representative of the Governing Board due to their lack of a proper audit trail. ATM withdrawals and cash advances should also be prohibited in the case of credit cards.
4. Wherever feasible, electronic receipts and payments will be recorded in a manner similar to other transactions as described in these rules. Exceptions to this must be justified by the Executive Director, and an alternative method must be approved by the Finance Committee.

5. Access to computer and other electronic systems which are used to perform electronic record keeping and fund transfers must be safeguarded in a manner consistent with Rule 806.1.4 (communications policies).

O. Bank Reconciliations

1. A record of all bank transactions shall be maintained, listing all checks disbursed and all receipts deposited on a daily basis. This "Bank Book" shall show the current bank balance for all bank accounts.

2. On a monthly basis, the bank statements will be reconciled to the Bank Book, and the Executive Director shall be notified of any discrepancies.

3. The Executive Director will resolve all discrepancies with the assistance of the bank, if necessary. The Executive Director will report the resolution of the discrepancies to the Finance Committee.

4. The Bank Book will be adjusted as needed. The Bank Book will be reconciled to the general ledger cash accounts on a monthly basis.

P. Billings and Receivables

1. All dues for the organization are established and approved by the Governing Board.

2. All billings for services or goods are approved in advance by authorized personnel.

3. All billings and invoices shall be prepared on a timely basis. Prior to mailing the billing/invoices, two copies of them shall be made. One copy is recorded in the accounts receivable ledger on a timely basis, and the other copy is placed in the open invoice file/receivables records.

4. The accounts receivable ledger shall be posted to the general ledger on a timely basis, utilizing the billing/invoice copies. The accounts receivable ledger shall be posted to the general ledger on a monthly basis.

5. A status report on all outstanding receivables shall be prepared, on a monthly basis, and submitted to the Executive Director.

6. Collection procedures shall be initiated on all invoices older than 30 days.

7. All receivables records are maintained in a locked file cabinet and/or in secured computer files.

Q. Accounts Payable

1. All approved invoices are recorded in the accounts payable ledger immediately upon receipt, and placed in the unpaid open invoice file.

2. All invoices from unfamiliar or unusual vendors must be reviewed by the Executive Director for approval.
3. All payments are immediately recorded in the accounts payable ledger.
4. The accounts payable ledger is reconciled with the general ledger on a monthly basis.

R. Petty Cash Fund

1. The Petty Cash Fund is maintained on an imprest basis.
2. The Executive Director will appoint a custodian of the petty cash fund.
3. Any employee receiving petty cash must sign a petty cash voucher. The petty cash voucher must list the amount received, the purpose for which the cash is needed, and the date of the purchase. In addition, receipts for goods/services purchased must be attached to the petty cash voucher.
4. The petty cash fund shall be reimbursed as needed by requesting a check payable to the custodian of the petty cash fund. All petty cash vouchers used must be attached to the check request as supporting documentation.
5. Periodically, the Executive Director, and/or the Secretary/Treasurer will make surprise counts of the petty cash funds.
6. The petty cash fund will be kept in a fire-resistant box, located in a locked file cabinet.

RECORD RETENTION SCHEDULE

ACCOUNTING AND FISCAL		ORGANIZATIONAL	
Accounts Payable Records	5	Annual Reports	P
Accounts Receivables Records	5	Bonds	P
Audit Reports	P	Budgets	3
Audit Reports (Internal)	3	Contracts(After Expiration)	7
Bank Statements & Reconciliations	3	Copyrights	P
Canceled Checks	7	Correspondence (General)	3
Check Registers	P	Correspondence (Legal)	P
Deposit Slip Duplicates	2	Insurance Policies (After Expiration)	5
Expense Analysis & Distribution Schedules	7	Inventories	7
Financial Statements	P	Leases (After Expiration)	6
Fixed Assets Records	P	Legal Briefs	P
General Ledgers	P	Licenses	P
Invoices	7	Profit & Loss Statements	P
Journals/Cash Books	7	Minutes	P
Payroll Records	5	Office Equipment Records	6
		Property Records	P
PERSONNEL			
Contracts (After Termination)	5		
Earnings Records	6		
Employee Personnel Files	6	TAXATION	
Employment Applications	3	Annuity or Deferred Payment Plan	P
Insurance Records	5	Depreciation Schedules	P
Retirement & Pension Plan	P	Employee Withholding Statements	7
Time Cards	2	Tax Bills & Statements	P
Training Manuals	P	Tax Returns & Work Papers	P
Travel Records	1		

Numerals indicate number of years records should be stored, P = Permanent

806.1.3 Personnel Policies [reserved]

806.1.4 Communications Policies [reserved]

806.1.5 Cost Allocation Formula for Member States

- A. The operational costs of the Governing Board shall be divided among the Member States based on an equally weighted two factor formula. Fifty percent shall be an equal amount for each Member State and fifty percent shall be based on each state's proportionate share

of total general retail state and local sales tax revenues collected by all Member States as reported by the U.S. Bureau of the Census for the most recent fiscal year available as of the date the dues are established. The factor based on sales tax collections shall be adjusted annually.

- B. Dues will be assessed annually on all Full and Associate Member states at the annual meeting of the Governing Board according to the formula described in Rule 806.1.5.A. Each Member State shall submit its dues no later than August 31 of each year to the Executive Director.
- C. Each state submitting a petition for membership shall include a petition fee along with its petition in the amount of \$20,000 to the Executive Director. This amount shall be held in escrow pending the date upon which the state's petition is approved by the Governing Board. If the state is admitted as either a Full or Associate Member, the fee will be retained by the Governing Board. If the petition is rejected and the state is not admitted as either a Full or an Associate Member, the fee will be returned to the petitioning state.
- D. States admitted to the Governing Board as either Full or Associate Members shall have their petition fees described in Rule 806.1.5.C applied as a credit against their dues. If assessed dues are less than the petition fee, no refund will be made.
- E. To determine dues of newly-admitted states, the calculation described in Rule 806.1.5.A will be recalculated with the new Member State(s) included in the calculation. For budgetary purposes, the recalculation will not result in a decrease of any existing Member State's dues. Dues for newly-admitted Member States will be pro-rated by their effective date of membership for the fiscal year in which they are admitted.
- F. Dues owed by a newly-admitted Member State will be payable no later than 60 days following the effective date of its admission to the Governing Board.
- G. A Member State that ceases to be member after July first of any year shall not receive a refund for the dues paid for such year. When such state again becomes a member its dues in that year shall be reduced by the prorated amount of dues not refunded in the year it ceased to be a member.

Rule 806.1.6. Preservation and Destruction of Records

1. Policy

The Streamlined Sales Tax (SST) Governing Board is charged with the duty to preserve, keep, maintain, or file all the official records of the organization. Unless otherwise provided in this rule, decisions as to the destruction or disposition of such records rest with the Governing Board, its designee, or the Executive Director.

2. Definition of SST Record

A SST official record is defined as those documents and materials that are listed in Section 4 of this rule, including, but not limited to, books, papers, photographs, microfilms, data files created by or used with computer software, computer tapes, disks, records, sound recordings, film recordings, video records or other materials regardless of physical form or characteristic. An SST official record shall not include working papers, drafts or planning outlines of finished documents or materials.

3. Application of Rule

- A. This rule applies to Governing Board, the Executive Committee, Standing Committees, other committees established pursuant to Article Seven, Section 5 of the Bylaws, and the State and Local Advisory Council.
- B. Prior to the mass disposal of records, an inventory of the office and the storerooms shall be taken. The inventory shall list the type of record and the year such record was made. After the inventory is completed and a decision is made as to the records to be destroyed, a request and approval for destruction of records should be submitted to the Governing Board.
- C. As used in this rule, "original records" includes the optical and electronic image document when it is recorded, copied, or reproduced by an optical imaging process.
- D. SST records in paper form may be destroyed only after the record has been recorded, copied or reproduced by an optical imaging process. Duplicate records may be destroyed at the discretion of the Governing Board, its designee, or the Executive Director.
- E. No financial records or records relating thereto shall be destroyed until the earlier of the completion of the audit of the records by a certified accounting firm or the retention rules have been met.
- F. Each SST official's acts are a matter of record. An SST official is not responsible for the acts of his successor and a successor is not responsible for the acts of his predecessor. Regardless of the capacity served by an official, upon completion of his service, all records and forms are to be surrendered to his successor.

4. Retention Guidelines

A. Notice, agendas and minutes of all meetings or hearings of the Governing Board, the Executive Committee, Standing Committees, other committees established pursuant to Article Seven, Section 5 of the Bylaws, and the State and Local Advisory Council.	MAINTAIN original record PERMANENTLY. May be removed from immediate access five (5) years after the end of the calendar year of the meeting.
B. Proposed amendments to the Agreement, versions of proposed amendments (which shall be dated) that qualify as a public record pursuant to Rule 807.1 D (1), notice of proposed amendments, and written comments and requesting state responses pursuant to Rule 901.	MAINTAIN original record PERMANENTLY. May be removed from immediate access five (5) years after the end of the calendar year of creation.

C. Requests for an Interpretation of the Agreement, the written recommendation of the Compliance Review and Interpretations Committee, documents concerning the Interpretation that qualify as a public record pursuant to Rule 807.1 D (1), and the published decision of the Governing Board pursuant to Rule 902.	MAINTAIN original record PERMANENTLY. May be removed from immediate access five (5) years after the end of the calendar year of creation.
D. Requests for additional definitions, the written recommendation of the Compliance Review and Interpretations Committee, versions of any definitions that qualify as a public record pursuant to Rule 807.1 D (1), and the published decision of the Governing Board pursuant to Rule 903.1.	MAINTAIN original record PERMANENTLY. May be removed from immediate access five (5) years after the end of the calendar year of creation.
E. Requests for interpretation of a definition, the written recommendation of the Compliance Review and Interpretations Committee, documents concerning interpretation requests that qualify as a public record pursuant to Rule 807.1 D (1), and the published decision of the Governing Board pursuant to Rule 903.2.	MAINTAIN original record PERMANENTLY. May be removed from immediate access five (5) years after the end of the calendar year of creation.
F. Petitions for Reconsideration, the written recommendation of the Issue Resolution Committee, documents concerning the petition that qualify as a public record pursuant to Rule 807.1 D (1), and the published decision of the Governing Board pursuant to Rule 1001.	MAINTAIN original record PERMANENTLY. May be removed from immediate access five (5) years after the end of the calendar year of creation.
G. Proposed amendments to the Bylaws and versions of the amendments (which shall be dated) that qualify as a public record pursuant to Rule 807.1 D (1)	MAINTAIN original record PERMANENTLY. May be removed from immediate access five (5) years after the end of the calendar year of creation.
H. Proposed amendments to the Rules and Procedures and versions of the amendments that qualify as a public record pursuant to Rule 807.1 D (1).	MAINTAIN original record PERMANENTLY. May be removed from immediate access five (5) years after the end of the calendar year of creation.
I. Petitions for Membership and Certificates of Compliance submitted by a State pursuant to Section 801 of the Agreement and documents concerning the determination of compliance that qualify as a public record pursuant to Rule 807.1 D (1).	MAINTAIN original record PERMANENTLY. May be removed from immediate access five (5) years after the end of the calendar year of creation.
J. Statements of re-certification or statements of non-compliance submitted by a State pursuant to Section 803 of the Agreement and documents concerning the determination of compliance that qualify as a public record pursuant to Rule 807.1 D (1).	MAINTAIN original record PERMANENTLY. May be removed from immediate access five (5) years after the end of the calendar year of creation.
K. Notices of intent to withdraw from the Agreement submitted by a State pursuant to Section 808 of the Agreement.	MAINTAIN original record PERMANENTLY. May be removed from immediate access five (5) years after the end of the calendar year of creation.
L. Resolutions sanctioning a State pursuant to Section 809 of the Agreement.	MAINTAIN original record PERMANENTLY. May be removed from immediate access five (5) years after the end of the calendar year of

	creation.
M. CONTRACTS AND LEASES All documents directly related to the formation and execution of contracts entered into by the Governing Board	MAINTAIN original record and provide immediate access until after expiration of the contract or agreement and receipt of final audit report and satisfaction of unsettled charges. DESTROY ten (10) years after removed from immediate access.
N. Financial, budget and tax records of the Governing Board pursuant to Rule 806.1.2.	MAINTAIN pursuant to the provisions of Rule 806.1.2.
Personnel records pursuant to Rule _____.	MAINTAIN pursuant to the provisions of Rule _____.

Rule 806.1.7. Publishing of Official Documents

A. Official version of Streamlined Sales Tax Documents.

- (1) The official version of the Streamlined Sales and Use Tax Agreement (SSUTA) shall contain all Articles, Definitions, and Appendices of the SSUTA adopted by the Governing Board.
- (2) The Executive Director shall maintain the official version of the SSUTA, bylaws, and rules in an electronic database that shall be used in drafting amendments and made available to the public as provided by Section 806 of the SSUTA and Article Six, Section 1.5 of the Bylaws. The official version shall be the most current version of the SSUTA, bylaws, and rules and shall contain a footnote for each amendment made. A footnote shall contain the date when the Governing Board adopted the amendment and an identifier that directs the reader to the specific Governing Board action which added or deleted language.
- (3) The Executive Director, in maintaining the official version of the SSUTA documents, shall not alter the sense, meaning, or effect of any act of the Governing Board, but may:
 - (a) Renumber sections and parts of sections of the SSUTA;
 - (b) Change the wording of headnotes;
 - (c) Divide or rearrange sections and parts of sections;
 - (d) Change reference numbers to agree with renumbered articles or sections, or make corrections in reference numbers when sections referred to are repealed or amended and the correction can be made without change in the agreement;
 - (e) Substitute the proper section or chapter numbers for the terms "this agreement," "the preceding section," and the like;
 - (f) Change capitalization, spelling, and punctuation for the purpose of uniformity and consistency; and
 - (g) Correct manifest clerical or typographical errors.
- (4) If any section or part of a section of the SSUTA, bylaws, or rules, is amended by more than one (1) act at the same meeting of the Governing Board, the Executive Director may incorporate in the agreement the section as amended or altered by the several acts, if each of the amendments, changes, or alterations can be given effect and incorporated in the section in a manner which will make the section intelligible.
 - (a) If a conflict appears between any section amended in a motion to revise and amend the SSUTA and the same section in any other amendment adopted at the same meeting of the

Governing Board, the Executive Director shall notify the President of the conflict. If the President determines that a conflict needing resolution exists due to actions of the Governing Board, the Executive Committee of the Governing Board shall recommend a resolution.

- (b) The Executive Committee's recommendation will be presented as an amendment to the Agreement for approval by the full Governing Board. Until such time that the conflict is resolved, the language in the section prior to the passage of conflicting amendments shall continue to be effective.
- (5) The Governing Board may furnish to each full and associate member state, without cost, on request of the chief executive of its taxation or revenue agency, a number of copies of the SSUTA that the Governing Board deems sufficient to enable the state to carry out duties imposed on it by the Agreement and its own law.

B. Certified Versions of the Streamlined Sales and Use Tax Agreement.

- (1) In response to a written request from a publisher, the Governing Board may designate a version of the SSUTA, bylaws, or rules, as a certified version if:
 - (a) The version meets the requirements of Section (2) of this rule; and
 - (b) The publisher of the version enters into a written agreement with the Governing Board.
- (2) Certified versions of the SSUTA shall contain:
 - (a) The SSUTA updated for amendments, along with any annotations, historical notes, and other information that the Governing Board deems appropriate to include;
 - (b) The Index and List of Definitions, and;
 - (c) The complete library of interpretations.
- (3) A certified version of the SSUTA may be in a printed or electronic format and shall be updated in a manner and frequency acceptable to the Governing Board to provide prompt notice to its users of the texts of newly-created and newly-amended articles and sections, the repeals of existing articles and sections, and any technical corrections, renumberings, or notes issued by the Governing Board. If a publisher produces more than one (1) version of the Agreement, a separate certification may be required for each version.
- (4) Each new complete certified version of the Agreement and each new volume, unit, supplement, supplemental pocket part, or electronic release of a certified version shall include a certificate issued by the executive director of the Governing Board attesting that the particular material being certified has been prepared in a manner acceptable to the Governing Board so as to ensure the identity of its text with the official version of the SSUTA.

Rule 806.2. Notice Requirements

A. Forms of Notice

1. Written Notice. All notices required or provided for in the Agreement shall be in writing. The writing may be incorporated in a paper document or it may be in electronic form posted on the Website or contained in electronic mail. Telephonic voice communications do not constitute written notice.

2. Paper Form. Written notice may be sent in paper form through first-class mail or any private mail delivery service accredited by the Internal Revenue Service for tax

return filing purposes. Notices to the Governing Board are properly addressed to the Executive Director at the address indicated on the Website and as set forth below.

*Scott Peterson
Executive Director
Streamlined Sales Tax Governing Board, Inc.
4205 Hillsboro Pike, Suite 305
Nashville, TN 37215*

This name and address may be changed from time-to-time without amending these Rules of Procedure.]

3. Electronic Form. Written notice may be sent in electronic form to parties who have supplied an e-mail address, or by sending an e-mail to the Executive Director at the e-mail address indicated on the Website.

4. Facsimile transmission. Written notice may be sent by facsimile transmission. The Governing Board may be contacted by sending a fax to the Executive Director at the fax number indicated on the Website.

B. Notice to the Public

1. Publication. Notice to the public may be accomplished by publishing the notice on the Governing Board website (the “Website”) at [URL], under the section identified for public notice. Until the Website is established, public notice may be accomplished by publishing the notice on the Streamlined Sales Tax website at www.streamlinedsalestax.org. Public notices shall also be sent to registrants on the electronic mailing list.

2. Electronic mailing list. Interested parties may register with the Governing Board to be placed on an electronic mailing list, by sending a written request. The registration will be effective as soon as practicable, but in no event later than thirty days after the request is received. Any such registration will automatically terminate on December 31 of the first full calendar year following the request for registration and at the end of each year thereafter if the party fails to respond to a request for renewal of the registration in writing.

C. Notice to a Member State and to Advisory Councils

1. Authorized Representative. Each Member State shall designate the name, mailing address and electronic mail address of the person(s) authorized to receive written notice for that State on matters governed by the Agreement, referred to herein as the “authorized representative.” That name and address shall be published on the Governing Board Website.

2. Governing Board Members. Each Member State shall designate the name, mailing address and electronic mail address of the people (maximum of four) authorized to represent the Member State on the Governing Board. The name and address of such representatives shall be published on the Governing Board Website. Member States are responsible for updating their membership designations.

3. Advisory Councils. Each Member State shall designate the name, mailing address and electronic mail address of the person authorized to represent the Member State on the State and Local Advisory Council. That name and address shall be published on the Governing Board Website. Member States are responsible for updating their membership designations. Notice to the business advisory council shall be accomplished by providing same to the Chair and Vice Chair of the council. The name and address of the Chair and Vice Chair of the business advisory council shall be published on the Governing Board Website. The Chair and Vice Chair of the business advisory council are responsible for updating their names and addresses.

D. Written notice to a taxpayer, representative, or other non-governmental entity

1. Designation of address. A taxpayer, representative, or other nongovernmental party who initiates a proceeding before the Governing Board (collectively referred to as an “interested party”) may designate in the document initiating the proceedings or communication whether it wishes to receive notices or other communications via regular mail, electronic mail, or facsimile transmission.

2. Default rule. If the interested party does not designate the manner of notice or a designated address, the Governing Board shall use the same form of written notice used by the party in initiating the proceeding and shall use the address or fax number used by the party in initiating its notice. If no address or fax number is included or can be determined from the party’s initial communication, the Governing Board shall have no obligation to provide a written response.

Rule 806.3 Administration of Compliance Audit Process

Rule 806.3.1 Authority

A. The Governing Board has the authority to execute any policies it deems to be in the best interest of the organization within the parameters of the Streamlined Sales and Use Tax Agreement, bylaws, and federal, state and local law.

B. The Streamlined Sales Tax Governing Board or its designee has the authority to perform CSP contract compliance audits and coordinate tax compliance audits for member states as authorized by the Governing Board; and to develop and use standardized operating audit procedures and policies for performing both contract compliance and tax compliance audits.

C. The Streamlined Sales Tax Governing Board designates the Audit Core Team to perform contract compliance audits for member states and to coordinate the tax compliance audits of Model 1 sellers as authorized by the Governing Board.

Rule 806.3.2 Definitions

A. Certified Service Provider (CSP)

An agent certified under the Agreement to perform all the seller's sales and use tax functions other than the seller's obligation to remit tax on its own purchases.

B. Certified Automated System (CAS)

Software certified under the Agreement to calculate the tax imposed by each jurisdiction on a transaction, determine the amount of tax to remit to the appropriate state, and maintain a record of the transaction.

C. Audit Committee

The Audit Committee was created by the Governing Board to advise the Governing Board pertaining to procedures on the audit of CSPs, CAS systems, and Model 1, 2 and 3 sellers. The Audit Committee will develop procedures to be used in performing compliance audits for member states.

D. Audit Core Team

The Audit Core Team is a group of designated representatives from full member states who are responsible for coordinating compliance audits, performing contract compliance audits and compiling feedback reports for the Governing Board.

E. Compliance Audit Process

The Compliance Audit Process includes the contract compliance audit process and the tax compliance audit process.

F. Contract Compliance Audit Process

The Contract Compliance Audit Process determines if the CSP performed according to the provisions of the contract with the member states.

G. Tax Compliance Audit Process

The Tax Compliance Audit Process determines if transactions were properly taxed, tax reported and remitted to the correct jurisdiction when due.

H. Member States

Member states are states that are full or associate member states of the Streamlined Sales Tax Governing Board.

I. Simplified Electronic Return (SER)

J. Audit Site

K. Testing Central

As defined in Article V.

Rule 806.3.3 Audit Committee

A. Membership

Members of the Audit Committee are representatives of participating states and local government.

B. Committee Meetings – (open & closed meetings)

Rule 806.3.4 Audit Core Team

A. Membership

The Audit Core Team is made up of representatives from full member states.

B. Reporting relationship

The Audit Core Team will report to the Streamlined Sales Tax Governing Board Executive Director or its designee for audit assignments, guidance and support.

C. Team Meetings – (closed meetings)

D. Responsibilities:

1. The Audit Core Team is responsible for performing contract compliance audits and coordinating tax compliance audits with member states.
2. The Audit Core Team will:
 - a) Determine the CSP's level of compliance with the terms of the CSP contract. (Questionnaires and specific tests will be used to assess the CSP's contract compliance.)
 - b) Verify that compensation was calculated properly for all volunteer sellers.
 - c) Verify that appropriate procedures for mapping exist, are in conformance with the mapping requirements, and are followed in the initial mapping setup, as well as during updates and corrections to mapping.
 - d) Verify that the appropriate entity use exemption data elements are captured by the CSP system.
 - e) Verify that all tax collected was remitted timely to the appropriate tax authority.
 - f) Verify that sales were accurately reported by the CSP/Seller on simplified electronic returns (SERs).
 - g) Acquire a list of sellers represented by each CSP and provide this information to the Streamlined Sales Tax Governing Board member states;
 - h) Coordinate with state auditors a download of all sales processed by the CSP for each seller, which will be available through access to a FTP site maintained by the SSTGB, Inc. to receive electronic records.
 - i) Create a uniform audit plan with a timeline to establish the projected dates that various audit steps should be completed;

- j) Compile the feedback reports from the member states, summarize the findings and report to the Executive Director of the Streamlined Sales Tax Governing Board. The summaries must comply with confidentiality restrictions that apply to the SST Governing Board regarding disclosure.

Rule 806.3.5 Compliance Audit of a CSP

A. The Compliance Audit of a CSP and its Model 1 sellers will include a contract compliance audit of the CSP and tax compliance audits of Model 1 sellers' transactions processed through the CSP's system.

B. The contract compliance audit of the CSP will be performed by the Audit Core Team. The tax compliance audits of the Model 1 sellers will be performed by member states under the coordination of the Audit Core Team.

Rule 806.3.5.1 Communication with Model 1 sellers during Audit

A. There should be no direct communication with Model 1 sellers by member states, except in response to questions from Model 1 sellers, in case of suspected fraud or to obtain information that the CSP cannot provide.

Rule 806.3.5.2 Timeline for Compliance Audit Process

The timeline for conducting the compliance audit will vary from year to year. The Audit Core Team will establish a timeline for each audit.

The Audit Core Team will have 30 days after receiving each member state's preliminary audit report to compile a report on the findings of the contract compliance audit and the member states' tax compliance audits and submit the report to the CSP.

The CSP will have 30 days to review and comment on the preliminary findings of the compliance audit. Comments will be sent to the Audit Core Team and member states.

The Audit Core Team and member states will have 10 days to amend their findings if necessary before final report is sent to the Executive Director of the Streamlined Sales Tax Governing Board.

The Audit Core Team may grant extensions as deemed appropriate to the above timelines.

Rule 806.3.5.3 Report on Audit Findings

A. The Audit Core Team will provide each member state with its findings of the contract compliance audit.

B. Member states will incorporate the findings of the contract compliance audit into their state's audit report for the tax compliance audit so the CSP receives only one audit report per state. (For example, if the Audit Core Team finds that a CSP has withheld more compensation than they should, the assessment for that additional tax will be combined with the assessments, if any, for underreporting by the CSP's Model 1 sellers.)

C. The report on the audit findings that goes to the Executive Director will contain general information on the errors found and will not contain specific taxpayer information to ensure the confidentiality of taxpayer information.

Rule 806.3.5.4 Contract Compliance Audit of CSP

Rule 806.3.5.4.1 Transaction Documentation

The following documentation and records are required to be provided via an electronic download through an FTP site by Certified Service Providers to the Audit Core Team and SST member and associate member states. (This is required by Article V - Appendix F after 7/1/2008)

A. The CSP's response to the Audit Core Team Questionnaire and a listing of each member state's Model 1 sellers and the date each seller began processing transactions through the CSP's system will be provided by electronic means to the Audit Core Team.

B. Sales Transaction Information

1. Electronic downloads of sales data may be provided at either the invoice level or the line item level of an invoice.
2. For invoices that include taxable and exempt components, each item or bundled transaction must be clearly identified so tax calculation can be verified.
3. Sales transaction data must include
 - a. Order and billing dates for each seller's customer.
 - b. Sales records with a unique transaction number assigned to each sale.
 - c. Billing address and shipping location for each transaction for each seller's customer according to the appropriate sourcing rules.
 - d. Sales price, taxable amount and tax by jurisdiction for each transaction.

- e. For any discounts applied, the taxable base should be easily discernable.
- f. An audit trail to substantiate credits for transactions processed through the CSP's system.

C. Exemption Information

- 1. Exemption information on purchasers as required in the Simplified Exemption Administration Paper.
- 2. Exemption Information Report as stipulated in Section 501.6.B.2.b of Article V.
- 3. Detailed information providing a distinction between exempt transactions by product or entity/use based exemptions.
- 4. Exempted sales transactions must include the customer's name in addition to all other information required for each sales transaction.
- 5. Uniform exemption certificates and/or data, either in electronic or paper format, must be maintained by the CSP.

D. Tax Collection and Remittance Information

- 1. CSPs must provide documentation to verify that all tax collected was appropriately remitted, and the tax return information is accurate.
- 2. Tax reversals/credits must identify every tax jurisdiction credited.

Rule 806.3.5.5 Tax Compliance Audit of Transactions Processed by the CSP

A. Each member state's designated auditor(s) will handle its state's portion of the audit and is responsible to ensure conformance to the audit plan and timeline, according to each state's audit policies and procedures.

B. The Audit Core Team will provide the CSP with a list of the member states' auditors who will be involved in the compliance audit process.

C. Each CSP will provide a list of all sellers and the date each seller began processing transactions using its service to the Audit Core Team for distribution to the member states. Each member state will decide which Model I sellers' transactions to include in their tax compliance audit. The state auditors will have access to a FTP site maintained by the SSTGB, Inc. to receive electronic records. Each member state has the option to comprehensively review the electronic records or choose sampling methodology to perform the review of the transactions processed.

D. Member state auditors would be responsible for reviewing the seller's transactions to determine if they were taxed correctly. If errors exist the auditors must determine if the errors were caused by any of the following reasons including but not limited to:

- 1.) Deviation from the state's rates and boundaries tables;
- 2.) Noncompliance with the state's taxability matrix;
- 3.) Non-compliance with state approved expanded matrix;
- 4.) Changes posted through Testing Central were not implemented in a timely manner (10 days); (This will be verified through the CORE Team);
- 5.) Seller overrides of the CSP system;
- 6.) Exemption information and/or certificates did not contain all of the required data elements;
- 7.) Calculations that were tested and approved during the certification process;
- 8.) Errors in computing tax based on erroneous information from the states.

E. Prior to the issuance of an audit adjustment, the CSP will be given an opportunity to review the audit results with the auditor(s) from each state wherein a tax liability exists in accordance with its laws, rules and regulations.

F. Where audit findings indicate there is an outstanding tax liability owed by the CSP, any resulting deficiencies or demand for payment of additional taxes under the terms of the contract will be generated by each member state. Accordingly, the laws of each state regarding the appeal process and statute of limitations would apply to the audit adjustments.

Rule 806.3.6 Compliance Audit of a Model 2 Seller (Reserved)

Rule 806.3.7 Compliance Audit of Model 3 Seller (Reserved)

Rule 807. Meetings

Rule 807.1. Open Meetings

A. Definitions

1. Action taken. As used in this rule, "action taken" means a collective decision made by the members of the Governing Board or of a Governing Board committee, or an actual vote by the members of the Governing Board or of a Governing Board committee when sitting as a body or entity upon a motion, proposal, resolution, order or similar action.

2. Meeting. As used in this rule, “meeting” includes any congregation, whether in person or by electronic means, of a majority of the members of the Governing Board or Governing Board committee at the same time to hear, discuss, deliberate or act upon any item that is within its subject matter jurisdiction except the following do not constitute a meeting:

a. social or ceremonial occasions whether sponsored in whole or in part by the Governing Board, a related body, or an unrelated body;

b. conferences or similar gatherings sponsored by an entity other than the Governing Board or a Governing Board committee that involves discussion of issues of general interest;

c. training or informational sessions sponsored by the Governing Board or a Governing Board committee at which there are no actions or deliberative discussions undertaken.

B. Required open and public meetings

1. General Rule. Pursuant to Section 807 of the Streamlined Sales and Use Tax Agreement and Articles Six and Seven of the Bylaws, all meetings of the Governing Board or a Governing Board committee shall be open and public, unless a closed meeting is specifically provided for in the Agreement, and all persons shall be permitted to attend any meeting of the Governing Board or a Governing Board committee except as otherwise provided in this rule.

2. Teleconference Meetings. Nothing in this rule shall be construed to prohibit the Governing Board or a Governing Board committee from holding an open or closed meeting by teleconference, subject to all of the following:

a. the teleconferencing meeting shall comply with all requirements of this rule applicable to other meetings;

b. the portion of the teleconferenced meeting that is required to be open to the public shall be audible to the public at the location specified in the notice of the meeting;

c. each public teleconference location shall be identified in the notice of the meeting and shall be accessible to the public;

d. all votes taken during a teleconferenced meeting shall be by roll call;

e. at least one member of the Governing Board or Governing Board committee or of an employee of the Governing Board or a Member State shall be physically present at the location specified in the notice of the meeting; and

f. members of the public shall be allowed to participate in open meetings via teleconference.

3. Teleconference Definition. For the purposes of this section, “teleconference” means a conference of individuals in different locations, connected by electronic means, through either audio or video, or both.

C. Recording proceedings. Any person attending an open and public meeting of the Governing Board or a Governing Board committee may record the proceedings on a tape recorder in the absence of a reasonable finding of the Governing Board or the Governing Board committee that such recording constitutes, or would constitute, a disruption of the proceedings.

D. Agenda and other “writing” as public record; Inspection

1. Public records. Agendas of public meetings and other writings, when distributed to all, or a majority of all, of the members of the Governing Board or a Governing Board committee by a member, officer, employee, or agent of the Governing Board for discussion or consideration at a public meeting of the Governing Board or the Governing Board committee, are public records as soon as distributed, and shall be made available. However, this section shall not include any writing which are:

- a. preliminary drafts, notes or memoranda which are not retained by the Governing Board or the Governing Board committee in the ordinary course of business, provided that the public interest in withholding those records clearly outweighs the public interest in disclosure;
- b. records pertaining to pending litigation to which the Governing Board, Governing Board committee or Member State is a party until the pending litigation has been finally adjudicated or otherwise settled;
- c. minutes made pursuant to Rule 807.1.F regarding closed meetings; and
- d. personnel, medical or similar files the disclosure of which would constitute an unwarranted invasion of personal privacy.

2. Materials Distributed Prior to Meeting. Writings that are public records under subdivision (1) and that are distributed prior to commencement of a public meeting shall be made available for public inspection upon written request prior to commencement of such meeting.

3. Materials Distributed at Meeting. Writings that are public records under subdivision (1) and that are distributed during a public meeting, either prior to commencement of their discussion or during their discussion at such meeting shall be made available for public inspection upon request prior to commencement of, and immediately during their discussion at such meeting.

4. Charging of fees. Nothing in this section shall be construed to prevent the Governing Board from charging a fee or deposit for a copy of a public record to cover the direct costs of duplication. This section shall not be construed to be applicable to any writings solely because they are properly discussed in a closed session of the Governing Board or a Governing Board committee. Nothing in this rule shall be construed to require the Governing Board to place any paid advertisement or any other paid notice in any publication.

5. Definition of “Writing”. “Writing” for purposes of this section means handwriting, typewriting, printing, photocopying, photographing, and every other means of recording upon any form or communication or representation, including letters, words, pictures, sounds, or symbols, or combination thereof, and all papers, maps, magnetic or paper tapes, photographic films and prints, magnetic or punched cards, discs, drums and other documents.

6. Copies of writings. The Governing Board may comply with a request for copies of writings or inspections of writings, for purposes of this rule, by providing a downloaded document, transcript, or other documentary form of the writing, if the documentary form of the writing will accurately convey the content of the writing.

E. Minutes of closed session. The Governing Board or a Governing Board committee shall keep minutes of the topics discussed at a closed session and the reason for such a session. The minutes made pursuant to this section are not a public record and shall be kept confidential. Such minutes may, but need not, consist of a recording of the closed session.

F. Statement of reasons and authority for closed session

1. Reasons for Closed Meeting. Prior to holding any closed session, the Governing Board or a Governing Board committee shall state the general reason or reasons for the closed session, and cite the specific authority, including the particular subdivision of Section 807 of the Streamlined Sales and Use Tax Agreement under which the session is being held. If the session is closed pursuant to subdivision E of Section 807 the Governing Board or the Governing Board committee shall state the title of, or otherwise specifically identify, the litigation to be discussed unless the Governing Board or the Governing Board committee states that to do so would jeopardize the Governing Board’s or a member State’s ability to effectuate service of process upon one or more unserved parties, or that to do so would jeopardize its ability to conclude existing settlement negotiations to its advantage. *Ex officio* members of the Governing Board shall not be permitted to participate in closed meetings unless invited by the Governing Board.

2. Limits on Agenda of Closed Session. In the closed session, the Governing Board or the Governing Board committee may consider only those matters covered in its statement.

3. Notice of Closed Session. The notice of a closed session and the statement of reasons for a closed session shall be included as part of the notice provided for the meeting.

4. Additional Agenda Items. If, after the closed session agenda has been published in compliance with this section, any additional pending litigation (under paragraph E of Section 807) matters arise, the postponement of which will prevent the Governing Board or the Governing Board committee from complying with any statutory, court-ordered, or other legally imposed deadline, the Governing Board or Governing Board committee may proceed to discuss those matters in closed session and shall publicly announce in the open session of the meeting the title of, or otherwise specifically identify, the litigation to be discussed. Such an announcement shall be deemed to comply fully with the requirements of this section.

5. Privacy Concerns. Nothing in this section shall require or authorize the giving of names or other information that would constitute an invasion of privacy or otherwise unnecessarily divulge the particular facts concerning the closed session.

G. Continuance or recontinuance of hearing. Any hearing being held, or noticed or ordered to be held by the Governing Board or a Governing Board committee at any meeting may by order or notice of continuance be continued or recontinued to any subsequent meeting of the Governing Board or the Governing Board committee which is noticed pursuant to Sections 807.2, 807.3, or 807.4. A copy of the order or notice of continuance shall be conspicuously posted on or near the door of the place where the hearing was held within 24 hours after the time of the continuance; provided, that if the hearing is continued to a time less than 24 hours after the time specified in the order or notice of hearing, a copy of the order or notice of continuance of hearing shall be posted immediately following the meeting at which the order or declaration of continuance was adopted or made. If a hearing is held in a hotel or other facility not under the control of the Governing Board or a member State, the posting requirement is waived, and the Governing Board or the Governing Board committee shall accomplish the purpose of this section through a reasonable alternative means.

H. Fees. No fees may be charged by the Governing Board for providing a notice required by Sections 807.2, 807.3, or 807.4 or for carrying out any provision of this rule, except as specifically authorized pursuant to this rule.

I. Complaints regarding public participation rule. Complaints involving alleged failures of the Governing Board or a Governing Board committee to adhere to the policies expressed herein shall be directed to the Executive Director of the Governing Board. Upon receipt of any complaint, the Executive Director shall immediately forward a copy of the complaint to each member of the Governing Board. Thereafter, the Executive Director shall conduct or have conducted an investigation of the complaint and prepare a report of findings and recommendations for any remedial steps which may be necessary to implement the letter and spirit of this rule. A copy of this report shall be forwarded to each member of the Governing Board within 45 days of receipt of the complaint and the matter shall be scheduled for discussion and possible action at the next meeting of the Governing Board or the Executive Committee, whichever occurs first.

J. Prohibition against use of certain facilities. The Governing Board or a Governing Board committee shall not conduct any meeting, conference, or other function in any facility that

prohibits the admittance of any person, or persons, on the basis of race, religious creed, color, national origin, ancestry, sexual orientation or sex.

K. Prohibition against closed sessions except as expressly authorized. Except as expressly authorized by the Agreement or this rule, no closed session may be held by the Governing Board or a Governing Board committee.

Rule 807.2. Regular Meetings

A. Governing Board

1. **Annual Meeting and Purpose Thereof.** An annual meeting of the members of Governing Board shall be held once each year for the purpose of electing Officers and Executive Committee Directors, for approving an annual budget, and for transacting such other business as may come before the meeting.
2. **Written Notice.** The Executive Committee of the Governing Board shall determine the time and place for the annual meeting and shall prepare an agenda for distribution to the Member States. Written notice of the meeting must be given at least 30 days in advance of the meeting and must include the agenda, budget, information about the proposed slate of officers and a description of other items on the agenda. Supplementary materials must be distributed in writing no later than 10 days prior to the meeting.
3. **Addition of Agenda Items.** Member States wishing to add action or discussion items to the agenda may do so, if circulated in writing in advance to the membership of the Governing Board not less than 10 days prior to the meeting and with the approval of a majority of those present and voting at the meeting. A motion to add the item to the agenda must be considered by the Governing Board.
4. **Amendments to the Agreement.** Proposed amendments to the Agreement must conform to Rule 901. Requests for interpretation of the Agreement or additional definitions to be added to the Agreement must conform to Rules 902 and 903, respectively.

B. Executive Committee. The Executive Committee shall meet no less than once each calendar quarter or it may meet more frequently. The President shall post a schedule for regular meetings on the website scheduling as far in advance as practicable; however, in no case shall notice of less than 30 days be given.

C. Other Committees. Standing Committees shall post their meeting schedule on the website. Ten day advance written notice is sufficient, although regular meetings should be scheduled as far in advance as practicable.

Rule 807.3 Special Meetings.

A. Governing Board

1. **Call of Meeting.** Special meetings of the Governing Board may be called by the Officers, the Executive Committee, or by petition of forty percent of Member States.
2. **Written Notice.** The Executive Committee of the Governing Board shall determine the time and place for special meetings. The Executive Committee shall prepare an agenda for distribution to the Member States except when called by a petition of Member States. Written notice of the meeting must be given at least 30 days in advance of the meeting and must include the agenda, purpose of the meeting and all pertinent materials for discussion. Member States wishing to add action or discussion items to the agenda may do so, if circulated in writing in advance to the membership of the Governing Board not less than 10 days prior to the meeting. Those additional action or discussion items shall be considered by the Governing Board with the approval of a majority of those present and voting at the meeting.
3. **Agenda for Meetings Called by Member States.** For meetings called by petition of Member States, the petition must contain the purpose of the meeting and the agenda, and no other business may be discussed.
4. **Amendments to the Agreement.** Proposed amendments to the Agreement must conform to Rule 901. Requests for interpretation of the Agreement or additional definitions to be added to the Agreement must conform to Rules 902 and 903, respectively.

B. Executive Committee. The President may call special meetings of the Executive Committee by giving 10 days written notice of the place, time and agenda for such a meeting.

Rule 807.4. Emergency Meetings.

A. Governing Board. Emergency meetings of the Governing Board may be called by the President, the Executive Committee or by petition of forty percent of Member States at a time and place determined by those who called the meeting. The purpose of the meeting and the agenda must be contained in the written notice and no other business may be transacted. The 30 day notice may be waived, but in no case shall less than 10 days notice be given. Electronic participation will be allowed.

B. Executive Committee. An emergency meeting of the Executive Committee may be called on as little as 24 hours written notice if the Executive Director and the President of the Governing Board determine that an emergency action is necessary to:

- (a) prevent imminent damage to the public welfare;
- (b) ensure the proper functioning of the Agreement or the Governing Board; or

(c) prevent the Governing Board or any Member State acting pursuant to the provisions of the Agreement or direction of the Governing Board from violating any federal or state law.

The Governing Board must be notified of the nature of the emergency, the proposed action and the time and place of the meeting. Executive Committee members wishing to participate and vote in the meeting of the Executive Committee may do so, either in person or electronically.

Rule 807.5 Electronic voting. Reasonable means shall be used to verify that all votes or actions cast or taken electronically are actually cast or taken by a committee member or member, officer or other representative of the Governing Board that is authorized to cast the vote or take the action.

Rule 807.6 Conditions for taking action on items not appearing on posted agenda. The Governing Board or a Governing Board committee may take action on items of business not appearing on the posted agenda upon a determination by a majority of those present and voting of the Governing Board or a Governing Board committee that there exists a need to take immediate action and that the need for action came to the attention of the Governing Board or the Governing Board committee subsequent to the agenda being posted or that an emergency situation exists.

Rule 808. Withdrawal of Membership or Expulsion of a Member.

Rule 808.1. Withdrawal of Membership. [Reserved.]

Rule 808.2. Expulsion of a Member. [Reserved.]

Rule 809. Sanction of Member States. [Reserved.]

Section 810. State and Local Advisory Council.

Rule 810.1. Statement of Purpose.

The role of the State and Local Government Advisory Council (the "Council") is to advise the Governing Board on matters pertaining to the administration of the Agreement, including, but not limited to, admission of states into membership; noncompliance; and interpretations, revisions or additions to the Agreement. The Council will consider and respond to those matters referred to it from the Governing Board or its committees. The Council may also recommend items to the Governing Board for consideration. The Council will advise and assist the Business Advisory Council in its operations. The Council will provide a forum for state and local government officials not represented on the Governing Board to express their ideas and concerns and have a formal process to bring those concerns to the Governing Board.

Rule 810.2. Council Membership, Officers and Steering Committee Membership.

A. State Membership:

1. Each state that is a participating member of the Streamlined Sales Tax Project (SSTP)

will be a member of the Council. Each member state shall designate one representative who is a state employee to represent that state in decisions and votes. States may have more than one state employee attend and participate in the Council meetings and committees but will only have one vote as explained in Rule 810.3.A.2.

2. "Participating States" are those States that support the mission of the project and for which an elected official or body of elected officials has committed the State to participate in the Streamlined Sales Tax Project. A State may become a Participating State at any time. A commitment by a State to participate is evidenced by one or more of the following actions:

- a. Enactment of legislation authorizing the State's participation in interstate discussions to develop a simplified sales and use tax system;
- b. Passage of a legislative resolution expressing the intent of the State to participate in interstate discussions to develop a simplified sales and use tax system;
- c. Issuance of an executive order, letter of intent or similar written document by a governor expressing the intent of the State to participate in interstate discussions to develop a simplified sales and use tax system;
- d. Execution of a memorandum of understanding or similar written document by a governor and legislative leaders expressing the intent of the State to participate in interstate discussions to develop a simplified sales and use tax system;
- e. Issuance of a resolution, executive order, letter of intent or similar written document by an elected official or body of elected officials charged under a State Constitution with the administration of the tax laws expressing the intent of the State to participate in interstate discussions to develop a simplified sales and use tax system;
- f. Action by the Mayor or City Council of the District of Columbia comparable to any of the above actions.

3. Any question over whether or not a State qualifies as a Participating State shall be resolved by a majority vote of the Governing Board.

B. Local Government Membership:

1. The Governing Board shall appoint three representatives from each of the following organizations to represent local government on the Council: U.S Conference of Mayors, National League of Cities, National Association of Counties, and the Government Finance Officers Association.

2. The representatives of these local government organizations will be local government employees, employees of the organizations, or employees of their state counterpart organizations.

3. Local governments or the local government organizations identified in this subsection may have additional employees attend and participate in the Council meetings and committees but will only have votes as identified in Rule 810.3.A.2.

C. Other Membership. The Governing Board may appoint other state and local officials to serve on the Council as the Governing Board deems appropriate or necessary.

D. Officers. The President of the Governing Board, with the consent of the Executive Committee of the Governing Board, shall appoint from among the membership described above a Chair and Vice Chair of the Council (the "Officers") to serve a one-year term. An individual may serve no more than two consecutive terms as Chair or Vice-Chair, except to fill an unexpired term. The Chair and Vice-Chair will serve as *ex officio* members of the Governing Board, without a vote. The Officers shall preside over all Steering Committee and Council meetings, shall ensure that public notice of meetings is provided in accordance with these rules, and shall fulfill such other responsibilities as delegated to them by the Governing Board.

E. Steering Committee.

1. The Council shall have a Steering Committee comprised of no more than nine (9) members. The Officers shall be members of and shall preside over the Steering Committee meetings. The Council shall annually elect from among the representatives of the membership the remaining members of the Steering Committee. At least two (2) and no more than three (3) of the nine Council Steering Committee members will be local government representatives.

2. Duties of Committee

- a. Planning agendas for meetings,
- b. Recommending to the Council the organization of work groups or project committees,
- c. Recommending to the Council such actions and procedures as are necessary for the Council to fulfill its mission, and
- d. Assisting and advising the Officers in fulfilling their responsibilities.

Rule 810.3. Council Meetings

A. Composition; Quorum; Authority and Voting Procedures

1. Quorum. A majority of the voting membership constitutes a quorum for a meeting of the Council. Any recommendations of Council work groups or committees are advisory to the Council and are not binding on the Council except as may be specifically delegated or approved by a vote of the Council.

2. Voting. All matters shall be decided by a majority vote of the members with representatives present and voting at a Council meeting. In voting, each member state

shall have one (1) vote and each representative of the local government organizations identified in Rule 810.2.B.1 shall have one (1) vote. In reporting votes to the Governing Board, the Council shall report votes by each member state and by each local government organization member.

B. Meetings

1. Open Meetings: Rule 807.1 shall govern meetings of the Council. Meetings of a work group, committee, or the Steering Committee are not required to be open to the public unless a quorum of the Council is present at the meeting.
2. Regular Meetings: The Council shall meet as often as is necessary to fulfill its mission. The Officers shall determine the time and place for regular meetings. The Steering Committee shall prepare an agenda for distribution to the Council Members. Written notice of the meeting must be given at least 30 days in advance of the meeting and must include the agenda, purpose of the meeting and all pertinent materials for discussion. Council Members wishing to add action or discussion items to the agenda may do so if submitted 10 days in advance of the meeting to the Officers. Those additional action or discussion items shall be considered by the Council and with the approval of a majority of those present and voting at the meeting.
3. Emergency Meetings: Emergency meetings of the Council may be called by the Officers, the Steering Committee, or by petition of forty percent of Council Members at a time and place determined by those who called the meeting. The purpose of the meeting and the agenda must be contained in the written notice and no other business may be transacted. The 30 day notice may be waived, but in no case shall less than 10 days notice be given. Electronic participation will be allowed.
4. Rules of the Governing Board concerning Notice and Public Comment periods apply to the Council.
5. The Council may meet electronically.

Rule 810.4. Council Resources

The Council will operate using staff and resources as provided by the Governing Board.

Section 811. Business Advisory Council. [Reserved.]

ARTICLE IX Amendments and Interpretations

Rule 901. Amendments to Agreement

A. Requests of Amendments to the Agreement. Pursuant to Section 901 of the Agreement, any Member State may propose an amendment to the Agreement by submitting the proposed amendment, in writing and in electronic form, to the Executive Director. The proposed amendment will be considered at the next annual meeting or special meeting occurring so that at least 60 days notice of the proposed amendment has been provided in the manner provided herein.

B. Notice of Request. The Executive Director shall provide notice of the proposed amendment and the date of the meeting at which the proposed amendment will be considered to the following parties:

- (a) the Governor and the presiding officer of each house of each Member State;
- (b) the authorized representative of each Member State;
- (c) the Chair of the State and Local Advisory Council;
- (d) the Chair of the business advisory council;
- (e) the Chair of the Compliance Review and Interpretations Committee; and
- (f) the general public as provided in Rule 806.1.

C. Revisions to noticed amendments. Any person intending to revise a proposed amendment to the Agreement shall submit such revisions to the Executive Director no later than ten days prior to the Governing Board meeting at which such amendment will be discussed. The Executive Director shall provide notice of such revisions in the same format as required for amendments to the Agreement. Failure to provide revisions to the Executive Director as provided in this section may be used by the President to refer such revisions to a committee or advisory council for their recommendation for action at a future Governing Board meeting. The Governing Board may override the President's decision by a two-thirds vote of the Governing Board.

D. Public Comment

1. **Written Comments.** Any party may comment on the proposed amendment by sending written comments to the Executive Director with a copy to the authorized representative of the requesting state. Any such comments must be submitted at least 30 days prior to the date of the meeting at which the proposed amendment will be considered.
2. **Response by Requesting State.** The requesting state has the option of responding to any written comments by submitting the response to the Executive Director in electronic form, at least 10 days prior to the hearing date, with a copy, either in electronic form or in paper form, to the party originating the comments.

3. **Posting of Comments.** The Executive Director shall post all written comments received in electronic form and any response submitted by the requesting state to the Governing Board website. The Executive Director may also post comments not received in electronic form to the extent resources are available.
4. **Request to Testify.** Any party submitting written comments may include in its comments a request to testify before the Governing Board. The Executive Director shall grant those requests to the extent practicable but may limit the time for any single presentation. The Executive Director may limit total public testimony to a reasonable time, not to be less than one hour.

E. Public Meeting.

1. **Vote at Open Meeting.** The vote on the proposed amendment shall be held at an open meeting convened in accordance with Rule 807.
2. **Testimony by Advisory Councils.** The State and Local Advisory Council and the business advisory council shall have the right to present oral testimony if they choose. The Executive Director may limit the time for each Council to testify to a reasonable time, not to be less than 15 minutes each.
3. **Comments by Member States.** Any Member State has the right to make oral comments to the extent it deems appropriate, subject only to a motion by the Governing Board to cut off debate. Any Member State has the right to propose revisions to the proposed amendments to the extent those revisions are germane.
4. **Vote on Revisions to Proposed Amendments.** After discussion and receipt of testimony, the Governing Board shall vote on any revisions to the proposed amendment. Approval of the proposed revisions shall be by a simple majority vote of those Member States present
5. **Vote on Final Amendment.** After discussion and receipt of testimony, the Governing Board shall vote on adoption of the proposed amendment, whether or not revised. The proposed amendment will be adopted only if approved by a three-fourths vote of the entire Governing Board.

Rule 902. Interpretations of Agreement.

A. Requests for Interpretation of the Agreement. Pursuant to Section 902 of the Agreement, any Member State or person may request an interpretation of the Agreement by submitting the request, in writing, to the Executive Director.

B. Compliance Review and Interpretations Committee.

1. **Initial Evaluation.** The Executive Director shall forward the request to the Compliance Review and Interpretations Committee for an initial evaluation. The Compliance Review and Interpretations Committee shall review the request to determine if further action is warranted.
2. **Determination as Unnecessary.** If the Compliance Review and Interpretations Committee determines that the request is inappropriate, unwarranted or unnecessary for any reason, it shall notify the Executive Director who shall notify the requestor that the Governing Board declines to act on the request. This action shall be reported to the Executive Committee and the Governing Board. If the requestor disagrees with the initial evaluation, the requestor may invoke the dispute resolution process provided for in Article X of the Agreement.
3. **Formal Interpretations.** If the Compliance Review and Interpretations Committee determines that the request should be granted and an interpretation should be issued, the Committee shall inform the Executive Director who shall publish the request for interpretation on the Website and solicit comments. The Compliance Review and Interpretations Committee shall consult with the State and Local Advisory Council and the business advisory council and shall formulate a recommendation to the Governing Board.

C. Public Notice. The Executive Director shall provide a copy of the request for interpretation to and shall solicit comment from the following parties:

- (a) the authorized representative of each Member State;
- (b) the Chair of the State and Local Advisory Council;
- (c) the Chair of the business advisory council; and
- (d) the general public as provided in Rule 806.1.

D. Public Meeting. No sooner than 60 days after solicitation of comment, the Compliance Review and Interpretations Committee shall meet in a public meeting convened in accordance with Rule 807 to consider the request and shall issue a written recommendation. The recommendation may be in the form of (1) an interpretation of the agreement or (2) a determination that an interpretation should not be issued. The recommendation shall be in writing and shall provide the Committee's rationale for its recommended action. A copy of the recommendation shall be sent to the requesting party, the Executive Committee and the Governing Board.

E. Agenda. Actions recommended by the Compliance Review and Interpretations Committee shall be placed on the agenda of the Governing Board for either a regular or a special meeting.

F. Appeal. If the requestor disagrees with the decision, the requestor may invoke the appeals process provided for in Article X of the Agreement.

G. Publication of Decision. Once the decision of the Governing Board becomes final, either because no appeal is filed or because the appeal procedures have been exhausted, the decision shall be sent to the requesting party and a copy of the decision shall be posted on the Website.

H. Expedited Process. The time limitations in this rule may be shortened if the requestor asks for expedited consideration in its request. In that case, the notice to interested parties shall request written comment within 10 days. The Compliance Review and Interpretations Committee may meet any time after that 10-day period has expired.

Rule 902.1. Interpretive Rules.

A. Purpose. Interpretive rules are distinguished from interpretive opinions in section 902 of the Streamlined Sales and Use Tax Agreement (“Agreement”). The intent of this procedural rule is to prescribe procedures applicable only to interpretive rules.

B. Intent. Section 902 of the Agreement provides that interpretations of the Agreement, including interpretive rules, can only be accomplished by action of the Governing Board.

Article VIII A, Section 1 of the Bylaws of the Streamlined Sales Tax Governing Board, Inc. provides for establishment of the State and Local Advisory Council (“SLAC”) to advise the Governing Board on matters pertaining to the administration of the Agreement, including interpretations. Section 1 continues by stating that the Governing Board may work through its committees to solicit and consider SLAC positions on matters. SLAC is uniquely qualified and positioned to develop draft interpretive rules.

Article VII of the Bylaws of the Streamlined Sales Tax Governing Board, Inc. provides for establishment of Standing Committees of the Governing Board. Section 2 of Article VII establishes the Compliance Review and Interpretations Committee (“CRIC”). Among the responsibilities given to CRIC is “... making recommendations to the Governing Board on matters involving interpretations ...”. CRIC is uniquely qualified and positioned to provide commentary and recommendations to the Governing Board on interpretive rules developed and proposed by SLAC.

Article VIII B, Section 1 of the Bylaws of the Streamlined Sales Tax Governing Board, Inc. provides for establishment of a Business Advisory Council (“BAC”) to advise the Governing Board on matters pertaining to the administration of the Agreement, including interpretations. Section 1 continues by stating that the Governing Board and its committees shall solicit and consider BAC positions. Section 6 provides that BAC shall seek the advice of and respond to SLAC prior to formulating a recommendation to the Governing Board or its committees.

C. Requests for Interpretive Rules. Pursuant to Section 902 of the Agreement, the Governing Board shall act on requests for interpretation of the agreement, including interpretive rules, brought by any member state or any other person within a reasonable period of time and in a manner prescribed in the Governing Board rules. The Governing Board may choose to not issue an interpretative rule or it may choose to not act on a request for an interpretative rule. Where the Governing Board chooses to act on a request for interpretive rule it will initiate the interpretive rule process by making a request of SLAC to develop a draft interpretive rule.

D. State and Local Advisory Council.

1. SLAC will create an initial draft through the use of experts and assistance of the SLAC Steering Committee.

2. Upon development of an initial draft, the SLAC Chair will provide public notice of the formation of an interpretative rule workgroup and will invite participation from all interested parties. SLAC will establish a workgroup comprised of interested state, local and business representatives who will review and comment on the initial draft interpretive rule.

3. The SLAC Chair will provide the draft interpretive rule to BAC with a reasonable opportunity for review, comment, and participation in continued development of the draft interpretive rule.

4. The SLAC Chair will have sole discretion to call for final comments on draft interpretive rules from states, BAC and other interested parties. Final comments must be submitted to SLAC within 30 days of the Chair's call for them. SLAC will finalize the draft interpretive rule and forward it to the Governing Board and CRIC at least 60 days prior to the Governing Board meeting in which it will be considered.

E. Compliance Review and Interpretations Committee.

1. CRIC will place the proposed interpretive rule on its next regularly scheduled public meeting agenda for discussion by CRIC members and for public comment by other interested parties. It is the intent of this rule that the time period for CRIC review be held to a minimum in light of the extensive review, discussion and comment previously provided through the SLAC process. Therefore it is expected that CRIC will generally review the proposed interpretive rule no later than the second scheduled meeting following receipt of the proposed interpretive rule from SLAC.

2. After review of the draft interpretive rule and any public comment received separately from the SLAC rule development process, CRIC will prepare advisory written commentary and recommendations for submission to the Governing Board for its consideration.

F. Business Advisory Council.

1. BAC may participate in the review and comment process undertaken by SLAC concerning development and finalization of a draft interpretive rule to be forwarded to the Governing Board and CRIC.

2. BAC may provide comments on a draft interpretive rule to CRIC for consideration during its review.

3. BAC may provide written comments directly to the Governing Board on draft interpretive rules and comments forwarded to the Governing Board by CRIC.

G. Agenda. A proposed interpretive rule together with all written comments shall be presented to the Governing Board and placed on the agenda of the Governing Board for either a regular or a special meeting. At least thirty days notice to the member states and the public is required by Section 902 of the Agreement.

Rule 903. Definition Requests.

Rule 903.1. Additional Definitions.

A. Requests for Additional Definitions. Any Member State or person may request an additional definition in the Agreement by submitting the proposed definition, in writing, to the Executive Director.

B. Compliance Review and Interpretations Committee.

- 1. Initial Evaluation.** The Executive Director shall circulate the proposed definition to the Compliance and Interpretations Committee for an initial evaluation. The Compliance Review and Interpretations Committee shall review the proposed definition to determine if further action is warranted.
- 2. Determination as Unnecessary.** If the Compliance Review and Interpretations Committee determines that the definition is inappropriate, unwarranted or unnecessary for any reason, it shall notify the Executive Director who shall notify the requestor that the Governing Board declines to adopt the proposed definition. This action shall be reported to the Executive Committee and the Governing Board. If the requestor disagrees with the initial evaluation, the requestor may invoke the dispute resolution process provided for in Article X of the Agreement.
- 3. Formal Definition.** If the Compliance Review and Interpretations Committee determines that additional consideration of the proposed definition is warranted, the Committee shall inform the Executive Director who shall publish the request for definition on the Website and solicit comment. The Compliance Review and Interpretations Committee shall consult with the State and Local Advisory Council and the business advisory council and shall formulate a recommendation to the Governing Board.

C. Public Notice. If the Compliance Review and Interpretations Committee has notified the Executive Director that additional consideration of the proposed definition is warranted, the Executive Director shall provide a copy of the request for definition to and shall solicit comment from the following parties:

- (a) the authorized representative of each Member State;
- (b) the Chair of the State and Local Advisory Council;
- (c) the Chair of the business advisory council; and
- (d) the general public as provided in Rule 806.1.

D. Public Meeting. No sooner than 60 days after solicitation of comment, the Compliance Review and Interpretations Committee shall meet in a public meeting convened in accordance with Rule 807 to consider the request and shall issue a written recommendation. The decision may be in the form of (1) a recommendation of a proposed definition or (2) a determination not to propose a new definition. The recommendation shall be in writing and shall provide the Committee's rationale for the decision. A copy of the decision shall be sent to the requesting party, the Executive Committee and the Governing Board.

E. Agenda. Actions on definitions recommended by the Compliance Review and Interpretations Committee shall be placed on the agenda of the Governing Board for either a regular or a special meeting.

F. Appeal. If the decision is not to propose a new definition and the requestor disagrees with the decision, the requestor may invoke the appeals process provided for in Article X of the Agreement.

G. Publication of Decision. Once the decision becomes final, either because no appeal is filed or because the appeal procedures have been exhausted, the decision shall be sent to the requesting party and a copy of the decision shall be posted on the Website.

H. Proposal of Amendment. If the Compliance Review and Interpretations Committee proposes a new definition, it shall propose an Amendment to the Agreement and the provisions of Section 901 shall be followed.

Rule 903.2. Requests for Interpretation of a Definition.

A request for interpretation of a definition shall be considered in the same manner as a request for interpretation of the Agreement and the provisions of Rule 902 shall apply.

Rule 904. Compliance Petitions.

A. Requests for Determination of Compliance. Pursuant to Article 7, Section 2 of the SST Governing Board, Inc. Bylaws, any member state or person may petition the Governing Board to determine matters of a member state's compliance with the Agreement. The petition should be submitted in writing to the Executive Director.

B. Compliance Review and Interpretations Committee

1. **Initial Evaluation.** The Executive Director shall forward the petition to the Compliance Review and Interpretations Committee and to the subject state along with a request that the subject state acknowledge receipt of the petition to the Chair of the Compliance Review and Interpretations Committee within 10 days. No sooner than 31 days after the acknowledged receipt of the petition by the subject state, the Compliance Review and Interpretations Committee shall review the petition and any response from the state to determine if further action is warranted.

2. **Determination as Unnecessary.** If the Compliance Review and Interpretations Committee determines that the petition is inappropriate, unwarranted, or unnecessary for any reason, it shall notify the Executive Director who shall notify the petitioner that the Governing Board declines to act on the petition. This determination shall be reported to the Executive Committee and the Governing Board. If the petitioner disagrees with the initial determination, the petitioner may invoke the issue resolution process provided for in Article X of the Agreement.

3. **Formal determination.** If the Compliance Review and Interpretations Committee determines that the petition should be accepted and a determination of compliance should be made, the Committee shall inform the Executive Director who shall give public notice by publishing the petition for determination and any response from the subject state on the Website and solicit comments. The Compliance Review and Interpretations Committee may consult with the State and Local Advisory Council and the Business Advisory Council.

C. Public Notice. The Executive Director shall provide a copy of the petition for determination of compliance and any response from the subject state to and shall solicit comments from the following parties:

- (1) the authorized representative of each member state;
- (2) the Chair of the State and Local Advisory Council;
- (3) the Chair of the Business Advisory Council; and
- (4) the general public as provided in Rule 806.1.

D. Public Meeting. No sooner than 60 days after the solicitation of comment, the Compliance Review and Interpretations Committee shall meet in a public meeting convened in accordance with Rule 807 to consider the petition. If a member of the Compliance Review and Interpretations Committee represents the state that is the subject of the petition, that member shall not participate in a committee vote on the recommendation. When a determination is made by the Compliance Review and Interpretations Committee, it shall issue a written recommendation. The recommendation shall be in the form of a determination as to whether the subject member state is in compliance with the Agreement. The recommendation shall provide the Committee's rationale for its recommendation. A copy of the recommendation shall be sent to the petitioner, the subject state, the Executive Committee, and the Governing Board.

E. Agenda. Actions recommended by the Compliance Review and Interpretations Committee shall be placed on the agenda of the Governing Board for either a regular meeting or a special meeting.

F. Appeal. If the petitioner or subject state disagrees with the determination, the petitioner or subject state may invoke the appeals process provided for in Article X, Section 1002 of the Agreement.

G. Publication of Decision. Once the decision of the Governing Board becomes final, either because no appeal is filed or because the appeal procedures have been exhausted, the decision shall be sent to the requesting party and a copy of the decision shall be posted on the Website.

ARTICLE X

Issue Resolution Process.

Rule 1001. Rules and Procedures for Appeals.

A. Petition for Reconsideration

1. **Request for Reconsideration.** Any party dissatisfied with a decision of the Governing Board may file an appeal with the Governing Board to request reconsideration of the decision.
2. **Contents of the petition.** A petition shall set forth in reasonable detail the basis for the request being made, containing all facts, evidence and legal discussion necessary to allow for a disposition of the matter; a statement as to whether the petition relates to any matter pending in any state or local administrative or judicial process; a statement as to whether a hearing is requested; and an affidavit or affirmation that the facts contained therein are true and correct.
3. **Timing of the petition.** Unless otherwise stated in these rules, a petition for reconsideration shall be filed within sixty (60) days after the decision is issued.
4. **Fee.** There shall be no fee or charge for the initial filing of any petition, although the Governing Board retains the discretion to allocate the costs incurred by the Governing Board and the Issues Resolution Committee in determining the petition to the petitioner in whole or in part, and/or to other persons who have participated in the issue resolution process.

B. Publication of the Petition. On receipt of the petition, the Executive Director shall publish the petition on the website, and provide a copy of the petition to and solicit comment from the following parties:

- (a) the authorized representative of each Member State;
- (b) the Chair of the State and Local Advisory Council;

- (c) the Chair of the business advisory council; and
- (d) the general public as provided in Rule 806.1.

C. No Hearing Requested. If the petitioner has not requested a hearing, the Issues Resolution Committee shall meet to consider the petition and any comment received, and shall issue a recommendation to the Governing Board, no sooner than 60 days, and no later than 120 days, after solicitation of comment. The recommendation shall be in writing and shall provide the Issues Resolution Committee's rationale for the recommendation.

E. Hearing Requested. If the petitioner has requested a hearing, the Issues Resolution Committee shall, no sooner than 60 days, and no later than 120 days, after solicitation of comment, schedule a hearing on the petition and mail notice of the hearing to

- (a) the petitioner;
- (b) any other person who has submitted a comment on the petition;
- (c) the authorized representative of each Member State;
- (d) the Chair of the State and Local Advisory Council;
- (e) the Chair of the business advisory council; and
- (f) the general public as provided in Rule 806.1.

The hearing shall take place at the office of the Governing Board, or another location designated by the Issues Resolution Committee. At the hearing, the Issues Resolution Committee will designate the amount of time the petitioner will be allotted to speak, with a minimum of fifteen minutes to be allotted. Other persons whose written requests to speak at the hearing have been received by the Issues Resolution Committee prior to the day of the hearing will be allotted time to speak at the discretion of the Issues Resolution Committee. Within 60 days of the hearing, the Issues Resolution Committee shall meet to consider the petition and any comment received and shall issue a recommendation to the Governing Board. The recommendation shall be in writing and shall provide the Issues Resolution Committee's rationale for the recommendation.

F. Governing Board Action. Within 60 days of receipt of a recommendation from the Issues Resolution Committee, the Governing Board shall meet to consider the recommendation and issue a decision. The decision shall be in writing and shall provide the Governing Board's rationale for the decision. The decision shall be sent to the petitioner and a copy of the decision shall be posted on the website.

G. Expedited Appeal. The time limitations in this rule may be shortened if the petitioner asks for expedited consideration in its request. In that case, the notice to interested

parties shall request written comment within 10 days. The Issues Resolution Committee may meet any time after that 10-day period has expired.

Rule 1002. Petition for Resolution. [See Rule 1001, above.]

Rule 1003. Final Decision of Governing Board. [Reserved.]

Rule 1004. Limited Scope of this Article. [Reserved.]

ARTICLE XI

Relationship of Agreement to Member States and Persons

[Reserved.]

ARTICLE XII

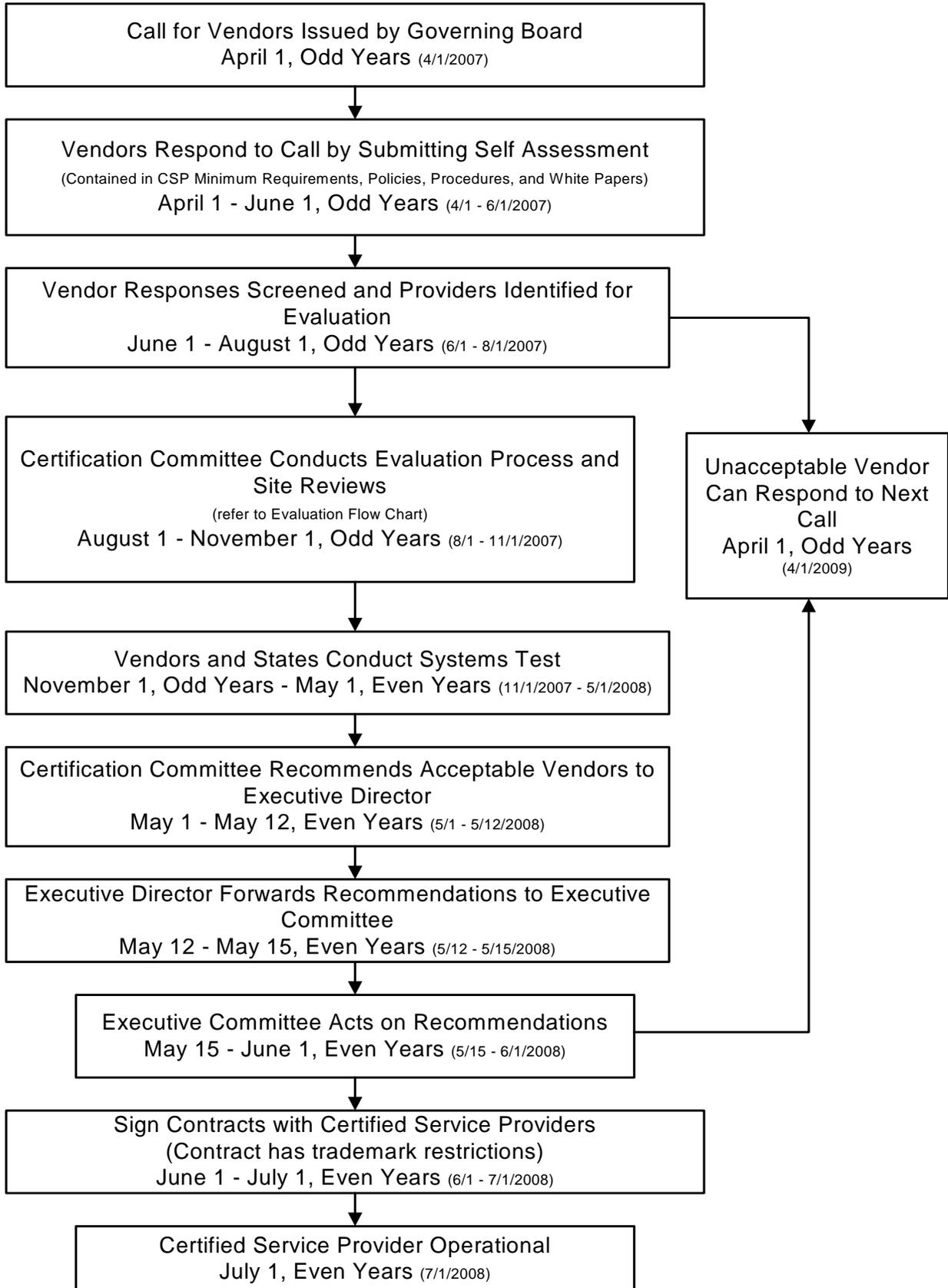
Review of Costs and Benefits Associated with the System

[Reserved.]

Appendix A

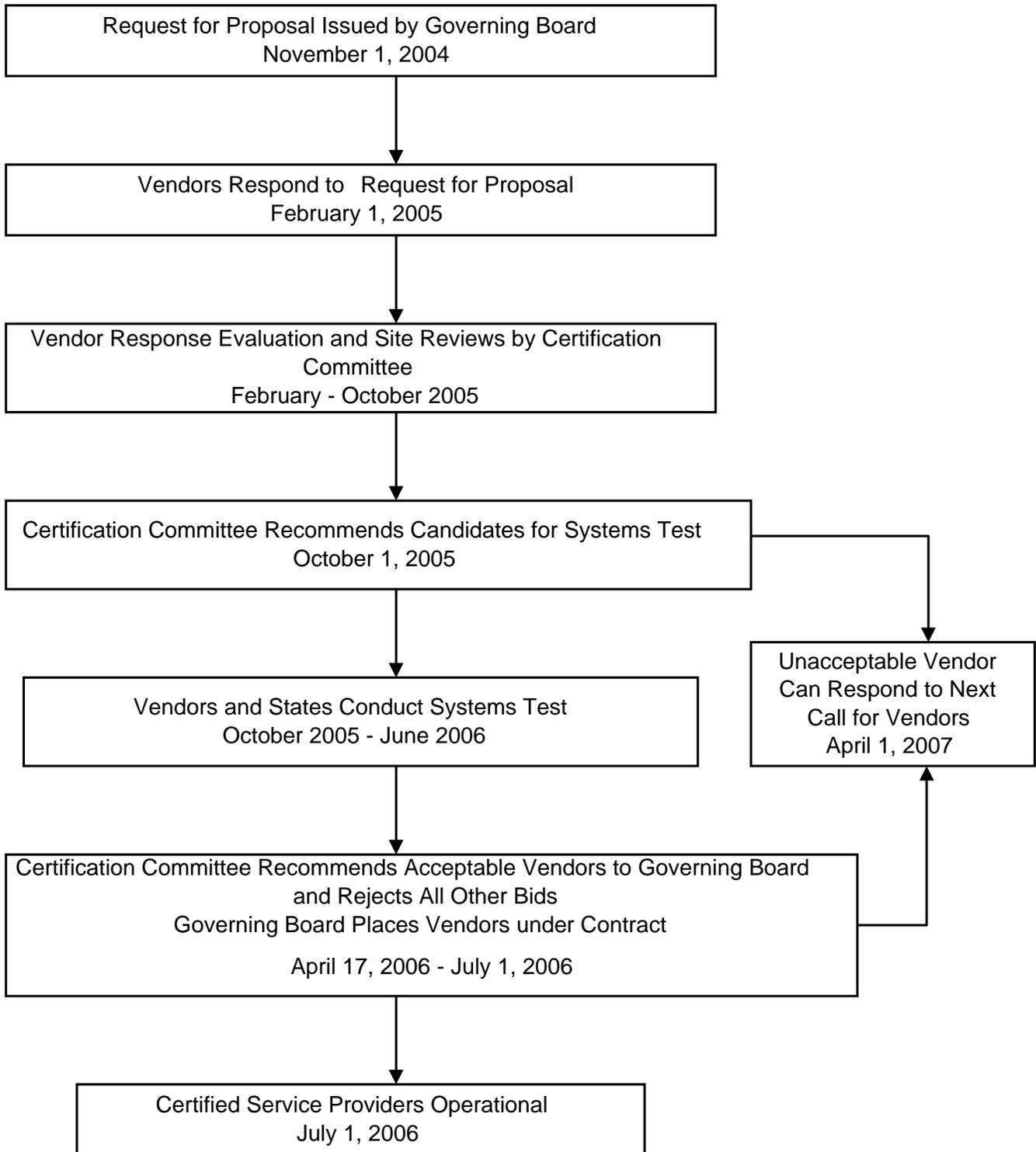
Certification of New Certified Service Provider

Revised 3/23/2006



SST Initial Certification Process for Certified Service Providers
(11/1/2004 - 7/1/2006)

Revised 3/23/2006



	Criteria for CSP Evaluation	Minimum Standards
A	Corporate Background and Experience:	
1	Background information of the Offeror was included, along with detailed experience with similar projects or other information that demonstrates that the Offeror is qualified	Must have similar 1. Project tax experience, 2. Size and complexity, or 3. Project implementation.
2	If similar work has been performed for others, three references were listed (with contact names and telephone numbers) for whom such work was performed	References should be followed up.
3	If applicable, subcontractors were listed that the Offeror intends to use in fulfilling any contract entered into. Attached to this list is a description of the work that will be subcontracted and a discussion of the capabilities of the subcontractor, including the history and relationship to the Offeror	Changes to the application, if any, have been submitted via an addendum. (All subcontractors and/or partners must be submitted and approved by the Board and will require additional testing and certification.)
4	If the proposal is on behalf of a partnership or other multi-party entity, it identified each entity and provided background and experience information for each	Any changes in the application require an addendum so all subcontractors and or partners must be submitted and approved by the Board and will require additional testing and certification.
5	Specified and provided information on any key personnel employed by the Offeror, subcontractors, or partners. This included the experience of these key persons and a brief summary of the type of work they will perform.	Any changes in the application require an addendum so all subcontractors and or partners must be submitted and approved by the Board and will require additional testing and certification.
6	A statement of criminal history must be provided by the Offeror acknowledging whether it, or any of its subcontractors or partners, including their officers, directors, or key personnel, have ever been convicted of a felony, or any crime involving moral turpitude, including, but not limited to fraud, misappropriations or deception. If there is no existence of criminal history, an acknowledgement to that effect must be provided.	Requiring background checks for those personnel who had not yet been checked.
7	A statement has been included indicating that for purposes of any work performed under this contract, the Offeror, along with its partners and subcontractors, will maintain their books, records and computer systems in the United States.	Requirement must be specifically met as indicated in criteria.
B	Financial Soundness:	
1	The Offeror has submitted a business plan, signed by the offeror. If the business plan includes a subcontractor or partnership, the business plan includes details of the specific functions to be performed by each party.	Business plan should encompass three years of operations, including the start-up period and the first two years of operations. This should include system development costs, staffing costs, equipment and other fixed asset needs, facilities, and other necessary administrative and operating costs covering the start-up and contract periods. Financing sources should be sufficient to demonstrate the viability of the Offeror's business plan.
2	Submitted audited financial statements for the last 3 years with a current certification from the chief financial officer stating that the statements are current, accurate and complete. Exceptions regarding any materially adverse changes since the date of the most recent financial statements were disclosed if applicable.	Any changes in the application require an addendum so all subcontractors and/or partners must be submitted and approved by the Board and will require additional testing and certification. The financial statements must include the basic financial statements and notes to financial statements as defined by generally accepted accounting principles, as well as an auditor's opinion.

3	<p>If the Offeror is a subsidiary of another corporation, the Offeror submitted unaudited financial statements with a certification from the CFO that statements were used to prepare audited parent company financial statements, in addition to submitting the audited financial statements of the parent company.</p>	<p>Changes to the application, if any, have been submitted via an addendum. (All subcontractors and/or partners must be submitted and approved by the Board and will require additional testing and certification.) Financial statements provide a clear picture of the financial health of the subcontractors and partners.</p>
4	<p>Offeror submitted annual reports to shareholders for the last 3 years and any quarterly reports to shareholders or owners for the current fiscal year and any other communications to shareholders during the past 3 years.</p>	<p>Any changes in the application require an addendum so that all subcontractors and/or partners are submitted to and approved by the Board. This requires additional testing and certification.</p>
6	<p>Offeror submitted the following standard "Financial Ratios" for the last 3 years: Current Ratio; Quick Ratio; Net Working Capital Ratio; Profit Margin Ratio; Accounts Receivable Turnover Ratio & Debt to Equity Ratio.</p>	<p>Ratios must be within recognized industry norms. If an Offeror has added a new partner or subcontractor that was not identified when they filed their original CSP application, they are required to amend their application and provide the same detail for them as required of the original partners. (see A-4 requirement)</p>
7	<p>If the Offeror is a subsidiary, it provided the "Financial Ratios" stated above for consolidated financial statements of the parent company.</p>	<p>Ratios must be within recognized industry norms. If an Offeror has added a new partner or subcontractor that was not identified when they filed their original CSP application, they should be required to amend their application and provide all the same detail for them as required of the original partners. (see A-4 requirement)</p>
8	<p>If the proposal was submitted on behalf of a partnership or other multi-party entity, the financial information listed above was included for each of the parties.</p>	<p>If an Offeror has added a new partner or subcontractor that was not identified when they filed their original CSP application, they should be required to amend their application and provide all the same detail for them as required of the original partners. (see A-4 requirement)</p>
<p>C Project Staffing and Organization</p>		
1	<p>The name, address, and telephone number of a person with authority to bind the Offeror was included.</p>	<p>Included in the CSP application along with an Organizational chart.</p>
2	<p>The name, address, and telephone number of a person who can answer questions or provide clarification concerning the Offeror's proposal was included</p>	<p>Included in the CSP application along with an Organizational chart.</p>
3	<p>Offeror gave details of the proposed staffing and deployment of personnel to be assigned to the contractual undertaking should a contract be entered into (including information about the qualifications and experience of all key personnel).</p>	<p>Included in the CSP application along with an Organizational chart.</p>
<p>D Technical Approach</p>		
1	<p>Offeror's system complies with the Uniform Sourcing requirement and accommodate sourcing rules of Associate Member States {see Section 309 of the Streamlined Agreement, Section 400 (C) of the Certification Standards}</p>	<p>This should be verified through the results from the system test process</p>

2	Offeror's system complies with the Exemption Processing requirement {see Section 317 of the Streamlined Agreement, Section 620 (D) of the Certification Standards}	This should be verified through the results from the system test process
3	Offeror's system response complies with the Uniform Rounding requirement {see Section 324 of the Streamlined Agreement}	This should be verified through the results from the system test process
4	Offeror's system complies with the Uniform Definitions requirement {see Section 104 and Appendix C of the Streamlined Agreement}	This should be verified through the results from the system test process
5	Offeror's system complies with the Rate and Boundary Changes requirement {see Section 305 of the Streamlined Agreement}	This should be verified through the results from the system test process
6	Offeror's system complies with the Tax Collection Procedures requirement {see Section 319 of the Streamlined Agreement}	This should be verified through the results from the system test process
7	Offeror's system complies with the Liability Relief requirement {see Section 306 of the Streamlined Agreement}	Has met the requirement covered in Section 306 of the SSUTA.
8	Offeror's system complies with the Tax Remittance Procedures requirement {see Section 319 of the Streamlined Agreement and Section 400 of the Certification Standards}	This should be verified through the results from the system test process
9	Offeror's system complies with the Tax Reporting Procedures requirement {see Section 321 of the Streamlined Agreement and Section 520 of the Certification Standards}	This should be verified through the results from the system test process
10	Offeror's system complies with the Record Retention Procedures requirement {see Section 630 of the Certification Standards and Section 321 of the Streamlined Agreement}	Records need to be maintained for a minimum of 4 years, and preferably 7 years.
11	Offeror's system complies with the Audit Requirements. Each Offeror must demonstrate that it can provide information in electronic format as required for certification and audit; must agree to any generally accepted sampling procedures, including electronically applied statistical sampling; and must be able to demonstrate that its systems are structured to provide for this functionality. {see Section 301 and 806(C) of the Streamlined Agreement, Sections 630 (F) and 700 of the Certification Standards}	This is mandatory and well-documented in the various sources referenced.
12	Offeror's system complies with the Taxpayer Privacy requirement {see Section 321 of the Streamlined Agreement and Section 600 of the Certification Standards}	Offeror should provide policy statements for each action they have invoked to meet the privacy standards and protection of data.

13	Offeror's proposal addressed the requirement for on-going real-time testing of the system including a method of conducting a performance test with an explanation of what will be revealed when the test is conducted (and the testing has confirmed this) {see Section 220 (a) of the Certification Standards}	Remote access testing should be available on an on-going basis; however, state submission of test files to CSPs should be coordinated through the Governing Board and the CSP testing contact.
14	Offeror's system has shown the capability and Offeror has given assurances that all taxes due will be collected and remitted to the appropriate Member states if the system is unavailable for a period of time	Copy of disaster recovery plan. Plan to describe the redundancy and fail over capability of the system to ensure there is no loss of taxes due.
15	Offeror's system has demonstrated the capability to support Offeror's statement of what lead time would be necessary and what information would be required to act on behalf of additional sellers in the event that a different CSP ceases operations for any reason	CSP stipulates how much lead time that it needs to act on behalf of additional sellers. We can gauge lead time based on the number of vendors they could inherit, volume of product codes involved, CSP's server availability and equipment capacity, as well as the size of their staff. The best indication of this may be how fast they can get their initial vendors operational should they become certified).
E Certification Standards - General Controls		
1	Offeror has demonstrated that a formal risk assessment program has been established {see Section 110 (A) of the Certification Standards}	Documents must indicate: 1. Definition of the Risk Assessment Process; 2. Document who and how the risk assessment will be administered, ensuring there is a mix of individuals with business and technical knowledge conducting the assessment; 3. Copy of the formal sign-off of completed or planned risk assessment; 4. Policy of where risk assessment documents will be maintained and who will review; 5. Copy of the actual risk assessment and how the ranking of the risks was created; and 6. Indication of how often the risk assessment is conducted.
2	Offeror has implemented a plan that clearly describes the security program as well as the policies and procedures that support it {see Section 110 (B) of the Certification Standards}	Documents must include: 1. An approved current Security Plan; and 2. Policy and procedures that support the security plan.
3	Offeror has created a security management structure that includes clearly assigned security responsibilities {see Section 110 (C) of the Certification Standards}	Copy of Organizational Chart and duties of each area concerning security. Copy of incident reporting procedures and incident log.
4	Offeror has established effective security-related personnel policies {see Section 110 (D) of the Certification Standards}	Copy of security policy and personnel policies that relate to security. Copy of sign off sheet from each person.
5	Offeror has implemented a plan to ensure that the security program is monitored and has made assurances that changes will be made as necessary {see Section 110 (E) of the Certification Standards}	Copy of security policy. Log of changes made to policy and description of changes included.
6	Offeror has established appropriate access controls, both physical and logical, that will provide reasonable assurance that computer resources are protected against unauthorized modification, disclosure, loss or impairment {see Section 120 of the Certification Standards}	Minimum standards are: Section 7 ISO standard; FISCAM AC-3; and CoBIT DS12. Minimum standards include: FISCAM Critical Element AC-3: Establish physical and logical controls to prevent or detect unauthorized access(see pages 3-33 through 3-50) "Could unauthorized persons gain entry by going over the top of a partition that stops at the underside of a suspended ceiling ...or cutting a hole in a plasterboard wall?" ; ISO # 17799 standard-Section 7-Physical and environmental Security , specifically 7.1.1d -"Physical barriers should...be extended from real floor to real ceiling to prevent unauthorized entry ", Section 7.1.3a-"Key facilities should be sited to avoid access by the public."; CoBIT Control Objective Section DS12-Manage Facilities-including 12.2-Low profile of the IT Site-"IT management should ensure a low profile is kept and the physical identification of the site of IT operations is limited."

7	Offeror has an appropriate change control system that includes policies, procedures and techniques to assure that all programs and modifications are properly authorized, tested and approved {see Section 130 of the Certification Standards}	Copy of change control policies must include identification of each individual access to files; and policy as to how programs are developed, changed, tested, and migrated into specific areas. Copies of approval forms, migration sheets, and test forms must be included.
8	Offeror has implemented appropriate controls over access to and modification of system software to provide reasonable assurance that operating system-based security controls are not comprised and that the system will not be impaired {see Section 140 of the Certification Standards}	Copy of change control policies must include identification of each individual access to files; and policy as to how programs are developed, changed, tested, and migrated into specific areas. Copies of approval forms, migration sheets, and test forms must be included.
9	Offeror has established appropriate segregation of duty procedures to provide assurance that no one individual is in a position to control all critical stages of a process {see Section 150 of the Certification Standards}	Provide a copy of the org chart, individual duties, and security policies.
10	Offeror has implemented appropriate procedures to protect information resources in order to minimize the risk of unplanned interruptions {see Section 160 of the Certification Standards}	Policy to indicate how information will be protected in case of a unplanned interruption.
11	Offeror has a plan in place to recover critical operations should interruptions occur {see Section 160 of the Certification Standards}	Need a copy of disaster recovery plan to describe the redundancy and fail over capability of the system to ensure there is no loss of data.
12	Offeror has established a policy providing that business contingency plans are periodically tested and adjusted as appropriate {see Section 160 of the Certification Standards}	Copy of the Business Contingency Plan, last test of plan, and last signed update. Copy of lessons learned from test. Test accomplished annually.
13	Offeror has created a policy utilizing industry-standard availability/fault tolerance benchmarks	Plan to describe the redundancy, fail over capability, and availability of the system.
F	Application Controls	
1	Offeror has implemented control mechanisms to provide assurance that only authorized data is entered into the application system {see Section 210 (A) of the Certification Standards}	Policy indicating what control mechanisms are in place and how they authenticate the data.
2	Offeror has established physical and logical controls to restrict the entry of transactions to only those specific users authorized to enter them {see Section 210 (B) of the Certification Standards}	Policy on logical and physical controls and how data entry restrictions are maintained and updated.
3	Offeror has incorporated appropriate mechanisms to perform data validation and exception reporting {see Section 210 (C) of the Certification Standards}	Policy and procedures for reconciliation, copy of reports or logs, and sign off.

4	Offeror has implemented control mechanisms to provide assurance that only authorized transactions are processed by the application system {see Section 220 (A) of the Certification Standards}	Policy and procedure on how the system will maintain controls over the completeness of transactions. Copy of reports or logs.
5	Offeror has established reconciliation procedures to verify data completeness {see Section 220 (B) of the Certification Standards}	Policy and/or procedure on how the system will maintain controls over the completeness of transactions. Copy of reports or logs.
6	Offeror maintains well-designed data entry processes to ensure the entry of accurate and valid data {see Section 230 (A) of the Certification Standards}	Policy, procedures, or program spec that indicate how the system will ensure accuracy of data.
7	Offeror has implemented data validation and editing controls to provide assurance that the initial recording of data into the system is accurate {see Section 230 (B) of the Certification Standards}	Copy of user/program specs, or complete testing of the system, or copies of Offeror's completed test plan
8	Offeror has established procedures and mechanisms to properly apply rounding rules {see Section 324 of the Streamlined Agreement}	Copy of user/program specs, or complete testing of the system, or copies of Offeror's completed test plan
9	Offeror maintains control mechanisms to provide assurance that the entry of erroneous data is captured, reported, investigated, and corrected {see Section 230 (C) of the Certification Standards}	A copy of user/program specs, or complete testing by States/STTP of the system, or copies of Offeror's completed test plan. Also copies of error reports, files and logs. Policy as to how errors will be resolved.
10	Offeror has implemented procedures for the review of output reports in order to maintain data accuracy and validity {see Section 230 (D) of the Certification Standards}	Copies of error reports, files and logs. Policy as to how errors will be resolved.
11	Offeror has established procedures and mechanisms to provide assurance that stored data is not altered by unauthorized persons, or by accident, in order to maintain the integrity of processing and data files {see Section 240 of the Certification Standards}	Copies of security policy that indicates who has access to files and data.
G	System Modification Accuracy	
1	Offeror must demonstrate that procedures are in place to provide assurance that only authorized and tested software modifications are made to the application system {see Section 310 of the Certification Standards}	Copy of change control policies must include identification of individual access to files, and policy as to how programs are developed, changed, tested, and migrated into specific areas. Copies of approval forms, migration sheets, and test forms must be included.
2	Offeror must implement appropriate change control mechanisms to provide assurance that the appropriate level of software modification is matched to the data processed {see Section 320 of the Certification Standards}	Copy of change control policies must include identification of individual access to files, and policy as to how programs are developed, changed, tested, and migrated into specific areas. Copies of approval forms, migration sheets, and test forms must be included.
H	Sufficiency of Information	

1	Offeror demonstrated the system's ability to capture sufficient information to make an accurate tax determination {see Section 400(A) of the Certification Standards}	This should be verified through the results from the system test process
2	Offeror implemented appropriate features for providing assurance that adequate information is obtained from the purchaser, the seller, and the applicable state(s) so that the correct amount of tax is calculated, collected and remitted {see Section 400(A) of the Certification Standards}	System testing and procedures to sellers on how to map exempt sales in SSTP
3	Offeror established the system's ability to obtain, accumulate and report information on exempt sales {see Section 400(B) of the Certification Standards}	Seller policy in mapping exempt products and test decks for testing exempt sales
4	Offeror implemented the proper use of state-provided sourcing information and compliance with state laws pertaining to taxability of tangible personal property and services {see Section 400(C) of Certification Standards}	This should be verified through the results from the system test process
5	With the use of an audit trail, Offeror established a method to track all changes to the system including sourcing, taxability and mapping of products in order to record all authorized and unauthorized changes, dates of changes, and changes to hardware, software, and software upgrades {see Section 400 of the Certification Standards}	Policy on how changes are tracked
1	Transaction Speed and Data Security	
1	Mechanisms and procedures are in place to provide assurance that data exchanged between all parties is secure, non-repudiated, and unaltered {see Section 500 of the Certification Standards}	Copy of policy describing type of security software, update sequence, and log of updates
2	For operational (transaction-related) data exchanged between a CSP and the Governing Board and the Member States, the appropriate standards are followed by Offeror as set forth in the SSTP Certification and Auditing Standards document {see Section 500 of the Certification Standards}	Copy of policy describing type of security software, update sequence, and log of updates
3	For operational (transaction-related) data exchanged between a CSP and participating sellers, the appropriate standards are followed as set forth in the SSTP Certification and Auditing Standards document {see Section 500 of the Certification Standards}	Copy of policy describing type of security software, update sequence, and log of updates
4	For operational (transaction-related) data exchanged between a CSP and participating sellers, the appropriate transmission storage and virus protection is employed {see Sections 550 and 560 of the Certification Standards}	Copy of policy describing type of security software, update sequence, and log of updates. Diagram of configuration of system.

J Privacy Standards and Data Protection		
1	Mechanisms and procedures are in place to provide assurance that confidential taxpayer information is adequately protected, consumers' privacy is protected and confidential and proprietary information is prevented from being sold or re-used in any way {see Section 610 of Certification Standards, Section 321 of the Streamlined Agreement}	Copies of security and personnel policy/procedures that indicate how confidential taxpayer information is protected, consumers' privacy is protected and confidential and proprietary information is prevented from being sold or re-used in any way. Copies of confidentiality forms and exit forms/procedures for terminating personnel.
2	Mechanisms and procedures have been implemented to provide assurance that personally identifiable information is protected {see Section 620 of the Certification Standards, Section 321 of the Streamlined Agreement}	Copies of security policy/procedures that indicate how confidential taxpayer information is protected, consumers' privacy is protected and confidential and proprietary information is prevented from being sold or re-used in any way.
K Electronic Format Capability and Sampling Procedures		
1	Procedures have been implemented to provide unrestricted access to people performing the certification including remote access testing {see Sections 210 and 300 of the Certification Standards}	Provided procedures for testing as clarified in the white papers for CSP Testing and CSP Site Administration
2	Procedures and mechanisms have been established to provide access (either onsite or remote) to any documentation, system, database or system component, needed for them to perform the certification or re-certification {see Sections 700 of the Certification Standards}	Provided procedures for testing as clarified in the white papers for CSP Testing and CSP Site Administration
L Cost Proposal		
1	Offeror's proposal included their cost to provide the service as outlined in the proposal	Must be included in the CSP application
2	Offeror is willing and prepared to provide service to any seller seeking the service of a CSP. Conversely, if they intend to make service limitations, Offeror has provided satisfactory details stipulating the types of sellers that they intend to service or any other service limitations that are deemed to be acceptable	Must be included in the CSP application
3	If the basis for compensation will be periodically renegotiated, Offeror addressed the timing for such negotiations, the notice to be given and the appropriate factors to be considered in arriving at compensation for subsequent periods	Must be included in the CSP application
4	Offeror has expressed a willingness, capability and potential problems with taking on additional customers from a CSP that has ceased operations	Must be included in the CSP application
M Execution of Proposal		

1	<p>A signed Execution of Proposal was included: • This proposal is signed by an authorized representative of the firm. The Offeror has reviewed the SSUTA and the Streamline Issue Papers as found at http://www.streamlinedsalestax.org/issue_papers.html, is familiar with them, and is willing and prepared to undertake all obligations imposed on CSPs under SSUTA and each Member State's law. • The cost and availability of all equipment, materials, and supplies associated with performing the services described have been determined and included in the proposed cost. • All labor costs, direct and indirect, have been determined and included in the proposed cost. • The Offeror has read and understands the conditions and agrees to them with no exceptions.</p>	<p>Must be included in the CSP application</p>
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RFP Criteria Category for Evaluation	Minimum Standards
Corporate Background and Experience:	
Detailed experience with similar projects or other information that demonstrates that the Offeror is qualified {see Section 7.2 of the RFP}	1. Must have similar project tax experience or 2. Size and complexity or 3. Project implementation References should be followed up.
If similar work has been performed for others, three references were listed (with contact names and telephone numbers) for whom such work was performed {see Section 7.2 of the RFP}	1. Must have Similar project tax experience or 2. Size and Complexity or 3. Project implementation References should be followed up.
If applicable, subcontractors were listed that the Offeror intends to use in fulfilling any contract entered into pursuant to this RFP. Attached to this list is a description of the work that will be subcontracted and a discussion of the capabilities of the subcontractor including the history and relationship to the Offeror {see Sections 7.2, 8.11 and 9.4 of the RFP}	Changes to the application if any have been submitted via an addendum (all subcontractors and or partners must be submitted and approved by the board and will require additional testing and certification).
If the proposal is on behalf of a partnership, etc. it identified each entity and provided background and experience information for each {see Sections 7.2 and 7.3 of the RFP}	Any changes in the application require an addendum so all subcontractors and or partners must be submitted and approved by the board and will require additional testing and certification.
Specified and provided information on any key personnel employed by the Offeror or subcontractors. This included the experience of these key persons and a brief summary of the type of work they will perform pursuant to any contract per this RFP {see Sections 7.2, 7.4 and 9.3 of the RFP}	Any changes in the application require an addendum so all subcontractors and or partners must be submitted and approved by the board and will require additional testing and certification.
If applicable, a statement of criminal history was provided as required in Section 4.3 of the RFP {as referenced in Section 7.2 of the RFP}	Requiring background check for those who do not have them of personnel described 4.3.
Financial Soundness:	
Submitted audited financial statements for the last 3 years with a current certification from the chief financial officer stating that the statements are current, accurate and complete. Exceptions regarding any materially adverse changes since the date of the most recent financial statements were disclosed if applicable {see Section 4.2, 9.9 and 9.11 of the RFP}	Any changes in the application require an addendum so all subcontractors and or partners must be submitted and approved by the board and will require additional testing and certification.
If the Offeror is a subsidiary of another corporation, the Offeror submitted unaudited financial statements with certification from the CFO that statements were used to prepare audited parent company financial statements, in addition to submitting the audited financial statements of the parent company {see Section 4.2 of the RFP}	Changes to the application if any have been submitted via an addendum (all subcontractors and or partners must be submitted and approved by the board and will require additional testing and certification).
re	Any changes in the application require an addendum so all subcontractors and or partners must be submitted and approved by the board and will require additional testing and certification.
Offeror provided reports to, or filings with, the SEC for the past 3 years {see Section 4.2 of the RFP}	This is straight-forward as written. Additionally, if an Offeror has added a new partner or subcontractor that was not identified when they filed their original CSP application, they should be required to amend their application and provide all the detail that the RFP requires for partners, etc.including financial statements, etc. (see A-4 requirement)
Offeror submitted the following standard "Financial Ratios": Current Ratio; Quick Ratio; Net Working Capital Ratio Profit Margin; Accounts Receivable Turnover Ration & Debt to Equity Ratio for the last 3 years {see Section 4.2 of the RFP}	This is straight-forward as written. Additionally, if an Offeror has added a new partner or subcontractor that was not identified when they filed their original CSP application, they should be required to amend their application and provide all the detail that the RFP requires for partners, etc.including financial statements, etc. (see A-4 requirement)
If the Offeror is a subsidiary, it provided the "Financial Ratios" stated above for consolidated financial statements of the parent company {see Section 4.2 of the RFP}	This is straight-forward as written. Additionally, if an Offeror has added a new partner or subcontractor that was not identified when they filed their original CSP application, they should be required to amend their application and provide all the detail that the RFP requires for partners, etc.including financial statements, etc. (see A-4 requirement)
If the proposal was submitted on behalf of a partnership or other multi-party entity, the financial information listed above was included for each of the parties {see Section 7.3 of the RFP}	This is straight-forward as written. Additionally, if an Offeror has added a new partner or subcontractor that was not identified when they filed their original CSP application, they should be required to amend their application and provide all the detail that the RFP requires for partners, etc.including financial statements, etc. (see A-4 requirement)
Project Staffing and Organization	
The name, address, and telephone number of a person with authority to bind the Offeror was included {see Section 7.4 of the RFP}	Included in the CSP application as an Organizational chart.

RFP Criteria Category for Evaluation	Minimum Standards
The name, address, and telephone number of a person who can answer questions or provide clarification concerning the Offeror's proposal was included {see Section 7.4 of the RFP}	Included in the CSP application as an Organizational chart.
Offeror gave details of the proposed staffing and deployment of personnel to be assigned to the contractual undertaking should a contract be entered into (including information about the qualifications and experience of all key personnel) {see Section 7.4 of the RFP}	Included in the CSP application as an Organizational chart.
Technical Approach	
Offeror's system complies with the Uniform Sourcing requirement {see Section 309 of the Streamlined Agreement, Section 400 (C) of the Certification Standards and Section 5.2 of the RFP}	This should be verified through the results from the system test process
Offeror's system complies with the Exemption Processing requirement {see Section 317 of the Streamlined Agreement, Section 620 (D) of the Certification Standards and Section 5.2 of the RFP}	This should be verified through the results from the system test process
Offeror's system response complies with the Uniform Rounding requirement {see Section 324 of the Streamlined Agreement and Section 5.2 of the RFP}	This should be verified through the results from the system test process
Offeror's system complies with the Uniform Definitions requirement {see Section 104 and Appendix C of the Streamlined Agreement and Section 5.2 of the RFP}	This should be verified through the results from the system test process
Offeror's system complies with the Rate and Boundary Changes requirement {see Section 305 of the Streamlined Agreement and Section 5.2 of the RFP}	This should be verified through the results from the system test process
Offeror's system complies with the Tax Collection Procedures requirement {see Section 319 of the Streamlined Agreement and Section 5.2 of the RFP}	This should be verified through the results from the system test process
Offeror's system complies with the Liability Relief requirement {see Section 306 of the Streamlined Agreement and Section 5.2 of the RFP}	Has met the requirement covered in Section 306 of the SSTP Agreement including accommodation of the CSP 48 hour deadline to implement the change once the state provides the correct information.
Offeror's system complies with the Tax Remittance Procedures requirement {see Section 6.6 of the RFP, Section 319 of the Streamlined Agreement and Section 400 of the Certification Standards}	This should be verified through the results from the system test process
Offeror's system complies with the Tax Reporting Procedures requirement {see Section 321 of the Streamlined Agreement, Section 6.6 of the RFP and Section 520 of the Certification Standards}	This should be verified through the results from the system test process
Offeror's system complies with the Record Retention Procedures requirement {see Section 630 of the Certification Standards, section 5.2 of the RFP and Section 321 of the Streamlined Agreement}	Records need to be maintained for 4 years and suggest that records be maintained for 7 years.
Offeror's system complies with the Audit Requirements {see Section 301 and 806(C) of the Streamlined Agreement, Section 6.9 of the RFP, Sections 630 (F) and 700 of the Certification Standards, and the Audit Standards document}	This is mandatory and well-documented in the various sources referenced.
Offeror's system complies with the Taxpayer Privacy requirement {see Section 321 of the Streamlined Agreement, Section 6.8 of the RFP and Section 600 of the Certification Standards}	Offeror should provide policy statements for each action they have invoked to meet the privacy standards and protection of data.
Offeror's proposal addressed the requirement for on-going real time testing of the system including a method of conducting a performance test with an explanation of what will be revealed when the test is conducted (and the testing has confirmed this) {see Section 7.5 of the RFP and Section 220 (a) of the Certification Standards}	Remote access testing should be available on an on-going basis; however, state submission of test files to CSPs should be coordinated through the Governing Board and the CSP testing contact.
Offeror's system has shown the capability and Offeror has given assurances that all taxes due will be collected and remitted to the appropriate Member states if the system is unavailable for a period of time {see Section 7.5 and 4.11 of the RFP}	Copy of disaster recovery plan. Plan to describe the redundancy and fail over capability of the system to insure there is no loss of taxes due.
Offeror's system has demonstrated the capability to support Offeror's statement of what lead time would be necessary and what information would be required to act on behalf of additional sellers in the event that a different CSP ceases operations for any reason {see Section 4.12 of the RFP}	CSP stipulates how much lead time that it needs to act on behalf of additional sellers (does not establish what is reasonable. We can gauge lead time based on the number of vendors they will inherit, volume of product codes involved, CSP's server availability and equipment capacity, as well as the size of their staff. The best indication of this may be how fast they can get their initial vendors operational once if they become certified).

RFP Criteria Category for Evaluation	Minimum Standards
Certification Standards - General Controls	
Offeror has demonstrated that a formal risk assessment program has been established {see Section 110 (A) of the Certification Standards and Section 6.3 of the RFP}	Documents must indicate: 1. Definition of the Risk Assessment Process 2. Document who and how the risk assessment will be administered, insuring there is a mix of individuals with business and technical knowledge conducting the assessment. 3. Copy of the formal sign-off of completed or planned risk assessment. 4. Policy of where risk assessment documents will be maintained and who will review. 5. Copy of the actual risk assessment and how the ranking of the risks were created. 6. Indication of how often the risk assessment is conducted.
Offeror has implemented a plan that clearly describes the security program as well as the policies and procedures that support it {see Section 110 (B) of the Certification Standards and Section 6.3 of the RFP}	Documents must include: Security Plan. 1. An approved current Security Plan. 2. Policy and procedures that support the security plan.
Offeror has created a security management structure that includes clearly assigned security responsibilities {see Section 110 (C) of the Certification Standards and Section 6.3 of the RFP}	Copy of Organizational Chart and duties of each area concerning security. Copy of incident reporting procedures and incident log.
Offeror has established effective security-related personnel policies {see Section 110 (D) of the Certification Standards and Section 6.3 of the RFP}	Copy of security policy and personnel policies that relate to security. Copy of sign off sheet from personnel.
Offeror has implemented a plan to ensure that the security program is monitored and has made assurances that changes will be made as necessary {see Section 110 (E) of the Certification Standards and Section 6.3 of the RFP}	Copy of security policy. Log of changed made to policy and what changes were.
Offeror has established appropriate access controls, both physical and logical, that will provide reasonable assurance that computer resources are protected against unauthorized modification, disclosure, loss or impairment {see Section 120 of the Certification Standards and Section 6.3 of the RFP}	Minimum standards are Section 7 ISO standard FISCAM AC-3 CoBIT DS12. Minimum standards are:FISCAM Critical Element AC-3: Establish physical and logical controls to prevent or detect unauthorized access(see pages 3-33 through 3-50) "Could unauthorized persons gain entry by going over the top of a partition that stops at the underside of a suspended ceiling ...or cutting a hole in a plasterboard wall?" ; ISO # 17799 standard-Section 7-Physical and environmental security , specifically 7.1.1d - "Physical barriers should...be extended from real floor to real ceiling to prevent unauthorized entry ", Section 7.1.3a-"Key facilities should be sited to avoid access by the public."; CoBIT Control Objective Section DS12-Manage Facilities-including 12.2-Low profile of the IT Site-"IT management should ensure a low profile is kept and the physical identification of the site of IT operations is limited."
Offeror has an appropriate change control system that includes policies, procedures and techniques to assure that all programs and modifications are properly authorized, tested and approved {see Section 130 of the Certification Standards and Section 6.3 of the RFP}	Copy of change control policies that must include identification of individual access to files, policy as to how programs are developed, changed, tested, and migrated into specific areas. Copies of approval forms, migration sheets, and test forms must be included.
Offeror has implemented appropriate controls over access to and modification of system software to provide reasonable assurance that operating system-based security controls are not comprised and that the system will not be impaired {see Section 140 of the Certification Standards and Section 6.3 of the RFP}	Copy of change control policies that must include identification of individual access to files, policy as to how programs are developed, changed, tested, and migrated into specific areas. Copies of approval forms, migration sheets, and test forms must be included.
Offeror has established appropriate segregation of duty procedures to provide assurance that no one individual is in a position to control all critical stages of a process {see Section 150 of the Certification Standards and Section 6.3 of the RFP}	Provide a copy of the org chart and individual duties and security policies.
Offeror has implemented appropriate procedures to protect information resources in order to minimize the risk of unplanned interruptions {see Section 160 of the Certification Standards and Section 6.3 of the RFP}	Policy to indicate how information will be protected in case of a unplanned interruption.
Offeror has a plan in place to recover critical operations should interruptions occur {see Section 160 of the Certification Standards and Section 6.3 of the RFP}	Need a copy of disaster recovery plan to describe the redundancy and fail over capability of the system to insure there is no loss of taxes due.
Offeror has established a policy providing that business contingency plans are periodically tested and adjusted as appropriate {see Section 160 of the Certification Standards and Section 6.3 of the RFP}	Copy of the business Contingency Plan, last test of plan, and last signed update. Copy of lessons learned from test. Test was accomplished annually.
Offeror has created a policy utilizing industry-standard availability/fault tolerance benchmarks {see Section 6.3 of the RFP}	Plan to describe the redundancy and fail over capability and no loss of availability of the system.
Application Controls	

RFP Criteria Category for Evaluation	Minimum Standards
Offeror has implemented control mechanisms to provide assurance that only authorized data is entered into the application system {see Section 210 (A) of the Certification Standards and Section 6.4 of the RFP}	Policy indicating what controlled mechanisms are in place and how they authenticate the data.
Offeror has established physical and logical controls to restrict the entry of transactions to only those specific users authorized to enter them {see Section 210 (B) of the Certification Standards and Section 6.4 of the RFP}	Policy on logical and physical controls and how data entry restrictions are maintained and updated.
Offeror has incorporated appropriate mechanisms to perform data validation and exception reporting {see Section 210 (C) of the Certification Standards and Section 6.4 of the RFP}	Policy and procedures for reconciliation, copy of reports or logs, and sign-off.
Offeror has implemented control mechanisms to provide assurance that only authorized transactions are processed by the application system {see Section 220 (A) of the Certification Standards and Section 6.4 of the RFP}	Policy and/or procedure on how the system will maintain controls over the completeness of transactions. Copy of reports or logs.
Offeror has established reconciliation procedures to verify data completeness {see Section 220 (B) of the Certification Standards and Section 6.4 of the RFP}	Policy and/or procedure on how the system will maintain controls over the completeness of transactions. Copy of reports or logs.
Offeror maintains well-designed data entry processes to ensure the entry of accurate and valid data {see Section 230 (A) of the Certification Standards and Section 6.4 of the RFP}	Policy, procedures, or program spec that indicate how the system will insure accuracy of data.
Offeror has implemented data validation and editing controls to provide assurance that the initial recording of data into the system is accurate {see Section 230 (B) of the Certification Standards and Section 6.4 of the RFP}	Copy of user/program specs, or complete testing of the system, or copies of offerors completed test plan
Offeror has established procedures and mechanisms to properly apply rounding rules {see Section 324 of the Streamlined Agreement and Section 6.4 of the RFP}	Copy of user/program specs, or complete testing of the system, or copies of offerors completed test plan
Offeror maintains control mechanisms to provide assurance that the entry of erroneous data is captured, reported, investigated, and corrected {see Section 230 (C) of the Certification Standards and Section 6.4 of the RFP}	Either a copy of user/program specs, or complete testing by States/STTP of the system, or copies of offerors completed test plan. Also copies of error reports, files and logs. Policy as to how errors will be resolved.
Offeror has implemented procedures for the review of output reports in order to maintain data accuracy and validity {see Section 230 (D) of the Certification Standards and Section 6.4 of the RFP}	Copies of error reports, files and logs. Policy as to how errors will be resolved.
Offeror has established procedures and mechanisms to provide assurance that stored data is not altered by unauthorized persons, or by accident, in order to maintain the integrity of processing and data files {see Section 240 of the Certification Standards and Section 6.4 of the RFP}	Copies of security policy which indicates who has access to files and data.
System Modification Accuracy	
Offeror must demonstrate that procedures are in place to provide assurance that only authorized and tested software modifications are made to the application system {see Section 310 of the Certification Standards and Section 6.5 of the RFP}	Copy of change control policies that must include identification of individual access to files, policy as to how programs are developed, changed, tested, and migrated into specific areas. Copies of approval forms, migration sheets, and test forms must be included.
Offeror must implement appropriate change control mechanisms to provide assurance that the appropriate level of software modification is matched to the data processed {see Section 320 of the Certification Standards and Section 6.5 of the RFP}	Copy of change control policies that must include identification of individual access to files, policy as to how programs are developed, changed, tested, and migrated into specific areas. Copies of approval forms, migration sheets, and test forms must be included.
Sufficiency of Information	
Offeror demonstrated the system's ability to capture sufficient information to make an accurate tax determination {see Section 400(A) of the Certification Standards and Section 6.6 of the RFP}	This should be verified through the results from the system test process
Offeror implemented appropriate features for providing assurance that adequate information is obtained from the purchaser, the seller, and the applicable state(s) so that the correct amount of tax is calculated, collected and remitted {see Section 400(A) of the Certification Standards and Section 6.6 of the RFP}	System Testing and procedures to sellers on how to map exempt sales in SSTP

RFP Criteria Category for Evaluation	Minimum Standards
Offeror established the system's ability to obtain, accumulate and report information on exempt sales {see Section 400(B) of the Certification Standards and Section 6.6 of the RFP}	Seller policy in mapping exempt products and test decks for testing exempt sales.
Offeror implemented the proper use of state-provided sourcing information and compliance with state laws pertaining to taxability of tangible personal property and services {see Section 400(C) of Certification Standards and Section 6.6 of the RFP}	This should be verified through the results from the system test process
With the use of an audit trail, Offeror established a method to track all changes to the system including sourcing, taxability and mapping of products in order to record all authorized and unauthorized changes, dates of changes, and changes to hardware, software, and software upgrades {see Section 400 of the Certification Standards and Section 6.6 of the RFP}	Policy on how changes are tracked.
Transaction Speed and Data Security	
Mechanisms and procedures are in place to provide assurance that data exchanged between all parties is secure, non-repudiated, and unaltered {see Section 500 of the Certification Standards and Section 6.7 of the RFP}	Copy of policy describing type of security software, update sequence, and log of updates
Regarding operational (transaction-related) data exchanged between a CSP and the Governing Board and the Member States, the appropriate standards are followed by Offeror as set forth in the SSTP Certification and Auditing Standards document {see Section 500 of the Certification Standards and Section 6.7 of the RFP}	Copy of policy describing type of security software, update sequence, and log of updates
Regarding operational (transaction-related) data exchanged between a CSP and participating sellers, the appropriate standards are followed as set forth in the SSTP Certification and Auditing Standards document {see Section 500 of the Certification Standards and Section 6.7 of the RFP}	Copy of policy describing type of security software, update sequence, and log of updates
Regarding operational (transaction-related) data exchanged between a CSP and participating sellers, the appropriate transmission storage and virus protection is employed {see Sections 550 and 560 of the Certification Standards and Section 6.7 of the RFP}	Copy of policy describing type of security software, update sequence, and log of updates. Diagram of configuration of system.
Privacy Standards and Data Protection	
Mechanisms and procedures are in place to provide assurance that confidential taxpayer information is adequately protected, consumers' privacy is protected and that confidential and proprietary information is not sold or re-used in any way {see Section 610 of Certification Standards, Section 321 of the Streamlined Agreement and Section 6.8 of the RFP}	Copies of security and personnel policy/procedure which indicates how confidential taxpayer information is adequately protected, consumers' privacy is protected and that confidential and proprietary information is not sold or re-used in any way. Copies of forms individuals need to sign and exit forms/process of terminated personnel.
Mechanisms and procedures have been implemented to provide assurance that personally identifiable information is protected {see Section 620 of the Certification Standards, Section 321 of the Streamlined Agreement and Section 6.8 of the RFP}	Copies of security policy/procedure which indicates how confidential taxpayer information is adequately protected, consumers' privacy is protected and that confidential and proprietary information is not sold or re-used in any way.
Electronic Format Capability and Sampling Procedures	
Procedures have been implemented to provide unrestricted access to people performing the certification including remote access testing {see Sections 210 and 300 of the Certification Standards and Section 6.9 of the RFP}	Provided procedures for testing as clarified in the white papers for CSP Testing and CSP Site Administration
Procedures and mechanisms have been established to provide people with access (either onsite or remote) to any documentation, system, database or system component, needed for them to perform the certification or re-certification {see Sections 700 of the Certification Standards and Section 6.9 of the RFP}	Provided procedures for testing as clarified in the white papers for CSP Testing and CSP Site Administration
Cost Proposal	
Offeror's proposal included their cost to provide the service outlined in the proposal {see Section 3.2 of the RFP}	Must be included in the CSP application

RFP Criteria Category for Evaluation	Minimum Standards
Offeror is willing and prepared to provide service to any seller seeking the service of a CSP. Conversely, if they intend to make service limitations, Offeror has provided satisfactory details stipulating the types of sellers that they intend to service or any other service limitations that are deemed to be acceptable {see Section 3.2 of the RFP}	Must be included in the CSP application
If the basis for compensation will be periodically renegotiated, Offeror addressed the timing for such negotiations, the notice to be given and the appropriate factors to be considered in arriving at compensation for subsequent periods {see Section 3.2 of the RFP}	Must be included in the CSP application
Offeror has expressed a willingness, capability and potential problems with taking on additional customers from a CSP that has ceased operations {see Section 2.3 and 3.2 of the RFP}	Must be included in the CSP application
Execution of Proposal	
A signed Execution of Proposal was included {see Section 7.8 and Appendix A of the RFP}	Must be included in the CSP application

Testing Process for Certification of Service Providers

Testing process

A. Purpose of testing. The testing process will test and certify data receipt, data security, determination of tax jurisdictions, determination of exemptions and accurate tax calculation.

Testing involves methods that determine that the proper results are obtained from the system and remitted to the member states.

B. Criteria to be tested. The following are to be addressed during the process.

1. Jurisdictional boundaries (determination of taxing jurisdiction)
2. Tax type (sales vs. use)
3. Tax rates
4. Compliance with uniform definitions
5. Taxability and product-based exemptions
6. Goods or service based special taxability
7. Transactional date of the taxable event
8. Tax rule hierarchy among competing rules
9. Date effective, including sales tax holidays
10. Caps and thresholds
11. Delivery charges
12. Discounts
13. Bad debts
14. Returns and credits
15. Entity Based Exemptions and deductions
16. Enterprise zones
17. Direct pay permit holders
18. Multiple points of use
19. Updates to the system (i.e. restocking)
20. Refunds from the seller to the customer
21. Uniform sourcing rules
22. Uniform rounding rules
23. Tax calculation
24. Tax remittance procedures
25. Tax reporting procedures
26. On-going, real-time testing
27. Data accuracy
28. Output report review

C. Self Evaluation prior to testing.

Testing should begin when

1. CSP candidate determines their system can complete the self evaluation with successful results;
2. The single online entry screen is ready (see section I);
3. The upload/download process is ready (see section D);
4. Administration site is complete;
5. CSP candidate has completed their system testing;
6. State test data is prepared.

D. Preparation of test transactions. The transactions used to test the CSP candidate shall be compiled into spreadsheets (Test Decks) to be submitted through the upload/download process in a comma delimited text format (.csv) with no header row and with the following fields in the following order. Do not embed any commas in any field.

The test deck fields, format and record length in the required order are listed below.

Field Name	Description	Format	Length
Date	Transaction date	CCYYMMDD	8
Record Number	Identifying number	Numeric	8
Retailer SSTPSST ID	Retailer SSTPSST ID	alpha/numeric	9
Retailer Location ID	Retailer Location ID	Alpha/numeric	9
Retailer State	State where retailer is located	alpha	2
Delivery Method	Is delivery in seller vehicle?	Y/N	1
Customer Entity Code	Is customer taxable?	T/E	1
Ship to Address	Street name and number	alpha/numeric	40
Ship to Suite	Suite, P.O. Box, Apt, Lot	alpha/numeric	40
Ship to City	Name of city	alpha	40
Ship to State	Two character state abbreviation	alpha	2
Ship to Zip Code	5 character zip code	numeric	5
Ship to Zip Plus	4 character zip extension	numeric	4
SKU	Stock keeping unit	numeric	19
Amount of Sale	Total amount of sale	numeric	15 including 2 decimals

During processing, the SKU and Customer Entity Code shall be used as follows:

SKU & 'T' = Check SKU with matrix, if coded as E then exempt, if not, taxable

SKU & 'E' = Exempt

No SKU & 'T' = Taxable

No SKU & 'E' = Exempt

Entries in the test deck shall accurately represent actual business transactions. The testing state shall establish an initial test deck of approximately 100 transactions (using some or all of the SST Id's set up

by the CSP candidate) to represent a core set of retailers based on the types of retailers doing business in the testing state.

The purpose of the test deck is to validate rates, boundaries, tax calculations and SKU taxability. The test deck should represent the following types of transactions. A single entry may test more than one type of transaction. Each SKU should appear in the test deck in order to validate the proper tax calculation.

1. Retailer Type

In-State Seller - determined by retailer state versus ship to state

Out-of-State Seller – determined by retailer state versus ship to state

2. Customer Type - determined by customer entity code field

Taxable Customer

Exempt Customer

3. Product Type - determined by SKU

Taxable

Exempt

(For testing purposes the SKU will be used to represent product type)

4. Tax Type - determined by retailer state versus testing state

Sales Tax (physical presence in the state)

Use Tax (out-of-state sale)

5. Jurisdiction – determined from ship to address

Representative of jurisdictions within the testing state

Complex boundary identification scenarios need to be included to test jurisdictions that cross city, county and zipcode boundaries (if applicable to the testing state).

6. Transaction Date – determined by date

Various dates need to be used which will represent actual transactions dates

Dates need to cross quarters to test rate changes

7. Address – determined by address fields

All three levels should be represented:

street and city with zip code +4

5-digit zip code

zip code +4

8. Sales Amount – the sales amount should realistically represent the transaction being tested

9. Problematic Transactions – both good and problematic transactions should be included. The entire range of anticipated errors should be represented in order to test error handling.

The test decks for use with either upload/download process eventually could grow to 10,000 transactions per state. In the beginning of the testing process, the test decks will be much smaller in order to verify the accuracy on a small volume of test transactions. These test deck transactions shall test each of the jurisdictions within the testing state. Every type of exempt sale must be represented in the test deck transactions along with non-exempt transactions. Sales amounts must be varied and realistically represent the type of transaction being tested. All three levels of address submission must also be represented. The three levels of addresses are: 1) street and city with zip code +4; 2) 5-digit zip code; and 3) zip code +4. Make-up of the testing state’s test deck must be all encompassing of both good and problematic transactions, which represent the range of errors expected.

E. Submission of test transactions. Test decks shall be submitted to the CSP candidate. Upon completion of processing, the CSP candidate shall notify the state that the updated test deck is available for retrieval. The testing state shall retrieve the data and compare the actual results with the expected results. Each retrieval shall consist of two files available for download, one shall contain the records with errors and the other shall contain the results of the processed records.

F. Results. Each row of the results file shall contain the original uploaded data plus fields appended in the following format:

Field Name	Description	Format	Length
Date	Transaction date	CCYYMMDD	8
Record Number	Identifying number	Numeric	8
Retailer SST ID	Retailer SST ID	Alpha/numeric	9
Retailer Location ID	Retailer Location ID	Alpha/numeric	9
Retailer State	State where retailer is located	Alpha	2
Delivery Method	Is delivery in seller vehicle?	Y/N	1
Customer Entity Code	Is customer taxable?	T/E	1
Ship to Address	Street name and number	Alpha/numeric	40
Ship to Suite	Suite, P.O. Box, Apt, Lot	Alpha/numeric	40
Ship to City	Name of city	Alpha	40
Ship to State	Two character state abbreviation	Alpha	2
Ship to Zip Code	5 character zip code	Numeric	5

Ship to Zip Plus	4 character zip extension	Numeric	4
SKU	Stock keeping unit	Numeric	5
Total Sales Amount	Total amount of sale	Numeric	15 including 2 decimals
ResultType	0=good address used ,2=address unknown, fallback to zip	Numeric	1
Taxability Code	Taxable/Non-taxable flag for item	Y/N	1
FIPS Jurisdiction Code 1	First FIPS Jurisdiction Code	Numeric	5
FIPS Tax Rate 1	First FIPS Tax Rate	Numeric	6 including 5 decimals
FIPS Tax Amount 1	Numeric value representing tax for first FIPS	Numeric	15 including 2 decimals
FIPS Jurisdiction Code 2	Second FIPS Jurisdiction Code	Numeric	5
FIPS Tax Rate 2	Second FIPS Tax Rate	Numeric	6 including 5 decimals
FIPS Tax Amount 2	Numeric value representing tax for second FIPS	Numeric	15 including 2 decimals
FIPS Jurisdiction Code3	Third FIPS Jurisdiction Code	Numeric	5
FIPS Tax Rate 3	Third FIPS Tax Rate	Numeric	6 including 5 decimals
FIPS Tax Amount 3	Numeric value representing tax for third FIPS	Numeric	15 including 2 decimals
FIPS Jurisdiction Code 4	Fourth FIPS Jurisdiction Code	Numeric	5
FIPS Tax Rate 4	Fourth FIPS Tax Rate	Numeric	6 including 5 decimals
FIPS Tax Amount 4	Numeric value representing tax for fourth FIPS	Numeric	15 including 2 decimals
FIPS Jurisdiction Code 5	Fifth FIPS Jurisdiction Code	Numeric	5
FIPS Tax Rate 5	Fifth FIPS Tax Rate	Numeric	6 including 5 decimals
FIPS Tax Amount 5	Numeric value representing tax for fifth FIPS	Numeric	15 including 2 decimals
FIPS Jurisdiction Code 6	Sixth FIPS Jurisdiction Code	Numeric	5
FIPS Tax Rate 6	Sixth FIPS Tax Rate	Numeric	6 including 5 decimals
FIPS Tax Amount 6	Numeric value representing tax for sixth FIPS	Numeric	15 including 2 decimals
FIPS Jurisdiction Code 7	Seventh FIPS Jurisdiction Code	Numeric	5
FIPS Tax Rate 7	Seventh FIPS Tax Rate	Numeric	6 including 5 decimals
FIPS Tax Amount 7	Numeric value representing tax for seventh FIPS	Numeric	15 including 2 decimals
FIPS Jurisdiction Code 8	Eighth FIPS Jurisdiction Code	Numeric	5
FIPS Tax Rate 8	Eighth FIPS Tax Rate	Numeric	6 including 5 decimals
FIPS Tax Amount 8	Numeric value representing tax for eighth FIPS	Numeric	15 including 2 decimals

FIPS Jurisdiction Code 9	Ninth FIPS Jurisdiction Code	Numeric	5
FIPS Tax Rate 9	Ninth FIPS Tax Rate	Numeric	6 including 5 decimals
FIPS Tax Amount 9	Numeric value representing tax for ninth FIPS	Numeric	15 including 2 decimals
FIPS Jurisdiction Code 10	Tenth FIPS Jurisdiction Code	Numeric	5
FIPS Tax Rate 10	Tenth FIPS Tax Rate	Numeric	6 including 5 decimals
FIPS Tax Amount 10	Numeric value representing tax for tenth FIPS	Numeric	15 including 2 decimals
FIPS Jurisdiction Code 11	Eleventh FIPS Jurisdiction Code	Numeric	5
FIPS Tax Rate 11	Eleventh FIPS Tax Rate	Numeric	6 including 5 decimals
FIPS Tax Amount 11	Numeric value representing tax for eleventh FIPS	Numeric	15 including 2 decimals
FIPS Jurisdiction Code 12	Twelfth FIPS Jurisdiction Code	Numeric	5
FIPS Tax Rate 12	Twelfth FIPS Tax Rate	Numeric	6 including 5 decimals
FIPS Tax Amount 12	Numeric value representing tax for twelfth FIPS	Numeric	15 including 2 decimals
FIPS Jurisdiction Code 13	Thirteenth FIPS Jurisdiction Code	Numeric	5
FIPS Tax Rate 13	Thirteenth FIPS Tax Rate	Numeric	6 including 5 decimals
FIPS Tax Amount 13	Numeric value representing tax for thirteenth FIPS	Numeric	15 including 2 decimals
FIPS Jurisdiction Code 14	Fourteenth FIPS Jurisdiction Code	Numeric	5
FIPS Tax Rate 14	Fourteenth FIPS Tax Rate	Numeric	6 including 5 decimals
FIPS Tax Amount 14	Numeric value representing tax for fourteenth FIPS	Numeric	15 including 2 decimals
FIPS Jurisdiction Code 15	Fifteenth FIPS Jurisdiction Code	Numeric	5
FIPS Tax Rate 15	Fifteenth FIPS Tax Rate	Numeric	6 including 5 decimals
FIPS Tax Amount 15	Numeric value representing tax for fifteenth FIPS	Numeric	15 including 2 decimals
FIPS Jurisdiction Code 16	Sixteenth FIPS Jurisdiction Code	Numeric	5
FIPS Tax Rate 16	Sixteenth FIPS Tax Rate	Numeric	6 including 5 decimals
FIPS Tax Amount 16	Numeric value representing tax for sixteenth FIPS	Numeric	15 including 2 decimals
FIPS Jurisdiction Code 17	Seventeenth FIPS Jurisdiction Code	Numeric	5
FIPS Tax Rate 17	Seventeenth FIPS Tax Rate	Numeric	6 including 5 decimals
FIPS Tax Amount 17	Numeric value representing tax for seventeenth FIPS	Numeric	15 including 2 decimals
FIPS Jurisdiction Code 18	Eighteenth FIPS Jurisdiction Code	Numeric	5

Code 18			
FIPS Tax Rate 18	Eighteenth FIPS Tax Rate	Numeric	6 including 5 decimals
FIPS Tax Amount 18	Numeric value representing tax for eighteenth FIPS	Numeric	15 including 2 decimals
FIPS Jurisdiction Code 19	Nineteenth FIPS Jurisdiction Code	Numeric	5
FIPS Tax Rate 19	Nineteenth FIPS Tax Rate	Numeric	6 including 5 decimals
FIPS Tax Amount 19	Numeric value representing tax for nineteenth FIPS	Numeric	15 including 2 decimals
FIPS Jurisdiction Code 20	Twentieth FIPS Jurisdiction Code	Numeric	5
FIPS Tax Rate 20	Twentieth FIPS Tax Rate	Numeric	6 including 5 decimals
FIPS Tax Amount 20	Numeric value representing tax for twentieth FIPS	Numeric	15 including 2 decimals
Total Sales Amount	Numeric value representing total sales amount	Numeric	15 including 2 decimals
Total Tax Amount	Sum of FIPS tax amounts 1 - 20	Numeric	15 including 2 decimals

Errors File - A record or file will error for such reasons as an incorrect number of record fields in the file, no zip code in a record, fields (including blanks/nulls) are not separated by commas and errors specific to the contents of the field. The CSP candidate may also put questionable transactions into the error file for further review. The structure of the error file is as follows:

Field Name	Description	Format	Length
Date	Transaction Date	CCYYMMDD	10
Record Number	Identifying number	Numeric	8
Retailer SST ID	Retailer SST ID	Alpha/numeric	9
Retailer Location ID	Retailer Location ID	Alpha/numeric	9
Retailer State	State where retailer is located	Alpha	2
Delivery Method	Is delivery in seller vehicle?	Y/N	1
Customer Entity Code	Is customer taxable?	T/E	1
Ship to Address	Street name and number	Alpha/numeric	40
Ship to Suite	Suite, P.O. Box, Apt, Lot	Alpha/numeric	40
Ship to City	Name of city	Alpha	40
Ship to State	Two character state abbreviation (i.e. KS)	Alpha	2
Ship to Zip Code	5 character zip code	Numeric	5
Ship to Zip Plus	4 character zip extension	Numeric	4
SKU	Stock keeping code	Numeric	5
Total Sales	Total amount of sale	Numeric	15 including 2

Amount			decimals
Error Code	Type of error	Numeric	2

The error codes shall have the following format by transaction:

Error Code	Error Field	Message
01	Date	Transaction date invalid or missing
02	Retailer SST ID	Retailer SST ID invalid or missing
03	Retailer State	State invalid or missing
04	Ship to Address	Address unavailable or incorrect format
05	Ship to Suite	Suite unavailable or incorrect format
06	Ship to City	City unavailable or incorrect format
07	Ship to State	State unavailable or incorrect format or zip does not match
08	Ship to Zip Code	Zip code unavailable or incorrect format
09	Ship to Zip Plus	Zip plus unavailable or incorrect format
10	SKU	Stock keeping unit invalid
11	Amount of Sale	Amount of sale incorrect format or missing
12	Entire Record	Improper record

The last 5 uploads (both error and results files) will always be available for re-download.

G. Completion of testing. After accuracy of tax calculations has been verified, end-to-end testing shall be performed. The output from end-to-end testing shall be the completion and filing with the testing state of the following transactions in test mode.

1. Simplified Electronic Return (SER)
2. Information Report (IR)
3. Electronic Payment (remittance)

End-to-end testing shall be accomplished by using the same test decks used to verify accuracy of tax calculations and by using the .csv upload/download process and format. Transactions shall flow through the complete system and back to the testing state. Testing transactions shall be conducted as if they are live production transactions.

Transaction details shall be available through the SST Administrative Site by state through a log in process for all testing as well as live transactions.

These transactions will be used to confirm the process is accurate and conforms to the SST Guidelines defined through the TIGERS group in the SST Implementation Guide. Each transaction shall

have a unique system identification number. The data submitted and the data returned shall be saved as the transaction details. The agent shall be responsible for testing the results file through their own system as a test independent from this process.

H. State responsibilities. The testing state has the responsibility to thoroughly and completely test all functions provided by the CSP candidate. The batch test deck should contain sufficient volume to represent the actual number of transactions that would reasonably flow through the system. The test deck should represent transactions applicable to the state and utilize the format listed above. A full six-month or one-year batch test deck may be appropriate. Testing should cover the range of sellers doing business in the state. All types of registered sellers should be represented.

The testing state shall have and utilize upload on demand capabilities to test CSP candidate functionality and accuracy through the submission, retrieval and analysis of that state's test deck transactions. Additionally as the process matures, this can be used to conduct end-to-end processing for returns, remittances and information reports that should be tested for each six-month or year period. As issues arise, the state CSP administrator should utilize the CSP candidate Administration Site to report and log errors and other issues.

The testing state has the responsibility to test updated exemptions, jurisdictions, rates and stock keeping units that have been submitted through the change control process. These updates should be tested prior to the effective date to insure correctness upon implementation.

The testing state should be able to clear the testing environment and do a total system reset for the state when appropriate.

I. CSP candidate responsibilities. The CSP candidate shall provide a web-enabled site that is capable of single online entry as well as receiving and computing state test decks as described above. This site shall be available 24 x 7 x 365. The site shall be capable of processing a full volume, six-month or year test deck for the testing state including the calculation of exemptions and taxes. In addition, the CSP candidate and individual states shall be prepared to test this site by performing testing for end-to-end processing of returns, remittances and information reports for the testing state for a six-month or year period.

Each CSP candidate shall configure their systems to provide a state administrative site to be used to report and log errors. The CSP candidate must support this administrative site for all member states. The CSP candidate can have an independent look but the data supported by all sites shall be the same. It is the responsibility of the CSP candidate to make updates to exemptions, jurisdictions, rates and stock keeping units (SKU) that have been submitted through the change control process or through the administration site. Updates for error handling on problematic sourcing and taxing issues such as unique addresses and exemption of specific product codes must also be able to be made through the administration site.

J. Single online entry screen. A single web-based, password-protected, online entry screen shall be available for states to use to quickly enter single transactions to test sourcing and tax calculations to verify the results from any transaction submitted. This functionality is to quickly establish problems with the CSP candidate engine to accurately calculate and return a response on a single transaction for each individual state and the unique processing requirements for that state's sourcing and taxing rules.

K. SST Ids for testing. The states have been provided 50 SST Ids as registered sellers which will allow for testing against the taxability matrix, exempt sales and local jurisdictions. See Section N.

This is for testing both in the certification process and post-implementation process. These SST Ids will be assigned for the duration of the existence of the CSP candidate so that the states can maintain a clean test environment with established SST Ids throughout. These SST Ids should be readily identifiable so they are not commingled with production transactions.

The test SST Ids shall test the production engine through the CSP candidate testing process by the CSP Administrators.

L. Sales product matrix. The SKUs in this matrix are accurate as of the effective date of this rule. The matrix and SKUs may be updated as determined by the Governing Board.

SKU	ITEM
	Administrative definitions
10010	Charges by the seller for any services necessary to complete the sale other than delivery and installation
10020	Delivery charges including direct mail

10030	Delivery charged excluding direct mail
10040	Installation charges
10050	Exempt personal property bundled with taxable personal property
10060	Credit for trade-in
	Clothing and related products
20010	Clothing
20020	Clothing accessories or equipment
20030	Protective equipment
20040	Sport or recreational equipment
	Computer related products
30010	Computer software (not prewritten)
30020	Computer software (not prewritten) delivered electronically
30030	Computer software (not prewritten) delivered via load and leave
30040	Prewritten computer software
30050	Prewritten computer software delivered electronically
30060	Prewritten computer software delivered via load and leave
	Food and food products
40010	Candy
40020	Dietary supplements
40030	Food and food ingredients
40040	Food sold through vending machines
40050	Soft drinks
	Prepared food
41010	Food sold without eating utensils provided by the seller whose primary NAICS classification is manufacturing in sector 311, except sub sector 3118 (bakeries)
41020	Food sold without eating utensils provided by the seller in an unheated state by weight or volume as a single item
41030	Bakery items sold without eating utensils provided by the seller, including bread, rolls, buns, biscuits, bagels, croissants, pastries, donuts, Danish, cakes, tortes, pies, tarts, muffins, bars, cookies, tortillas
	Health-care products
	Drugs
51010	Drugs for human use without a prescription
51020	Drugs for human use with a prescription
51030	Drugs for animal use without a prescription
51040	Drugs for animal use with a prescription
51050	Insulin for human use without a prescription
51060	Insulin for human use with a prescription
51070	Insulin for animal use without a prescription
51080	Insulin for animal use with a prescription
51090	Medical oxygen for human use without a prescription
51100	Medical oxygen for human use with a prescription
51110	Medical oxygen for animal use without a prescription
51120	Medical oxygen for animal use with a prescription
51130	Over-the-counter drugs for human use without a prescription
51140	Over-the-counter drugs for human with a prescription
51150	Over-the-counter drugs for animal use without a prescription
51160	Over-the-counter drugs for animal use with a prescription

51170	Grooming and hygiene products for human use
51180	Grooming and hygiene products for animal use
51190	Drugs for human use to hospitals and other medical facilities
51200	Prescription drugs for human use to hospitals and other medical facilities
51210	Drugs for animal use to veterinary hospitals and other animal medical facilities
51220	Prescription drugs for animal use to hospitals and other animal medical facilities
51230	Taxable and nontaxable drugs bundled together
51240	Free samples of drugs for human use
51250	Free samples of prescription drugs for human use
51260	Free samples of drugs for animal use
51270	Free samples of prescription drugs for animal use
	Durable medical equipment
52010	Durable medical equipment without a prescription
52020	Durable medical equipment with a prescription
52030	Durable medical equipment paid for by Medicare
52040	Durable medical equipment reimbursed by Medicare
52050	Durable medical equipment paid for by Medicaid
52060	Durable medical equipment reimbursed by Medicaid
52070	Durable medical equipment for home use without a prescription
52080	Durable medical equipment for home use with a prescription
52090	Durable medical equipment for home use paid for by Medicare
52100	Durable medical equipment for home use reimbursed by Medicare
52110	Durable medical equipment for home use paid for by Medicaid
52120	Durable medical equipment for home use reimbursed by Medicaid
	Mobility enhancing equipment
53010	Mobility enhancing equipment without a prescription
53020	Mobility enhancing equipment with a prescription
53030	Mobility enhancing equipment paid for by Medicare
53040	Mobility enhancing equipment reimbursed by Medicare
53050	Mobility enhancing equipment paid for by Medicaid
53060	Mobility enhancing equipment reimbursed by Medicaid
	Prosthetic devices
54010	Prosthetic devices without a prescription
54020	Prosthetic devices with a prescription
54030	Prosthetic devices paid for by Medicare
54040	Prosthetic devices reimbursed by Medicare
54050	Prosthetic devices paid for by Medicaid
54060	Prosthetic devices reimbursed by Medicaid
54070	Corrective eyeglasses without a prescription
54080	Corrective eyeglasses with a prescription
54090	Corrective eyeglasses paid for by Medicare
54100	Corrective eyeglasses reimbursed by Medicare
54110	Corrective eyeglasses paid for by Medicaid
54120	Corrective eyeglasses reimbursed by Medicaid
54130	Contact lenses without a prescription
54140	Contact lenses with a prescription
54150	Contact lenses paid for by Medicare
54160	Contact lenses reimbursed by Medicare

54170	Contact lenses paid for by Medicaid
54180	Contact lenses reimbursed by Medicaid
54190	Hearing aids without a prescription
54200	Hearing aids with a prescription
54210	Hearing aids paid for by Medicare
54220	Hearing aids reimbursed by Medicare
54230	Hearing aids paid for by Medicaid
54240	Hearing aids reimbursed by Medicaid
54250	Dental prosthesis without a prescription
54260	Dental prosthesis with a prescription
54270	Dental prosthesis paid for by Medicare
54280	Dental prosthesis reimbursed by Medicare
54290	Dental prosthesis paid for by Medicaid
54300	Dental prosthesis reimbursed by Medicaid

M. State SST Ids.

State/Possession	Abbreviation	Beginning Number	Ending Number
ALABAMA	AL	S00001001	S00001050
ALASKA	AK	S00002001	S00002050
ARIZONA	AZ	S00003001	S00003050
ARKANSAS	AR	S00004001	S00004050
CALIFORNIA	CA	S00005001	S00005050
COLORADO	CO	S00006001	S00006050
CONNECTICUT	CT	S00007001	S00007050
DELAWARE	DE	S00008001	S00008050
DISTRICT OF COLUMBIA	DC	S00009001	S00009050
FLORIDA	FL	S00010001	S00010050
GEORGIA	GA	S00011001	S00011050
GUAM	GU	S00012001	S00012050
HAWAII	HI	S00013001	S00013050
IDAHO	ID	S00014001	S00014050
ILLINOIS	IL	S00015001	S00015050
INDIANA	IN	S00016001	S00016050
IOWA	IA	S00017001	S00017050
KANSAS	KS	S00018001	S00018050
KENTUCKY	KY	S00019001	S00019050
LOUISIANA	LA	S00020001	S00020050
MAINE	ME	S00021001	S00021050
MARYLAND	MD	S00022001	S00022050
MASSACHUSETTS	MA	S00023001	S00023050
MICHIGAN	MI	S00024001	S00024050
MINNESOTA	MN	S00025001	S00025050
MISSISSIPPI	MS	S00026001	S00026050
MISSOURI	MO	S00027001	S00027050
MONTANA	MT	S00028001	S00028050
NEBRASKA	NE	S00029001	S00029050
NEVADA	NV	S00030001	S00030050

NEW HAMPSHIRE	NH	S00031001	S00031050
NEW JERSEY	NJ	S00032001	S00032050
NEW MEXICO	NM	S00033001	S00033050
NEW YORK	NY	S00034001	S00034050
NORTH CAROLINA	NC	S00035001	S00035050
NORTH DAKOTA	ND	S00036001	S00036050
OHIO	OH	S00037001	S00037050
OKLAHOMA	OK	S00038001	S00038050
OREGON	OR	S00039001	S00039050
		S00040001	S00040050
PENNSYLVANIA	PA	S00041001	S00041050
RHODE ISLAND	RI	S00042001	S00042050
SOUTH CAROLINA	SC	S00043001	S00043050
SOUTH DAKOTA	SD	S00044001	S00044050
TENNESSEE	TN	S00045001	S00045050
TEXAS	TX	S00046001	S00046050
UTAH	UT	S00047001	S00047050
VERMONT	VT	S00048001	S00048050
VIRGINIA	VA	S00049001	S00049050
WASHINGTON	WA	S00050001	S00050050
WEST VIRGINIA	WV	S00051001	S00051050
WISCONSIN	WI	S00052001	S00052050
WYOMING	WY	S00053001	S00053050
PUERTO RICO	PR	S00054001	S00054050

N. Testing Central

TC will report to the Executive Director of SST and will provide the following:

1. Communication regarding changes to Certified Service Provider (CSP) systems and acceptance testing by member states.
2. Historical data concerning system changes, testing dates, and dates changes were migrated into production for auditors and state administrators.
3. Communication between the CSP, TIGERS, and member states to ensure system and format changes are implemented in a timely manner.
4. Monitoring of any necessary system changes and testing of systems.

Testing Central Responsibilities:

1. Maintain up to date information on the certification, and testing status of potential automated systems.
2. Maintain contact lists of providers and member states.
3. Notify potential providers of member state change requests submitted on the appropriate change form and testing results.

4. Notify states of potential provider changes submitted on the appropriate change form that need regression testing.
5. Monitor testing time period for member states.
6. Notify appropriate parties of system change status (i.e., ready for testing, failed testing, production moves).
7. Review rates and boundaries databases for new states.
8. Provide reports upon request of outstanding and completed system changes.
9. Maintain system to capture complete change data. This will include backups of system.
10. Provide method of submitting change requests.
11. Provide method of communication to and between states and providers.
12. Ensure current testing documents are available for new states and vendors.

State Responsibilities:

1. Submit appropriate change forms to TC when any changes to programs are required.
2. Prepare test deck for potential provider to use in testing.
3. Ensure test transactions database is current with testing for all new tax changes for the member state.
4. Review the test results from the potential provider.
5. Notify TC and potential provider of changes in taxability matrix.
6. Resources shall be readily available to resolve, correct, retest, and restore corrected application components into the test environment during testing.
7. Submit and keep current names and contact information of individuals authorized to submit change requests, approve test results and receive communications from Testing Central on status changes.
8. Communicate all actions that will change the status of a change request (i.e. testing failure, pass/fail of change, production date etc.).

CSP Candidate Responsibilities:

1. Maintain the test transactions database provided by the member states.
2. Make updates to the test transactions database as they are sent from the member states.
3. Provide member states with reports of all testing changes completed.

4. Changes shall be completed and testing reports ready to send to member states within the agreed upon number of days prior to the implementation date of the changes.
5. Potential provider resources will be readily available during testing to facilitate understanding and testing of the application and to resolve, correct, retest, and restore corrected application components into the test environment.
6. Submit on an appropriate form all system changes generated by the potential provider involving systems used in the calculation return processing or informational return processing.
7. Accept only state requested system changes submitted through TC on the approved form.
8. Communicate with TC any actions that will change the status of a change request (i.e. testing failure, pass/fail of change, production date, etc.).
9. Provide and keep current a list of individuals authorized to submit change requests, report on status changes, and provide assistance for testing questions.

SST CSP Site Administration

Certified Service Provider Administrator Site * (This requirement will not be effective until the renewal of the contract with any CSP certified prior to 2008 or any CSP certified under Rule 501.2.)

Each CSP must provide a web-based administration site for use by the SSUTA Governing Board CSP administrator, each Member State CSP administrator(s), and each Member State audit work site administrator(s). The SSUTA Governing Board CSP administrator will require access to data pertaining to all Certified Service Providers. The CSP administrator(s) and audit work site administrator(s) for each state will require access to data pertaining to only the Certified Service Providers submitting data for their state.

Each CSP administration site must provide access to data through the most recently submitted SER for the current calendar year and for the three preceding calendar years. Access to the site must be through a secure process, which uses both a PIN and a password. The data will be available on-line and in report format for viewing, printing, and downloading in a CSV file. If the data is too large to be downloaded in a CSV file, arrangements will be made to use another format. The ability to enter date parameters to identify the period the data covers is necessary

Site Requirements for Governing Board CSP Administrator

Each CSP must make the following data for all states and all sellers available to the SSUTA Governing Board CSP administrator. **This data should be by state and in the aggregate.**

Row Number(s)	Field Name	Format	Length
1	Beginning Transaction Date Parameter	CCYYMMDD	8
2	Ending Transaction Date Parameter	CCYYMMDD	8
3	State Abbreviation	Alpha	2
4	Total Number of Transactions	Numeric	10
5	Total Amount of Taxable Sales	Numeric	15 including 2 decimals
6	Total Amount of Tax	Numeric	15 including 2 decimals
7	Total Number of Exempt Transactions	Numeric	10
8	Total Amount of Exempt Sales	Numeric	15 including 2 decimals
9	CSP Compensation Amount	Numeric	15 including 2 decimals

Rows 3-9 are recursive fields

Site Requirements for Member State CSP Administrator

Each Member State may designate one or more CSP administrator(s). Each CSP must make the following data for that state only available to that state's CSP administrator(s).

Row Number(s)	Field Name	Format	Length
1	Beginning Transaction Date Parameter	CCYYMMDD	8
2	Ending Transaction Date Parameter	CCYYMMDD	8
3	Total Number of Transactions	Numeric	10
4	Total Amount of Taxable Sales	Numeric	15 including 2 decimals
5	Total Amount of Tax	Numeric	15 including 2 decimals
6	Total Number of Exempt Transactions	Numeric	10
7	Total Amount of Exempt Sales	Numeric	15 including 2 decimals
8	CSP Compensation Amount	Numeric	15 including 2 decimals
9	Number of Address Lookups Found	Numeric	10
10	Number of 5-digit Zip Codes Fallbacks	Numeric	10
11	Number of 9-digit Zip Codes Found	Numeric	10
12 – 111	Top 100 Sellers (Retailers) – based on gross sales in descending order	Alpha	40
112 – 211	Top 100 Sellers (Retailers) – based on taxable sales in descending order	Alpha	40

Site Requirements for Audit Work Site

Each state shall have access to all taxable and exempt records for its state only. In addition, each state shall have access to all records in which a multiple points of use exemption was claimed. Columns A through M should be provided for all records. If an exemption is claimed, columns N through Z should be completed using information from the Certificate of Exemption.

Row Number(s)	Field Name	Format	Length
1	Beginning and Ending Transaction Date Parameters	CCYYMMDD- CCYYMMDD	17
2 →	Detail Listing of All Taxable and Exempt Records for State	See below table	See table below

Columns	Field Name	Description	Format	Length
A	Retailer SSTID		Alpha/Numeric	9
B	Retailer Name		Alpha	40

C	Record Number	Transaction ID / Identifying Number	Alpha	10
D	Date of Transaction		CCYYMMDD	8
E	Total Amount of Purchase	Includes Exempt and Taxable Amounts	Numeric	15 including 2 decimals
F	Total Tax Amount	Sum of FIPS tax amounts 1 – 20	Numeric	15 including 2 decimals
G	Description of Item Sold	Provide SKU from State Exempt Sales Product matrix if applicable. Otherwise provide description from seller	Alpha	40
H	Ship to Address	Street name and number	Alpha/Numeric	40
I	Ship to Suite	Suite, P.O. Box, Apt, Lot	Alpha/Numeric	40
J	Ship to City	Name of city	Alpha	40
K	Ship to State	2-digit abbreviation	Alpha	2
L	Ship to Zip Code	5 character zip code	Numeric	5
M	Ship to Zip Plus	R character zip extension	Numeric	4
N	State Where Exemption is Claimed	2- letter postal abbreviation	Alpha	2
O	Name of Purchaser		Alpha	40
P	Type of Purchaser ID Number Provide	Enter ID type provided: Tax ID, FEIN, DLN or FDN	Alpha	6
Q	Purchaser ID Number	Enter number that corresponds to ID type selected in column P:	Alpha/Numeric	20
R	Purchaser Mailing Address		Alpha	40
S	Purchaser City		Alpha	40
T	Purchaser State	2-digit abbreviation	Alpha	2
U	Purchaser Zip Code	5 character zip code	Numeric	5
V	Purchaser Zip Plus	4 character extension	Numeric	4
W	Purchaser Business Type Number	2-digit number	Numeric	2
X	Purchaser Business Type Description	Must be completed if "20" is selected in column W	Alpha	40
Y	Purchaser Exemption Reason Code	Letter selected on exemption form	Alpha	1
Z	Purchaser Exemption Reason Description	Provided on exemption form following code and standard description	Alpha	40

Certification Standards

SECTION I - INTRODUCTION

Article V, Section 501, of the **Streamlined Sales and Use Tax Agreement (SSUTA)**, as adopted on November 12, 2002, calls for the Governing Board of the Member States to certify automated systems and service providers to aid in the administration of sales and use tax collections that fall under the aegis of that agreement.

As an integral part of that function, the Governing Board has adopted the standards and practices found in the body of this document as the accepted measure for the certification and accountability (audit) of the Certified Service Providers (CSP) and Certified Automated Systems (CAS) as defined in Article II, Sections 202 and 203 of the SSUTA cited above. Additional standards may be added as revisions to this certification and auditing standards document are warranted. This includes additional standards defined in any request for proposals approved and issued by the Governing Board.

The standards that follow, and the requirements for achieving compliance with them, are based on internal controls and auditing practices commonly accepted in business and government today. These standards for certification, recertification, and compliance auditing are founded on two well-known, reliable, and generally acknowledged sources – the American Institute of Certified Public Accountants, Statement of Auditing Standards (SAS) No. 94, Section 319, “The Effect of Information Technology on the Auditor’s Consideration of Internal Control in a Financial Statement”; and the United States Government Accounting Office (GAO), Accounting and Information Management Division, “Federal Information Systems Control Audit Manual” (FISCAM), Volume 1 (GAO-AIMD 12.19.6). IN ADDITION, CSPs AND CAS [software developers] MUST ALSO COMPLY WITH ISO NUMBER 17799 OF THE INTERNATIONAL ORGANIZATION FOR STANDARDIZATION, WHICH PROVIDES BEST PRACTICES FOR IMPLEMENTING THE CERTIFICATION STANDARDS.

The standards that form the backbone of this document are primarily designed for the evaluation and accountability of general and application controls over financial information systems that support a business operation. In this case, the controls apply to the calculation by an automated system and/or service provider of the proper and correct sales and use taxes to be applied to sales made in each jurisdictional environment in which common administrative standards and definitions found in the SSUTA have been adopted and employed.

The standards referenced above were developed primarily for a traditional mainframe batch-processing environment. Although certain functionality may utilize batch processes, the core of the CSP/CAS systems will be interactive

Internet-based transactions between the sellers and the CSP/CAS, and data transmissions between the CSP/CAS, States, and Governing Board. These standards have therefore been augmented with commonly accepted “best practices” for an interactive Internet environment.

This document uses a deductive, “drill-down” approach, and is laid out as follows:

SECTION I consists of this introductory narrative that explains, in general terms, the purpose and scope of the certification and audit standards adopted by the Member States.

SECTION II is a high-level summary of the standards to be used for evaluating, certifying and auditing the automated systems and providers as defined in the SSUTA.

SECTION III contains a detailed explanation of each of the standards to be used in the evaluation process.

APPENDIX A contains representative examples of minimum requirements for achieving each of the standards, distinguishing between applicable “models” of CSP and/or CAS.

SECTION II - CERTIFICATION STANDARDS SUMMARY

100 ~ GENERAL CONTROLS

Must demonstrate that the appropriate *general controls* are in place in order to provide adequate:

- Entity-wide security program planning and management
- Access controls
- Application software development and change controls
- System software
- Segregation of duties
- Service continuity controls

200 ~ APPLICATION CONTROLS

Must demonstrate that the appropriate *application controls* are in place to prevent, detect, and correct errors in transactions as they flow through the various stages of a specific data processing program; and ensure the integrity of specific application inputs, stored data, programs, data transmissions, and output.

300 ~ ADMINISTRATION OF SOFTWARE AND DATABASES

Must demonstrate the accuracy of modifications to systems and databases by testing of the systems and software in coordination with Testing Central. Tests may be performed by the Member States as a group through remote access or onsite at the CSP, or by individual Member States through remote access only.

400 ~ SUFFICIENCY OF INFORMATION

Must consider the necessary mechanisms to be built into the system in order to:

- Demonstrate the system's ability to capture and retain sufficient information to make an accurate tax determination, and provide an accurate tax filing.

- Demonstrate the system's ability to obtain, accumulate and report information on exempt sales.
- Demonstrate the proper use of state-provided sourcing information and compliance with state laws pertaining to taxability of TPP and Services.

500 ~ TRANSMISSION AND SECURITY OF DATA

Must process transactions at industry-standard speeds and provide adequate security over data, both internally and externally.

600 ~ PRIVACY STANDARDS

Must meet privacy standards and properly protect data from misuse.

700 ~ RIGHT TO CERTIFY OR RECERTIFY

Must be able to provide information in electronic format as required for certification, recertification, and compliance audits. Must also agree to any generally accepted sampling procedures, including electronically applied statistical sampling. Systems must be structured to provide for this functionality.

SECTION III - DETAILED CERTIFICATION STANDARDS

100 ~ General Controls

Must demonstrate that the following general controls are in place, where appropriate:

110 ENTITY-WIDE –SECURITY PROGRAM PLANNING AND MANAGEMENT

A. Periodically assess risks.

The following are key factors for a successful risk assessment program:

- Includes a defined process that allows an entity-wide understanding of a risk assessment.
- Requires that risk assessments be performed and has designated a central security group to schedule them and facilitate their conduct.
- Involves a mix of individuals with knowledge of business operations and technical aspects of the organization's systems and security controls.
- Requires some type of final sign-off by the business managers indicating agreement with risk reduction decisions and acceptance of the residual risk.
- Requires that final documentation be forwarded to more senior officials and to internal auditors so that participants can be held accountable for their decisions.
- Does not attempt to precisely quantify risk, but instead tries to rank it in a realistic fashion.

B. Document an entity-wide security program plan.

Entities should have a written plan that clearly describes the entity's security program, policies and procedures that support it. The plan and related policies should cover all major systems, facilities and outline the duties of those who are responsible for overseeing security (the security management function) as well as those who own, use, or rely on the entity's computer resources.

- a. The security plan should be documented and approved.
- b. The plan should be kept current.

The *Streamlined Sales Tax Evaluation Committee Security Self-Assessment Questionnaire* must be completed. This document was adapted from the questionnaire that was included in the “Risk Management Guide for Information Technology Systems” that was created by the National Institute of Standards and Technology (NIST) of the Technology Administration U.S. Department of Commerce.

C. Establish a security management structure and clearly assign security responsibilities.

- a. Senior management should establish a structure to implement the security program throughout the entity. The structure generally consists of a core of personnel who are designated as security managers. These personnel play a key role in developing, communicating, and monitoring compliance with security policies and reporting on these activities to senior management.
- b. The security management function also serves as a focal point for others who play a role in evaluating the appropriateness and effectiveness of computer-related controls on a day-to-day basis. These include program managers who rely on the entity’s computer systems, system administrators, and system users. Overall, the specific information security responsibilities should be clearly assigned, owners and users should be aware of security policies, and an incident response capability should be implemented.

D. Implement effective security-related personnel policies.

- a. Policies related to personnel actions, such as hiring and termination, and employee expertise are important factors for information security. If personnel policies are not adequate, an entity runs the risk of (1) hiring unqualified or untrustworthy individuals, (2) providing terminated employees opportunities to sabotage or otherwise impair entity operations or assets, (3) failing to detect continuing unauthorized employee actions, (4) lowering employee morale, which may in turn diminish employee compliance with controls, and (5) allowing staff expertise to decline.

E. Monitor the security program's effectiveness and make changes as needed.

- a. An important element of risk management is ensuring that policies and controls intended to reduce risk are effective on an ongoing basis. Senior management's awareness, support, and involvement are essential in establishing the control environment needed to promote compliance with the entity's information security program.
- b. Management should periodically assess the appropriateness of security policies and compliance with them. In addition, management should ensure that corrective actions are effectively implemented.

120 ACCESS CONTROLS

Access controls should provide reasonable assurance that computer resources (data files, application programs, and computer-related facilities and equipment) are protected against unauthorized modification, disclosure, loss, or impairment. Such controls include physical controls, such as keeping computers in locked rooms to limit physical access, and logical controls, such as security software programs designed to prevent or detect unauthorized access to sensitive files.

Assessing access controls involves evaluation of the entity's success in performing each of the following elements:

- A. Classifying information resources according to their criticality and sensitivity.
 - a. Resource classifications and related criteria should be established. Policies specifying classification categories and related criteria can help resource owners classify their resources according to their need for protective controls.
 - b. Resource owners should determine which classifications are most appropriate for the resources for which they are responsible.
- B. Maintaining a current list of authorized users and their access authorization.

An entity should institute policies and procedures for authorizing access to information resources and documenting such

authorizations. These policies and procedures should cover user access needed for routine operations, emergency access, and the sharing and disposition of data with individuals or groups outside the entity.

- a. Resource owners should identify the specific user or class of users that are authorized to obtain direct access to each resource for which he or she is responsible. This process can be simplified by developing standard profiles, which describe access needs for groups of users with similar duties.
- b. Emergency and temporary access authorization should be controlled.
- c. A mechanism should be established so that the owners of data files and programs determine whether and when these resources are to be maintained, archived, or deleted.

C. Establishing physical and logical controls to prevent or detect unauthorized access.

- a. The entity should have a cost-effective process for protecting data files, application programs, and hardware through a combination of physical and logical security controls. Physical security involves restricting physical access to computer resources, usually by limiting access to the buildings and rooms where they are housed, or by installing locks on computer terminals. However, physical controls alone cannot ensure that programs and data are protected. For this reason, it is important to establish logical security controls that protect the integrity and confidentiality of sensitive files. The security function should be responsible for implementing and maintaining both physical and logical controls based upon authorizations provided by the owners of the resources.

D. Monitoring access, investigating apparent security violations, and taking appropriate remedial action.

- a. Audit trails should be maintained.
- b. Actual or attempted unauthorized, unusual, or sensitive access should be monitored.

- c. Suspicious access activity should be investigated and appropriate action taken.

130 APPLICATION SOFTWARE DEVELOPMENT AND CHANGE CONTROLS

- A. Application software is designed to support a specific operation. Typically, several applications may operate under one set of operating system software. Establishing controls over the modification of application software programs helps to ensure that only authorized programs and authorized modifications are implemented. This is accomplished by instituting policies, procedures, and techniques that help make sure all programs and program modifications are properly authorized, tested, and approved and that access to and distribution of programs is carefully controlled. Without proper controls, there is a risk that security features could be inadvertently or deliberately omitted or “turned off” or that processing irregularities or malicious code could be introduced.

140 SYSTEM SOFTWARE

- A. System software is a set of programs designed to operate and control the processing activities of computer equipment. Generally, one set of system software is used to support and control a variety of applications that may run on the same computer hardware. System software helps control and coordinate the input, processing, output, and data storage associated with all of the applications that run on a system. Some system software can change data and program code on files without leaving an audit trail.

Controls over access to and modification of system software are essential in providing reasonable assurance that operating system-based security controls are not compromised and that the system will not be impaired.

Evaluating the adequacy of system software controls involves assessing the entity’s efforts to perform the following:

- Limit access to system software.
- Monitor access to and use of system software.
- Control system software changes.

150 SEGREGATION OF DUTIES

- A. Work responsibilities should be segregated so that one individual does not control all critical stages of a process. Inadequately segregated duties increase the risk that erroneous or fraudulent transactions could be processed, that improper program changes could get implemented, and that computer resources could be damaged or destroyed.
- B. Determining whether duties are adequately segregated and the activities of personnel are adequately controlled involves assessing the entity's efforts to perform each of the following critical elements:
- Segregate incompatible duties and establish related policies.
 - Establish access controls to enforce segregation of duties.
 - Control personnel activities through formal operating procedures and supervision and review.

160 SERVICE CONTINUITY CONTROLS

- A. Losing the capability to process, retrieve, and protect information maintained electronically can significantly affect an agency's ability to accomplish its mission. For this reason, a provider should have (1) procedures in place to protect information resources and minimize the risk of unplanned interruptions, and (2) a plan to recover critical operations should interruptions occur. These plans should consider the activities performed at general support facilities, such as data processing centers and telecommunications facilities, as well as the activities performed by users of specific applications. To determine whether recovery plans will work as intended, they should be tested periodically in disaster simulation exercises.

Assessing service continuity controls involves evaluating the entity's performance in each of the following critical elements:

- Assess the criticality and sensitivity of computerized operations and identify supporting resources.
- Take steps to prevent and minimize potential damage and interruption.
- Develop and document a comprehensive contingency plan.
- Periodically test the contingency plan and adjust it as appropriate.

200 ~ Application Controls

Requirements:

Must demonstrate that the appropriate application controls are in place to prevent, detect, and correct errors in transactions as they flow through the various stages of a specific data processing application system; and must provide assurance that transactions are valid, properly authorized, and completely and accurately processed and reported.

General Discussion:

Application controls are the structure, policies, and procedures that apply to separate, individual application systems, which are typically a collection or group of individual computer programs that relate to a common function. Application controls encompass both the routines contained within the computer program code, and the policies and procedures associated with user activities, such as manual measures performed by the user to determine that data was processed accurately by the application. Application controls have been commonly categorized into the three phases of a processing cycle: input, processing and output. This document uses control categories that better tie in with the accounting application assertion being addressed. The control categories are the following:

Authorization controls - This is most closely aligned with the financial statement accounting assertion of existence or occurrence. This assertion, in part, concerns the validity of transactions that represent economic events that actually occurred during a given period.

Completeness controls - This directly relates to the financial statement accounting assertion of completeness, which deals with whether all valid transactions are recorded and properly classified.

Accuracy controls - This most directly relates with the financial statement assertion of valuation and allocation. This assertion deals with whether transactions are recorded at correct amounts. The control category, however, is not limited to financial information, but also addresses the accuracy of other data elements.

Controls over integrity of processing and data files - These controls, if deficient, could nullify each of the above control types and allow the occurrence of unauthorized transactions, as well as contribute to incomplete and inaccurate data.

The Controls:

210 AUTHORIZATION CONTROLS

Only authorized transactions should be entered into the application system and processed by the application.

A. All data is authorized before entering the application system.

a. Source documents, where utilized, should fall under control measures so that unauthorized transactions are not submitted and processed by the application.

1. Source documents are controlled and require authorizing signatures.

Control over source documents should begin even before data is recorded on the document. Access restrictions over blank source documents should prevent unauthorized personnel from obtaining a blank source document, recording unauthorized information, and inserting the document in the flow with authorized documents and possibly causing a fraudulent or malicious transaction to occur. Use of pre-numbered source documents could help identify unauthorized documents that fall outside the range of authorized numbers. Key source documents for an application should require an authorizing signature.

2. Supervisory or independent reviews of data occur before entering the application system.

Providing supervisory or independent review of data before entering the application system helps prevent the occurrence of unauthorized transactions.

b. Interactive transactions should only be accepted from authorized users.

1. Sellers linking into the CSP/CAS from retail web transactions should authenticate themselves to the system. Each transaction should include identification unique to the seller; the ideal is for each transaction to be digitally signed.

2. For remote access, either by sellers or for audit or certification processes, secure access such as a Virtual Private Network (VPN) should be utilized.

B. Data entry terminals are restricted to authorized users for authorized purposes.

The integrity of application data can be compromised by unauthorized personnel who have unrestricted access to data entry terminals, as well as by authorized users who are not restricted in what transactions they can enter. Without limits, unauthorized personnel and authorized users could enter fraudulent or malicious transactions.

To counter this risk, both physical and logical controls are needed to restrict data entry terminals to authorized users for authorized purposes. Access control is discussed in detail in section 120, and section 150 discusses segregation of duties.

- a. Data entry terminals are secured and restricted to authorized users.

Data entry terminals should be located in physically secure rooms. Each user should be required to use a unique password and identification code before being granted access to the system.

On-line access logs should be maintained by the system, such as through the use of security software, and should be reviewed regularly for unauthorized access attempts. All transactions should be logged as they are entered, along with the terminal ID that was used, and the ID of the person entering the data. This builds an audit trail and helps hold personnel accountable for the data they enter.

- b. Users are limited in what transactions they can enter.

It is not enough to restrict access to data entry terminals to authorized users, as these users may still enter unauthorized transactions, if they are not limited on what transactions they can enter. Limits can be accomplished through authorization profiles that are established for user personnel.

- C. Master files and exception reporting help ensure all data processed are authorized.

An effectively controlled application system will also have authorization type controls to monitor data as it is processed. Two such controls include the use of master files or databases and exception reporting that help determine the validity of transactions. These controls require computer programs to perform the validity checks and involve a process commonly referred to as data validation and editing. Many of the programmed checks in this process also concern the validity and accuracy of data fields in a transaction record, including whether a data field has a valid code.

- a. Master files/databases help identify unauthorized transactions.

A master file or database is a computer file that contains account and/or reference information that is integral to application systems. Master files and their approved records can help identify unauthorized transactions. As transactions are processed, they would be compared with the master file/database and any transactions not matching master file records would be rejected.

- b. Exceptions are reported to management for their review and approval.

An exception report lists items requiring review and approval. These items may be valid, but exceed parameters established by management. Implementation of this control may vary, such that one system may print the exceptions and have them routed to management to be released after their approval, and another system may hold the transaction in a suspense account until management enters an authorizing indicator, thus triggering the transaction.

220 COMPLETENESS CONTROLS

All authorized transactions should be entered into and completely processed by the application.

- A. All authorized transactions are entered into and processed by the application. A control for completeness is one of the most basic application controls, but is essential to ensure that all transactions are processed, and missing or duplicate transactions are identified. The most commonly encountered controls for completeness include the use of record counts and control totals, computer sequence checking, computer matching of transaction data with data in a master or suspense file, and checking of reports for transaction data.

- a. Record counts and control totals are used.

In general, user-prepared totals established over source documents and data to be entered can be carried into and through processing. The computer can generate similar totals and track the data from one processing stage to the next and verify that the data was entered and processed, as it should have been. On-line or real-time systems, where transactions are not entered as a batch, can still utilize this technique by establishing record counts and control totals over transactions entered during a specific time period, such as daily. Transaction logs created by system or database

management software, independently of the application software, provide the best controls over on-line transactions and can be compared to control totals or logs maintained within the application. All transactions with update capability should be logged.

b. Computer sequence checking is used.

This control begins by providing each transaction with a unique sequential number, whether pre-assigned on source documents or assigned as data is entered or as online transactions occur. The computer can identify numbers missing from the sequence and provide a report of missing numbers. The missing numbers should be investigated to determine whether they are numbers for voided source documents or transactions, such as retail sales for which the credit card validation fails, or are valid documents or transactions that may have been lost or misplaced.

For computer assigned numbers, at a later point in processing, such as when transaction data updates a master file or database, the computer can verify that all numbers are accounted for. Again, missing numbers are reported for investigation.

Sequence checking is also valuable in identifying duplicate transactions.

c. Computer matching of transaction data is used.

This control involves matching transaction data with data in a master file or database. Unmatched items from both the transaction data and master file are reported for investigation.

d. Checking reports for transaction data.

This activity involves checking each individual transaction with a detailed listing of items processed by the computer to verify that the transaction submitted was indeed processed. While an effective method, it is time-consuming and costly. Therefore, it is normally used with low-volume but high-value transactions, such as updating master files (e.g., updating salary data on a payroll file).

e. Store-and-forward capability as backup to real-time mode.

Transmission channels, including the Internet, are not always available. Interactive systems between sellers and the CSP/CAS should be developed so that if the communications are interrupted, transactions are stored in a temporary file, and then forwarded

automatically to the receiving system when communications are restored. Transactions logs and control records should be able to verify that all transactions have been forwarded and that the system is “made whole” as if the interruption to communications had not happened.

B. Reconciliations are performed to verify data completeness.

Reconciliations of record counts and control totals are necessary to verify the completeness of data entry and processing. This is generally performed at two levels. A lower level monitors activity at various stages in a processing cycle, and a higher level helps verify the completeness of processing for the complete cycle.

a. Reconciliations show the completeness of data processed at points in the processing cycle.

As data is entered into and processed through the various programs of an application system, reconciliations of record counts and control totals help make certain that all the data was processed completely. In batch environments, a user generated batch control sheet may be used for comparison with computer generated data. Agreement in the amounts indicates all data was completely entered. A disagreement may indicate some data is missing, an amount was entered incorrectly, or the batch control information was calculated or entered incorrectly. Out of balance batches should not undergo further processing until the disagreements are investigated and resolved.

For applications where transactions are entered individually as they occur, as is the case with online sales, this concept is still of use, as a record count and control total could be established over transactions entered during a specific time period, such as daily.

Files, whether on tape or disk, should contain record count and control total information so that the computer can verify processing completeness as it progresses. A program creating the file calculates and records the control information on the file. As a subsequent program processes the file, the computer calculates similar information and reconciles what it calculated with what was recorded on the file. Agreement in the amounts indicates all data was completely processed.

b. Reconciliations show the completeness of data processed for the total cycle.

Reconciliations should occur periodically that verify the completeness of data processed for a given cycle, such as daily, weekly, or monthly. A control register is an effective tool to use in this process. Such reconciliations monitor the completeness of transactions processed, master files updated, and outputs generated.

To illustrate with updating a master file or database, control information for this file should be recorded in the control register at the start of the cycle. Control information for the transactions entered that will update the master file should be reconciled with the control information over both accepted and rejected transactions. Control information for the accepted transactions that update the master file should be entered in the control register and added to the control information for the beginning master file. Control information for the updated master file should then be reconciled to the control register and should equal the sum of the beginning master file or database and accepted transactions.

230 ACCURACY CONTROLS

The recording of valid and accurate data into an application system is essential to provide for an effective system that produces reliable results.

A. Data entry design features contribute to data accuracy.

Well-designed data entry processes can contribute to the entry of accurate and valid data. On the other hand, inadequacies in this area can contribute to data entry errors. The focus here includes source document design, preformatted computer terminal data entry screens, key verification, and the use of automated entry devices.

a. Source documents are designed to minimize errors.

Special purpose forms should be used that help the preparer to initially record data correctly and in a uniform format. For example, rather than just providing a blank (" ") for a taxpayer registration, a well-designed form would include the following to record the number: " __ - _____".

For each type of transaction, the source document should provide a unique code or identifier, which should be preprinted on the document for data entry if it supports only one transaction type. The application computer programs use the transaction type for selecting the processing to be performed on the transaction. When several or more codes are options for identifying a data field's

purpose the options should be preprinted on the source document. A short list of options could appear under or near the data field, and a longer list could appear on the back of the document.

b. Preformatted computer terminal screens guide data entry.

Using preformatted computer terminal screens for data entry helps increase data accuracy at the point of entry. The computer screen (and the associated program code) prompts the terminal operator for data by field. Programmed routines allow the data to be checked or edited as it is keyed. After the data has been entered and passes the programmed edits, the computer screen prompt moves to the next data field indicating to the terminal operator the next data to be entered.

c. Key verification increases the accuracy of significant data fields.

For paper intensive source document environments, key verification is a common technique still used to increase the accuracy of significant data fields. For this technique, after initial entry of transaction data, a separate individual reads the same source document and keys data into a machine that checks the results of keystrokes with what was originally keyed. Data that is keyed differently is reviewed to determine the correct data. This technique's effectiveness is reduced if the original data entry person is also the one performing the key verification, or if the key verifier is located next to or in the proximity of the original data entry person, thereby negating a separation of duties in performing this function.

d. Automated entry devices increase data accuracy.

The use of automated entry devices (e.g., optical or magnetic ink character readers) can reduce data error rates, as well as speed the entry process. Use of preprinted labels is such an example. This information can be entered without keying the data, which ensures a more accurate and faster process.

B. Data validation and editing are performed to identify erroneous data.

A crucial control activity involves identifying erroneous data at the point it enters the application system, or at some later point during the processing cycle. This is accomplished in a process that is commonly called data validation and editing. Programmed validation and edit checks are key to this process, and are generally performed on

transaction data entering the system, as well as data prior to updating master files, and data resulting from processing.

a. Programmed validation and edit checks identify erroneous data.

Programmed validation and edit checks are, for the most part, the most critical and comprehensive set of controls in assuring that the initial recording of data into the system is accurate. Built as early as possible in the input process, these checks provide extensive coverage over as many data fields that a user feels a need to control. This approach is used extensively in both batch and on-line environments.

Programmed validation and edit checks can effectively start as the data are being keyed in at a computer terminal using preformatted computer screens. For example, an alphabetic character entered for a numeric field can be rejected as it is keyed. Also, data involving quantities or values can be checked to ensure they fall within reasonable predetermined limits, or within the range of a set of numbers. Further, key fields, such as a loan account number, or parts number in an inventory system, could employ a check digit to help validate that the number is being entered correctly.

In the Internet environment, transactions from sellers to the CSP/CAS may be formatted using eXtensible Markup Language (XML). The use of predefined XML schemas, against which the transactions are validated, can provide edit checks as the data enters the system. XML schema standards for transactions between the CSP/CAS and state agencies are being defined, and will allow states to validate the incoming data at point of entry.

Programmed validation and edit checks may also occur after data has entered the application. For example, transaction data may enter the processing cycle from another application and should be subjected to these checks. This should occur before updating master files or databases, and should be performed early in the data flow to reduce the processing associated with incorrect data.

These checks also help provide that data recorded in key fields on master files or databases are accurate and valid. One check, known as relationship editing, compares data in a transaction record with data in a master record for appropriateness and correctness before updating the master record.

The total transaction should undergo data validation and editing, and all fields in error should be identified before the transaction is rejected from further processing.

b. Tests are made of critical calculations.

Data resulting from processing routines, such as critical calculations, should also be tested to ensure the results are valid. For example, limits and reasonableness checks would help identify erroneous results before they cause some negative impact. Unusual items could be held and reported for management review and approval.

c. Overriding or bypassing data validation and editing is restricted.

Many systems allow data validation and edit routines to be bypassed, which could allow the system to accept and process erroneous data. Using the bypass capability (sometimes referred to as an override) should be very limited and closely controlled and monitored by supervisory personnel. For example, each override should be automatically logged and reviewed by supervisors for appropriateness and correctness.

C. Erroneous data is captured, reported, investigated, and corrected.

Transactions with errors need to be controlled to ensure that they are corrected and reentered in a timely manner. During data entry, particularly with more modern systems, an error can be identified and corrected at the data entry terminal or as online transactions enter the system. With errors identified during the data processing cycle, however, a break generally has been made from the data entry terminal or online session. Therefore, errors identified cannot be communicated in a real-time mode back to personnel entering the data for immediate correction. An automated error suspense file is an essential element to controlling these data errors, and the errors need to be effectively reported back to the user department for investigation and correction.

a. Rejected transactions are controlled with an automated error suspense file.

Transactions entered into this file should be annotated with:

- codes indicating the type of data error,
- date and time the transaction was processed and the error identified, and

- the identity of the user, whether internal or external, who originated the transaction.

Record counts and control totals should be developed automatically during processing of erroneous transactions to the suspense file and used in reconciling the transactions successfully processed. A control group should be responsible for controlling and monitoring the rejected transactions.

The suspense file should be purged of the related erroneous transaction as the correction is made. Record counts and control totals for the suspense file should be adjusted accordingly. Periodically, the suspense file should be analyzed to determine the extent and type of transaction errors being made, and the age of uncorrected transactions. This analysis may indicate a need for a system change or some specific training to reduce future data errors.

General controls should protect the suspense file from unauthorized access and modification.

- b. Erroneous data is reported back to the user, whether internal department or external customer such as a retail seller, for investigation and correction.

Systems that allow user groups to enter data at a computer terminal, or interactive transactions from Internet transactions, often allow data to be edited as it is entered, and generally allow immediate correction of errors as they are identified. Error messages should clearly indicate what the error is and what corrective action is necessary. Errors identified at a later point in processing should be reported to the user department or external user originating the transaction for correction. Some systems may use error reports to communicate to the internal or external user the rejected transactions in need of correction. More modern systems will provide user access to a file containing erroneous transactions. Using a computer terminal, users can initiate corrective actions. Again, error messages should clearly indicate what the error is and what corrective action is necessary. The user responsible for originating the transaction should be responsible for correcting the error. All corrections should be reviewed and approved by supervisors before being reentered into the system, or released for processing if corrected from a computer terminal.

D. Review of output reports helps maintain data accuracy and validity.

Output can be in several forms, including printed reports, data accessible on-line by users, and computer files that will be used in a later processing cycle, or by other programs in the application. Output should be reviewed and control information should be reconciled to determine whether errors occurred during processing. Various reports are typically produced by an application system that, if reviewed, helps maintain the data's accuracy and validity. Production and distribution of these reports need to be controlled, and to be effective, they need to be reviewed by user department personnel.

a. Control output production and distribution.

Someone should be assigned responsibilities for seeing that all outputs are produced and distributed in accordance with the requirements and design of the application system. The output products should be reviewed for general acceptability and control information should be reconciled to determine the completeness of processing. Printed reports should contain proper identification, including a title page with the report name, time and date of production, and the processing period covered by the report. Reports should also have an "end-of-report" message to positively indicate the end of a report. A report may have pages missing at the end of the report, which may go undetected without this type of message.

Controls and procedures are needed to ensure the proper distribution of output to authorized users. Without control over distribution, users may not receive needed output in a timely manner, and unauthorized persons may gain access to output containing private or sensitive information. Each output should be logged, manually if not done automatically, along with the recipients of the output.

Occasionally, errors may be identified in output products requiring corrective action, including possibly rerunning application programs to produce the correct product. A control log of output product errors should be maintained, including the corrective actions taken. Output from reruns should be subjected to the same quality review as the original output.

b. Reports showing the results of processing are reviewed by users.

The user has ultimate responsibility for maintaining data quality, and should review output reports for data accuracy, validity, and completeness. Some typical reports that are commonly produced for review by users include the following:

- An error report shows rejected transactions, the cause(s) of the rejections, and corrections needed.
- A transaction report lists important data fields of every valid transaction in the processing cycle. Transactions that are internally generated by the application are included and listed separately.
- A master record change report (also known as a "was-is" report) shows the contents of every master record before and after every master record change.
- An exception report lists items requiring review and approval. These items may be valid, but exceed parameters established by management.
- A control totals balance report lists the control fields and the totals calculated by the computer to show the results of processing. If similar figures were predetermined and entered with the data submitted for processing, the report would also identify agreements and variances.

240 CONTROLS OVER INTEGRITY OF PROCESING AND DATA FILES

Stored data is not altered by unauthorized persons in a way that is not detectable by authorized users.

- A. Procedures ensure that the current version of production programs and data files are used during processing by authorized users.
- B. Programs include routines for checking file header labels before processing.
- C. The application protects against concurrent file updates.
- D. Copies of files generated by the application (e.g., for backup, data warehousing, or management reporting systems) are authorized by the resource owner and are appropriately controlled.

300 ~ Administration Of Software And Databases

Requirements:

Must demonstrate the accuracy of modifications to systems and databases by tests of the systems and software. Tests may be performed by the Governing States as a group through remote access or onsite at the CSP, or by Individual States through remote access only.

General Discussion:

Software systems and the databases that support them are only as good as the data is accurate. It is essential to not only test the software to ensure it functions correctly, but to have appropriate change controls in place over program and database modifications to ensure continuing accuracy.

The Controls:

310 ADMINISTRATION OF SOFTWARE MODIFICATIONS

Only authorized software modifications should be made to the application system. Modifications should only be released after thorough testing.

A. All software modifications are tested by personnel independent of the programming function. The following type of testing should occur:

a. Regression Testing

Do the unmodified functions still operate as expected after a change has been introduced? Does everything work together as before after all changes and fixes have been introduced?

b. Interface Testing

Testing of the interfaces to other existing internal or external systems and databases should be repeated after modifications are made to ensure nothing got broke in the process.

c. End-to-end Functionality Testing

The entire transaction cycle must be re-tested after any software modifications to ensure that everything is functioning correctly.

B. All databases are inspected for accurate data after programming modifications are made. The integrity of application data can be compromised by software modifications that produce unintended results.

a. Inspection of data elements

To counter the risk of introducing inaccurate data into databases after programming modifications are made, all data elements should be examined for correctness.

b. Databases must be tested for referential integrity.

Data should be correct when taken as a whole and not have missing elements. For example, if a taxpayer registration number is designated as the primary key for a table, then each row in the table must have a taxpayer registration number attribute.

- c. Databases must be tested for entity integrity.

For example, if a transaction number is a mandatory field, then an attribute of Null is not allowed. Otherwise the entity integrity has been violated.

- C. Updates to the taxability matrix as approved by the Governing Board shall be adequately documented.

Section 328 of the Streamlined Sales and Use Tax Agreement requires each Member State to provide notice of changes in the taxability of products or services listed in the taxability matrix.

- a. Changes to the taxability matrix shall be completed on a quarterly basis with proper documentation maintained for all changes.
- b. Sellers and CSPs are relieved from liability to a Member State or its local jurisdiction if incorrect information was provided by the Member State. However, failure of a Member State to provide notice of a rate change shall not relieve the seller from its obligation to collect sales and use taxes for that Member State. (See sections 304, 305 & 328 of the SSUTA.)
- c. Rate changes shall be properly implemented and documented by the CSP and CAS.

320 ADMINISTRATION OF CHANGE CONTROLS

All versions of software must be tracked with some kind of change control process, to ensure that the appropriate level of software modification is matched to the data processed.

A. Version Control

All software modules must be kept under the operation of a Version Control system.

B. No Unauthorized Modifications

Only programming changes that have been tested and approved by management to be migrated to production should be allowed.

C. Separate Programming Libraries should be maintained.

Data libraries will be separated by test or production data.

D. All changes and overrides must be properly documented.

330 DATA REDUNDANCY AND REPAIRABILITY

Data should be protected against corruption or loss due to hardware failure through implementations that provide data redundancy and repairability.

A. Hardware implementations for critical data should allow the data to be recovered automatically in the event of corruption or loss due to hardware failure. Techniques such as the use of RAID storage, database server clustering and mirroring should be utilized as appropriate and cost effective.

B. Backups of production data must be taken at regular intervals. Transaction logs should be utilized so that if a database failure occurs, the combination of backup files and transaction logs can be utilized to recover the data up to the exact point of failure.

400 ~ Sufficiency Of Information

Must consider the necessary mechanisms to be built into the system in order to:

A. Demonstrate the system's ability to capture and retain sufficient information to make an accurate tax determination, and provide an accurate tax filing.

Build into the system the appropriate features for providing assurance that adequate information is obtained from the purchaser, the seller, and the applicable state(s) so that the correct amount of tax is calculated, collected, reported and remitted. This requires among other features:

- Timely updates of state taxability matrices from the individual states.
- Providing evidence of the transmission of the tax to the applicable state.
- Providing evidence that the matrix update has been received, is complete, and tested.

- Providing evidence that the matrix update has been loaded to the system according to appropriate software library procedures, and is logged as being loaded.
 - The history of product code mapping to the taxability matrix is available on-line, or in archive form that is retrievable and restorable in the format and time period designated by the Governing Board and Member States.
 - Audit trails that evidence each of the above.
- B. Demonstrate the system's ability to obtain, accumulate and report information on exempt sales.
- Build into the system the appropriate features for providing assurance in cases of exempt sales that adequate information is obtained from the purchaser, the seller, and the applicable state(s). This requires:
 - * The system must accumulate exempted sales by purchasing entity and be able to provide this information in aggregate or detail, as required by the governing states at a frequency as requested by each Member State.
 - * Audit trails that evidence the above.
- C. Demonstrate the proper use of governing states sourcing rules and state-provided matrixes and compliance with state laws pertaining to taxability of TPP, digital equivalents and services.

Build into the system the appropriate features for testing the matrix updates from the individual states, as well as providing internal tests of compliance with the individual state laws pertaining to taxability of TPP and Services. This requires:

- Sufficient tests of matrix updates to assure they work correctly.
- The CSP shall have sufficiently trained staff responsible for administering the operating systems which compute the correct amount of tax and remittance in accordance with the specific requirements of the individual states.
- Appropriate quality review programs and internal audits to provide quality assessments and oversight over the systems and processing.
- Sourcing – A standard format for tax jurisdiction codes shall be employed to match physical street addresses to the proper taxing jurisdiction. Unless otherwise authorized by the Governing Board, CAS, CSP and state revenue departments shall all use the coding format authorized in Section 119 of the

Mobile Telecommunications Sourcing Act (P.L. 106-252) and approved by the Multistate Tax Commission (MTC) and the federation of Tax Administrators (FTA).

- Audit trails that evidence each of the above.

D. Sales Tax Holidays (Complete after final determination)

E. Bundling Requirements (Complete after SST final determination)

F. All records that relate to transactions handled through Certified Automated Systems (CAS) and Certified Service Providers (CSP) shall be maintained in electronically accessible form for no less than four (4) years from the due date of the relevant filing period, or the date of actual filing, whichever occurs later.

500 ~ Data Transmission Security Standards

Introduction:

A critical element in the certification process is the assurance that data exchanged between all parties is secure, non-repudiated, and unaltered. To that end, the SST requires that all certified service providers and all certified automated systems adhere to the following provisions:

510 ENCRYPTION

All transmissions will be encrypted and will require the use of digital certificate containing a key no less than 128 bits in length.

520 TRANSMISSIONS BETWEEN CSP/CAS, MEMBER STATES, AND THE GOVERNING BOARD.

The Governing Board and each Member State will each prescribe the method for transmission of tax returns and other required reporting. Permissible transmission methodologies include:

- A. Secure upload and download by means of HTTPS protocol utilizing Secure Sockets Layer (SSL) encryption. States will provide a secure HTTPS site based on a certificate containing a key no less than 128 bit in length.
- B. Secure application-to-application web services, also utilizing HTTPS.
- C. Secure FTP upload and download. States will provide a secure FTP server, or require commercially available strong encryption

software such as PGP (“Pretty Good Privacy”). Zip compression/encryption is considered weak encryption and will not be acceptable.

530 TRANSMISSIONS BETWEEN SELLERS AND THE CSP/CAS.

CSPs and users of CAS systems will prescribe the methodology for transmission of transactions between sellers and the CSP/CAS. All such transactions must be encrypted, and the CSP/CAS implementation must provide a certificate containing a key no less than 128 bytes in length. It is anticipated that all Internet transactions between sellers and the CSP/CAS will utilize HTTPS with SSL.

540 DIGITAL SIGNATURES

When a message is received, the recipient may desire to verify that the message has not been altered in transit. Furthermore, the recipient may wish to be certain of the originator's identity. Both can be accommodated by the Digital Signature Algorithm (DSA). A digital signature is an electronic analog of a written signature in that the digital signature can be used in proving to the recipient, or a third party, that the message was, in fact, signed by the originator. Digital signatures may also be generated for stored data and programs so that the integrity of the data and programs may be verified at any later time.

This document stops short of requiring the use of digital signatures for all transmissions, due to the difficulties in interoperability among certificate authorities, as well as the processing overhead involved, and the expense and complexity that would be required for the smaller sellers. Because of these considerations, few states have implemented digital signature processes with their electronic partners. However, the use of digital signatures remains the “gold standard” of authentication, non-repudiation, security, and integrity, and should be implemented when the technology becomes practical.

For further information concerning digital signatures, this document refers the reader to:

FIPS 46-2 – Digital Encryption Standard

FIPS 186 – Digital Signature Standard

This publication prescribes the Digital Signature Algorithm (DSA) for digital signature generation and verification. In addition, the criteria for the public and private keys required by the algorithm are provided.

Additional FIPS standards that pertain to data encryption under this certification standard:

FIPS 140-1 – Security Standards for Cryptographic Modules

FIPS 171 – Key management Using ANSI X9.17

FIPS 180-1 – Digital Hash Standard

FIPS 185 Escrowed Encryption Standard

FIPS 196 Public Key Cryptographic Entity Authentication Mechanism

Federal Information Processing Standards Publications (FIPS PUBS) are issued by the National Institute of Standards and Technology after approval by the Secretary of Commerce pursuant to Section 111(d) of the Federal Property and Administrative Services Act of 1949, as amended by the Computer Security Act of 1987, Public Law 100-235.

Equivalent standards concerning digital signatures are contained in:

ANSI X5.09 – Digital Certificates

ANSI X9.30 – Public key Cryptographic Using Irreversible Algorithms

ANSI X9.42 – Symmetric Algorithms Using Diffie-Hellman

ANSI X9.55 – Extension to Public Key Certificates and Certificate Renovation List

ANSI X9.23 – Message Confidentiality

ANSI X9.9 – Message Authentication Codes

ANSI X9.45 – Management Controls

ANSI X9.17 – Financial Institution Key Management

The American National Standards Institute (ANSI) is a private, non-profit organization that administers and coordinates the U.S. voluntary standardization and conformity assessment system. The organization's Headquarters are located in Washington, D.C., but an office in New York City is ANSI's operations center and the point of contact for all press inquiries. Most of the ANSI standards are functionally equivalent to the

FIPS standards issued through the National Institute of Standards and Technology (NIST).

550 TRANSMISSION STORAGE AND PROTECTION

It is expected that CSPs will receive retail transactions continuously from online sellers over the Internet. In this and similar settings, the following apply:

- A. Web server(s) that receive online transactions shall be configured in a “Demilitarized Zone” (DMZ) in order to receive external transmissions but still have some measure of protection against unauthorized intrusion.
- B. Application server(s) and database server(s) shall be configured behind the firewalls for optimal security against unauthorized intrusion. Only authenticated applications and users shall be allowed access to these servers.
- C. Transaction data should be “swept” from the web server(s) at frequent intervals consistent with good system performance, and removed to a secured server behind the firewalls, to minimize the risk that these transactions could be destroyed or altered by intrusion.
- D. CSPs shall install and maintain intrusion detection software to monitor their networks for any unauthorized attempt to access tax data.

560 VIRUS PROTECTION

CSPs and users of CAS systems shall install and maintain commercially accepted virus protection software and stay current with updates to that software. CSPs and users of CAS systems shall take all reasonable precautions to ensure that files sent to states are not contaminated by viruses.

600 ~ Privacy Standards

Confidentiality and Privacy Protections for Model 1 taxpayers who use a Certified Service Provider are addressed in Section 321 of the Streamlined Sales and Use Tax Agreement. As stated in the SSUTA the Confidentiality and Privacy Protections are the protection of confidentiality rights of all participants in the system and of the privacy interests of consumers who deal with Model 1 sellers.

610 CONFIDENTIAL TAXPAYER INFORMATION

- A. The SSUTA defines “confidential taxpayer information” as all information that is protected under a Member State’s laws, regulations, and privileges: the term “personally identifiable information” means information that identifies a person; and the term “anonymous data” means information that does not identify a person.
- B. A fundamental precept in Model 1 is to preserve the privacy of consumers by protecting their anonymity. With very limited exceptions, a Certified Service Provider (CSP) shall perform its tax calculation, remittance, and reporting functions without retaining the personally identifiable information of consumers.
- C. Other than as provided in section 620(D), confidential and proprietary information will not be sold or re-used in any way, even if the identity of the businesses using the solution can be masked.

620 PERSONALLY IDENTIFIABLE INFORMATION

- A. The CSP’s system must be designed and tested to ensure that the fundamental precept of anonymity is respected.
- B. Personally identifiable information is only used and retained to the extent necessary for the administration of Model 1 with respect to exempt purchasers.
- C. The CSP provides consumers clear and conspicuous notice of its information practices, including what information it collects, how it collects the information, how it uses the information, how long if at all, it retains the information and whether it discloses the information to Member States. Such notice shall be satisfied by a written privacy policy statement accessible by the public on the official web site of the CSP.
- D. The CSP’s collection, use and retention of personally identifiable information will be limited to that required by the Member States to ensure the validity of exemptions from taxation that are claimed by reason of a consumer’s status or the intended use of the good or services purchased.
- E. The CSP will provide adequate technical, physical, and administrative safeguards so as to protect personally identifiable information from unauthorized access and disclosure.

630 STATE REQUIREMENTS

- A. Each Member State shall provide public notification to consumers, including their exempt purchasers, of the state's practices relating to the collection, use and retention of personally identifiable information.
- B. When any personally identifiable information that has been collected and retained is no longer required for the purposes set forth above, such information shall no longer be retained by the Member States.
- C. When personally identifiable information regarding an individual is retained by or on behalf of a Member State, such state shall provide reasonable access by such individual to his or her own information in the state's possession and a right to correct any inaccurately recorded information.
- D. If anyone other than a Member State, or a person authorized by the state's law or the SSUTA, 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.
- E. This privacy policy is subject to enforcement by Member States' attorneys general or other appropriate state government authority.
- F. Each Member States' laws and regulations regarding the collection, use, and maintenance of confidential taxpayer information remain fully applicable and binding. Without limitation, the SSUTA does not enlarge or limit the Member States' authority to:
 - a. Conduct audits or other review as provided under the SSUTA and state law.
 - b. Provide records pursuant to a Member States' Freedom of Information Act, disclosure laws with governmental agencies, or other regulations.
 - c. Prevent, consistent with state law, disclosures of confidential taxpayer information.
 - d. Prevent, consistent with federal law, disclosures or misuse of federal return information obtained under a disclosure agreement with the Internal Revenue Service.
 - e. Collect, disclose, disseminate, or otherwise use anonymous data for governmental purposes.
- G. This privacy policy does not preclude the Governing Board from certifying a CSP whose privacy policy is more protective of confidential taxpayer information or personally identifiable information than is required by the SSUTA.

700 ~ Right To Certify or Recertify

Under Models I & II providers of Certified Automated Systems (CAS) and Certified Service Providers (CSP) are required to provide the auditors with sufficient and timely access to those systems that the auditors deem necessary for performing the certification or recertification of the CSP and the CAS.

The auditors are to be provided with access to any documentation, system, and database or system component, needed for them to perform the certification or re-certification.

The CAS or CSP will provide auditors with access to all appropriate staff, including, but not limited to, systems, security, disclosure, legal and accounting.

The CAS or CSP shall allow for the performance of an evaluation for certification by the Member States or any agent or representative designated by the Member States.

The CAS or CSP will allow for multi-jurisdictional audits for the purpose of certification or re-certification to be conducted by the Member States or any agent or representative designated by the Member States.

The CAS or CSP shall allow for the use of any generally accepted auditing procedures, unless it is agreed that other valid testing procedures are more appropriate. {The auditors will conduct their audits in conformance with audit standards approved by the Governing Board. The CAS/CSP should not be in a position to control the “standards” used by the auditors. On the other hand, there may be instances that may limit the procedures that can be performed. For example, performing electronic tests on an active computer system could cause serious system overhead that could reduce response time, or even bring down the system.}

The CAS or CSP shall agree to provide electronic records for the certification or re-certification process on a timely basis, as set forth in the SSUTA. Electronic records will be provided in a format designated in the *SST CSP/CAS Testing Process* papers. The *SST CSP Site Administration* paper establishes the requirements for the administration site to be provided by each CSP and CAS.

The CAS or CSP shall provide all necessary fields within each record and an accompanying data dictionary that explains the characteristics of each field.

The CAS or CSP shall agree to use generally accepted sampling procedures. Statistical sampling will be the default sampling procedure unless it is agreed other valid sampling procedures are more appropriate.

Recertification Process

The purpose of the recertification process is to ensure that a Certified Service Provider (CSP) continues to comply with all requirements and standards as set by the Streamlined Sales Tax (SST) Governing Board. The recertification process shall be conducted by the Certification Committee at intervals approved by the board.

General Understanding

The Certification Committee shall contact the CSP representative to schedule a time to begin the process. The parties will hold an entrance meeting to discuss the process.

As per the *Certification Standards* paper, the Certification Committee shall be provided with sufficient and timely access to those staff, facilities, systems, databases, documentation, and records deemed necessary for performing the recertification process. Confidentiality agreements may be required.

Timely communication between all parties is important. Testing Central shall monitor the operational performance of a CSP and will inform the appropriate representative(s) of any issues. Information obtained during the recertification process may be communicated to the Audit Committee.

Recertification Process

The recertification process may include, but is not limited to the following:

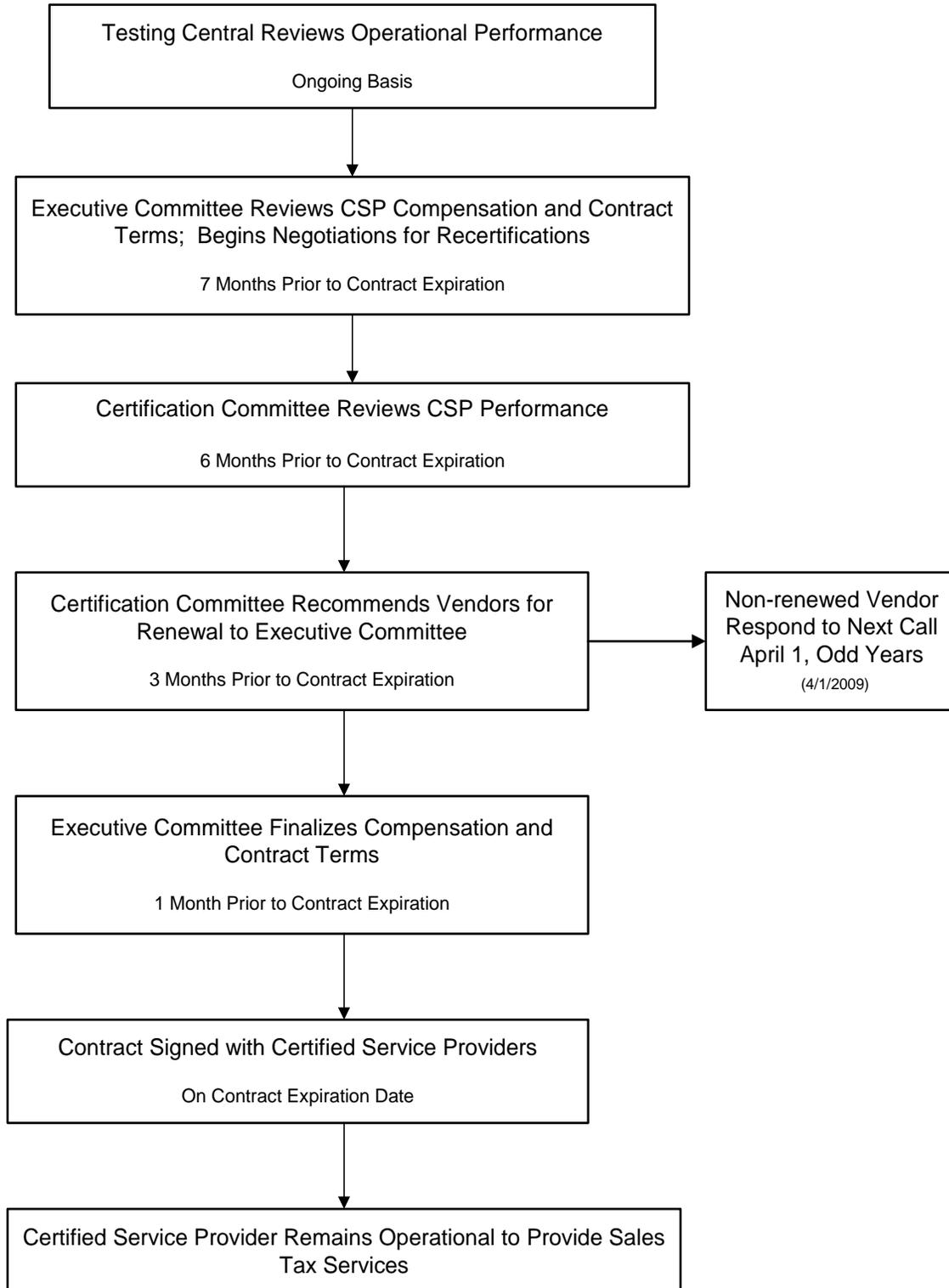
- 1) Verification that the CSP meets the requirements outlined in the Streamlined Sales and Use Tax Agreement (SSUTA), including
 - confirming that Seller Taxes were timely remitted to the appropriate tax authorities.
 - assessing whether exemption certificates received from customers were accurately completed or data elements to support purchases by exempt purchasers were maintained,
 - reconciling the use of discounts to reduce the tax base,
 - determining whether tax was accurately credited for returned merchandise or cancelled sales,
 - and verifying that any reimbursements received by the Contractor were properly calculated and applied.
- 2) Verification of contract compliance.

- 3) Verification that the CSP meets the requirements found in the *Certification Standards* , *Appendix G*, and the *Minimum Standards Appendix C*.
- 4) Verification of compliance with Testing Central requirements.
- 5) Verification that a web-based administrative site is provided as prescribed in the *SST Testing Process for Certification of Service Providers, Appendix E* and *SST CSP Site Administration, Appendix F*.
- 6) Review of the existence and severity of complaints from member states against the CSP.
- 7) Determination if there are any changes in financial position or operations that could have a negative impact on the ability of the CSP to continue as a going concern.
- 8) Substantiating that required audit trails exist for sales records maintained;

Appendix I

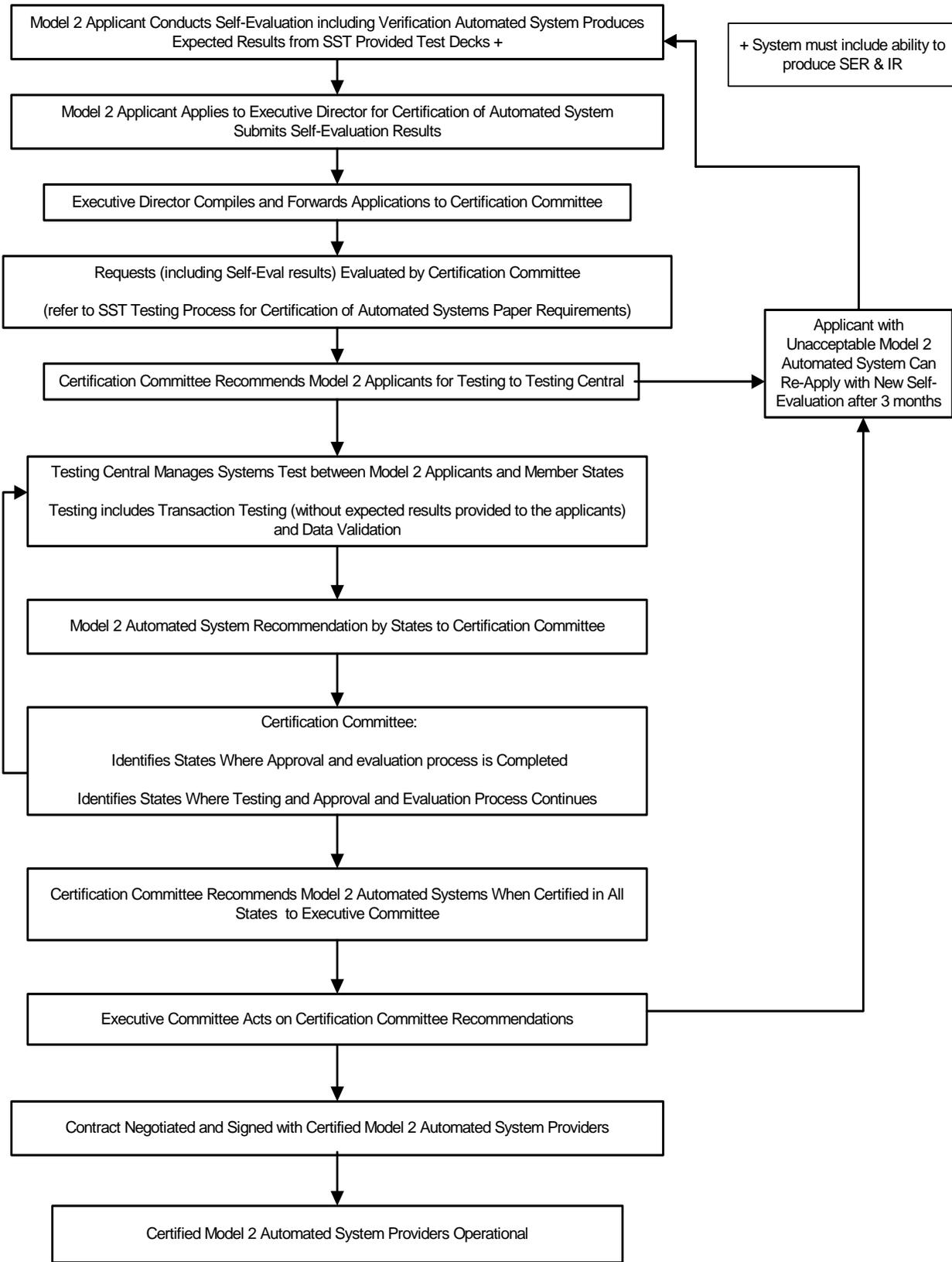
Recertification of Current Certified Service Provider

Revised 4/12/2006



Certification of a Model 2 Automated System *

Revised 3/30/2006



* At this time, the Governing Board has not approved compensation for this model.

Testing Process for Certification of Model 2 Automated Systems

Testing process

A. Purpose of testing. The testing process will test and certify determination of tax jurisdictions, determination of exemptions and accurate tax calculation.

Testing involves methods that determine that the proper results are obtained from the system and remitted to the member states.

B. Criteria to be tested. The following are to be evaluated during the testing process.

1. Jurisdictional boundaries (determination of taxing jurisdiction)
2. Tax type (sales vs. use)
3. Tax rates
4. Compliance with uniform definitions
5. Taxability and product-based exemptions
6. Goods or service based special taxability
7. Transactional date of the taxable event
8. Tax rule hierarchy among competing rules
9. Date effective, including sales tax holidays
10. Caps and thresholds
11. Delivery charges
12. Discounts
13. Bad debts
14. Returns and credits
15. Exemptions and deductions
16. Enterprise zones
17. Direct pay permit holders
18. Multiple points of use
19. Updates to the system (i.e. restocking)
20. Refunds from the seller to the customer
21. Customization of automated system tax calculation through an override by data entry clerk
22. Taxpayer privacy
23. Uniform sourcing rules
24. Exemption processing and reporting, including change processes
25. Uniform rounding rules
26. Tax calculation
27. Tax remittance procedures
28. Tax reporting procedures
29. On-going, real-time testing

30. Data accuracy
31. Output report review

C. Self Evaluation prior to testing

The CAS applicant shall perform a self-evaluation to verify the automated system produces the expected results from the test deck provided by Testing Central. The automated system shall include the ability to produce the reports required by the Governing Board.

Testing should begin when

1. The CAS applicant determines their system is complete;
2. The single online entry screen is ready (see section I);
3. The upload/download process is ready (see section D);
4. The Administration site is complete;
5. The CAS applicant has passed vendor system testing;
6. The CAS applicant has passed self evaluation;
7. State test data is prepared.

D. Preparation of test transactions. The transactions used to test the CAS applicant shall be compiled into spreadsheets (Test Decks) to be submitted through the upload/download process in a comma delimited text format (.csv) with no header row and with the following fields in the following order. Do not embed any commas in any field.

The test deck fields, format and record length in the required order are listed below.

Field Name	Description	Format	Length
Date	Transaction date	CCYYMMDD	8
Record Number	Identifying number	Numeric	8
Retailer SSTPSST ID	Retailer SSTPSST ID	alpha/numeric	9
Retailer State	State where retailer is located	alpha	2
Delivery Method	Is delivery in seller vehicle?	Y/N	1
Customer Entity Code	Is customer taxable?	T/E	1
Ship to Address	Street name and number	alpha/numeric	40
Ship to Suite	Suite, P.O. Box, Apt, Lot	alpha/numeric	40
Ship to City	Name of city	alpha	40
Ship to State	Two character state abbreviation	alpha	2
Ship to Zip Code	5 character zip code	numeric	5
Ship to Zip Plus	4 character zip extension	numeric	4
SKU	Stock keeping unit	numeric	19
Amount of Sale	Total amount of sale	numeric	15 including 2 decimals

During processing, the SKU and Customer Entity Code shall be used as follows:

SKU & 'T' = Check SKU with matrix, if coded as E then exempt,
if not, taxable

SKU & 'E' = Exempt

No SKU & 'T' = Taxable

No SKU & 'E' = Exempt

Entries in the test deck shall accurately represent actual business transactions. The testing state shall establish an initial test deck of approximately 100 transactions (using some or all of the SST Id's set up by the CAS applicant) to represent a core set of retailers based on the types of retailers doing business in the testing state.

The purpose of the test deck is to validate rates, boundaries, tax calculations and SKU taxability. The test deck should represent the following types of transactions. A single entry may test more than one type of transaction. Each SKU should appear in the test deck in order to validate the proper tax calculation.

1. Retailer Type

In-State Seller - determined by retailer state versus ship to state

Out-of-State Seller – determined by retailer state versus ship to state

2. Customer Type - determined by customer entity code field

Taxable Customer

Exempt Customer

3. Product Type - determined by SKU

Taxable

Exempt

(For testing purposes the SKU will be used to represent product type)

4. Tax Type - determined by retailer state versus testing state

Sales Tax (physical presence in the state)

Use Tax (out-of-state sale)

5. Jurisdiction – determined from ship to address

Representative of jurisdictions within the testing state

Complex boundary identification scenarios need to be included to test jurisdictions that cross city, county and zipcode boundaries (if applicable to the testing state).

6. Transaction Date – determined by date

Various dates need to be used which will represent actual transactions dates

Dates need to cross quarters to test rate changes

7. Address – determined by address fields

All three levels should be represented:

street and city with zip code +4

5-digit zip code

zip code +4

8. Sales Amount – the sales amount should realistically represent the transaction being tested

9. Problematic Transactions – both good and problematic transactions should be included. The entire range of anticipated errors should be represented in order to test error handling.

The test decks for use with either upload/download process eventually could grow to 10,000 transactions per state. In the beginning of the testing process, the test decks will be much smaller in order to verify the accuracy on a small volume of test transactions. These test deck transactions shall test each of the jurisdictions within the testing state. Every type of exempt sale must be represented in the test deck transactions along with non-exempt transactions. Sales amounts must be varied and realistically represent the type of transaction being tested. All three levels of address submission must also be represented. The three levels of addresses are: 1) street and city with zip code +4; 2) 5-digit zip code; and 3) zip code +4. Make-up of the testing state's test deck must be all encompassing of both good and problematic transactions, which represent the range of errors expected.

E. Submission of test transactions. Test decks shall be submitted to the CAS applicant. Upon completion of processing, the CAS applicant shall notify the state that the updated test deck is available for retrieval. The testing state shall retrieve the data and compare the actual results with the expected results. Each retrieval shall consist of two files available for download, one shall contain the records with errors and the other shall contain the results of the processed records.

F. Results. Each row of the results file shall contain the original uploaded data plus fields appended in the following format:

Field Name	Description	Format	Length
Date	Transaction date	CCYYMMDD	8
Record Number	Identifying number	Numeric	8
Retailer SST ID	Retailer SST ID	Alpha/numeric	9
Retailer Location ID	Retailer Location ID	Alpha/numeric	9

Retailer State	State where retailer is located	Alpha	2
Delivery Method	Is delivery in seller vehicle?	Y/N	1
Customer Entity Code	Is customer taxable?	T/E	1
Ship to Address	Street name and number	Alpha/numeric	40
Ship to Suite	Suite, P.O. Box, Apt, Lot	Alpha/numeric	40
Ship to City	Name of city	Alpha	40
Ship to State	Two character state abbreviation	Alpha	2
Ship to Zip Code	5 character zip code	Numeric	5
Ship to Zip Plus	4 character zip extension	Numeric	4
SKU	Stock keeping unit	Numeric	5
Total Sales Amount	Total amount of sale	Numeric	15 including 2 decimals
ResultType	0=good address used ,2=address unknown, fallback to zip	Numeric	1
Taxability Code	Taxable/Non-taxable flag for item	Y/N	1
FIPS Jurisdiction Code 1	First FIPS Jurisdiction Code	Numeric	5
FIPS Tax Rate 1	First FIPS Tax Rate	Numeric	6 including 5 decimals
FIPS Tax Amount 1	Numeric value representing tax for first FIPS	Numeric	15 including 2 decimals
FIPS Jurisdiction Code 2	Second FIPS Jurisdiction Code	Numeric	5
FIPS Tax Rate 2	Second FIPS Tax Rate	Numeric	6 including 5 decimals
FIPS Tax Amount 2	Numeric value representing tax for second FIPS	Numeric	15 including 2 decimals
FIPS Jurisdiction Code3	Third FIPS Jurisdiction Code	Numeric	5
FIPS Tax Rate 3	Third FIPS Tax Rate	Numeric	6 including 5 decimals
FIPS Tax Amount 3	Numeric value representing tax for third FIPS	Numeric	15 including 2 decimals
FIPS Jurisdiction Code 4	Fourth FIPS Jurisdiction Code	Numeric	5
FIPS Tax Rate 4	Fourth FIPS Tax Rate	Numeric	6 including 5 decimals
FIPS Tax Amount 4	Numeric value representing tax for fourth FIPS	Numeric	15 including 2 decimals
FIPS Jurisdiction Code 5	Fifth FIPS Jurisdiction Code	Numeric	5
FIPS Tax Rate 5	Fifth FIPS Tax Rate	Numeric	6 including 5 decimals
FIPS Tax Amount 5	Numeric value representing tax for fifth FIPS	Numeric	15 including 2 decimals
FIPS Jurisdiction Code 6	Sixth FIPS Jurisdiction Code	Numeric	5
FIPS Tax Rate 6	Sixth FIPS Tax Rate	Numeric	6 including 5 decimals
FIPS Tax Amount 6	Numeric value representing tax for sixth FIPS	Numeric	15 including 2 decimals
FIPS Jurisdiction Code 7	Seventh FIPS Jurisdiction Code	Numeric	5

FIPS Tax Rate 7	Seventh FIPS Tax Rate	Numeric	6 including 5 decimals
FIPS Tax Amount 7	Numeric value representing tax for seventh FIPS	Numeric	15 including 2 decimals
FIPS Jurisdiction Code 8	Eighth FIPS Jurisdiction Code	Numeric	5
FIPS Tax Rate 8	Eighth FIPS Tax Rate	Numeric	6 including 5 decimals
FIPS Tax Amount 8	Numeric value representing tax for eighth FIPS	Numeric	15 including 2 decimals
FIPS Jurisdiction Code 9	Ninth FIPS Jurisdiction Code	Numeric	5
FIPS Tax Rate 9	Ninth FIPS Tax Rate	Numeric	6 including 5 decimals
FIPS Tax Amount 9	Numeric value representing tax for ninth FIPS	Numeric	15 including 2 decimals
FIPS Jurisdiction Code 10	Tenth FIPS Jurisdiction Code	Numeric	5
FIPS Tax Rate 10	Tenth FIPS Tax Rate	Numeric	6 including 5 decimals
FIPS Tax Amount 10	Numeric value representing tax for tenth FIPS	Numeric	15 including 2 decimals
FIPS Jurisdiction Code 11	Eleventh FIPS Jurisdiction Code	Numeric	5
FIPS Tax Rate 11	Eleventh FIPS Tax Rate	Numeric	6 including 5 decimals
FIPS Tax Amount 11	Numeric value representing tax for eleventh FIPS	Numeric	15 including 2 decimals
FIPS Jurisdiction Code 12	Twelfth FIPS Jurisdiction Code	Numeric	5
FIPS Tax Rate 12	Twelfth FIPS Tax Rate	Numeric	6 including 5 decimals
FIPS Tax Amount 12	Numeric value representing tax for twelfth FIPS	Numeric	15 including 2 decimals
FIPS Jurisdiction Code 13	Thirteenth FIPS Jurisdiction Code	Numeric	5
FIPS Tax Rate 13	Thirteenth FIPS Tax Rate	Numeric	6 including 5 decimals
FIPS Tax Amount 13	Numeric value representing tax for thirteenth FIPS	Numeric	15 including 2 decimals
FIPS Jurisdiction Code 14	Fourteenth FIPS Jurisdiction Code	Numeric	5
FIPS Tax Rate 14	Fourteenth FIPS Tax Rate	Numeric	6 including 5 decimals
FIPS Tax Amount 14	Numeric value representing tax for fourteenth FIPS	Numeric	15 including 2 decimals
FIPS Jurisdiction Code 15	Fifteenth FIPS Jurisdiction Code	Numeric	5
FIPS Tax Rate 15	Fifteenth FIPS Tax Rate	Numeric	6 including 5 decimals
FIPS Tax Amount 15	Numeric value representing tax for fifteenth FIPS	Numeric	15 including 2 decimals
FIPS Jurisdiction Code 16	Sixteenth FIPS Jurisdiction Code	Numeric	5
FIPS Tax Rate 16	Sixteenth FIPS Tax Rate	Numeric	6 including 5 decimals

			decimals
FIPS Tax Amount 16	Numeric value representing tax for sixteenth FIPS	Numeric	15 including 2 decimals
FIPS Jurisdiction Code 17	Seventeenth FIPS Jurisdiction Code	Numeric	5
FIPS Tax Rate 17	Seventeenth FIPS Tax Rate	Numeric	6 including 5 decimals
FIPS Tax Amount 17	Numeric value representing tax for seventeenth FIPS	Numeric	15 including 2 decimals
FIPS Jurisdiction Code 18	Eighteenth FIPS Jurisdiction Code	Numeric	5
FIPS Tax Rate 18	Eighteenth FIPS Tax Rate	Numeric	6 including 5 decimals
FIPS Tax Amount 18	Numeric value representing tax for eighteenth FIPS	Numeric	15 including 2 decimals
FIPS Jurisdiction Code 19	Nineteenth FIPS Jurisdiction Code	Numeric	5
FIPS Tax Rate 19	Nineteenth FIPS Tax Rate	Numeric	6 including 5 decimals
FIPS Tax Amount 19	Numeric value representing tax for nineteenth FIPS	Numeric	15 including 2 decimals
FIPS Jurisdiction Code 20	Twentieth FIPS Jurisdiction Code	Numeric	5
FIPS Tax Rate 20	Twentieth FIPS Tax Rate	Numeric	6 including 5 decimals
FIPS Tax Amount 20	Numeric value representing tax for twentieth FIPS	Numeric	15 including 2 decimals
Total Sales Amount	Numeric value representing total sales amount	Numeric	15 including 2 decimals
Total Tax Amount	Sum of FIPS tax amounts 1 - 20	Numeric	15 including 2 decimals

Errors File - A record or file will error for such reasons as an incorrect number of record fields in the file, no zip code in a record, fields (including blanks/nulls) are not separated by commas and errors specific to the contents of the field. The CAS applicant may also put questionable transactions into the error file for further review. The structure of the error file is as follows:

Field Name	Description	Format	Length
Date	Transaction Date	CCYYMMDD	10
Record Number	Identifying number	Numeric	8
Retailer SST ID	Retailer SST ID	Alpha/numeric	9
Retailer Location ID	Retailer Location ID	Alpha/numeric	9
Retailer State	State where retailer is located	Alpha	2
Delivery Method	Is delivery in seller vehicle?	Y/N	1
Customer Entity Code	Is customer taxable?	T/E	1
Ship to	Street name and number	Alpha/numeric	40

Address			
Ship to Suite	Suite, P.O. Box, Apt, Lot	Alpha/numeric	40
Ship to City	Name of city	Alpha	40
Ship to State	Two character state abbreviation (i.e. KS)	Alpha	2
Ship to Zip Code	5 character zip code	Numeric	5
Ship to Zip Plus	4 character zip extension	Numeric	4
SKU	Stock keeping code	Numeric	5
Total Sales Amount	Total amount of sale	Numeric	15 including 2 decimals
Error Code	Type of error	Numeric	2

error codes shall have the following format by transaction:

Error Code	Error Field	Message
01	Date	Transaction date invalid or missing
02	Retailer SST ID	Retailer SST ID invalid or missing
03	Retailer State	State invalid or missing
04	Ship to Address	Address unavailable or incorrect format
05	Ship to Suite	Suite unavailable or incorrect format
06	Ship to City	City unavailable or incorrect format
07	Ship to State	State unavailable or incorrect format or zip does not match
08	Ship to Zip Code	Zip code unavailable or incorrect format
09	Ship to Zip Plus	Zip plus unavailable or incorrect format
10	SKU	Stock keeping unit invalid
11	Amount of Sale	Amount of sale incorrect format or missing
12	Entire Record	Improper record

The last 5 uploads (both error and results files) will always be available for re-download.

G. Completion of testing. After accuracy of tax calculations has been verified, end-to-end testing shall be performed. The output from end-to-end testing shall be the completion and filing with the testing state of the following transactions in test mode.

1. Simplified Electronic Return (SER)
2. Information Report (IR)
3. Electronic Payment (remittance)

End-to-end testing shall be accomplished by using the same test decks used to verify accuracy of tax calculations and by using the .csv upload/download process and format. Transactions shall flow through the complete system and back to the testing state. Testing transactions shall be conducted as if they are live production transactions.

Transaction details shall be available through the SST Administrative Site by state through a log in process for all testing as well as live transactions.

These transactions will be used to confirm the process is accurate and conforms to the SST Guidelines defined through the TIGERS group in the SST Implementation Guide. Each transaction shall have a unique system identification number. The data submitted and the data returned shall be saved as the transaction details. The agent shall be responsible for testing the results file through their own system as a test independent from this process.

H. State responsibilities. The testing state has the responsibility to thoroughly and completely test all functions provided by the CAS applicant. The batch test deck should contain sufficient volume to represent the actual number of transactions that would reasonably flow through the system. The test deck should represent transactions applicable to the state and utilize the format listed above. A full six-month or one-year batch test deck may be appropriate. Testing should cover the range of sellers doing business in the state. All types of registered sellers should be represented.

The testing state shall have and utilize upload on demand capabilities to test CAS applicant functionality and accuracy through the submission, retrieval and analysis of that state's test deck transactions. Additionally as the process matures, this can be used to conduct end-to-end processing for returns, remittances and information reports that should be tested for each six-month or year period. As issues arise, the state CAS administrator should utilize the CAS applicant Administration Site to report and log errors and other issues.

The testing state has the responsibility to test updated exemptions, jurisdictions, rates and stock keeping units that have been submitted through the change control process. These updates should be tested prior to the effective date to insure correctness upon implementation.

The testing state should be able to clear the testing environment and do a total system reset for the state when appropriate.

I. CAS applicant responsibilities. The CAS applicant shall provide a web-enabled site that is capable of single online entry as well as receiving and computing state test decks as described above. This site shall be available 24 x 7 x 365. The site shall be capable of processing a full volume, six-month or year test deck for the testing state including the

calculation of exemptions and taxes. In addition, the CAS applicant and individual states shall be prepared to test this site by performing testing for end-to-end processing of returns, remittances and information reports for the testing state for a six-month or year period.

Each CAS applicant shall configure their systems to provide a state administrative site to be used to report and log errors. The CAS applicant must support this administrative site for all member states. The CAS applicant can have an independent look but the data supported by all sites shall be the same. It is the responsibility of the CAS applicant to make updates to exemptions, jurisdictions, rates and stock keeping units (SKU) that have been submitted through the change control process or through the administration site. Updates for error handling on problematic sourcing and taxing issues such as unique addresses and exemption of specific product codes must also be able to be made through the administration site.

J. Single online entry screen. A single web-based, password-protected, online entry screen shall be available for states to use to quickly enter single transactions to test sourcing and tax calculations to verify the results from any transaction submitted. This functionality is to quickly establish problems with the CAS applicant engine to accurately calculate and return a response on a single transaction for each individual state and the unique processing requirements for that state's sourcing and taxing rules.

K. SST Ids for testing. The states have been provided 50 SST Ids as registered sellers which will allow for testing against the taxability matrix, exempt sales and local jurisdictions. See Section N.

This is for testing both in the certification process and post-implementation process. These SST Ids will be assigned for the duration of the existence of the CAS applicant so that the states can maintain a clean test environment with established SST Ids throughout. These SST Ids should be readily identifiable so they are not commingled with production transactions.

The test SST Ids shall test the production engine through the CAS applicant testing process by the CAS Administrators.

L. Sales product matrix. The SKUs in this matrix are accurate as of the effective date of this rule. The matrix and SKUs may be updated as determined by the Governing Board.

SKU	ITEM
10000	Administrative definitions
10010	Charges by the seller for any services necessary to complete the sale other than delivery and installation
10020	Delivery charges including direct mail
10030	Delivery charged excluding direct mail
10040	Installation charges
10050	Exempt personal property bundled with taxable personal property
10060	Credit for trade-in
20000	Clothing and related products
20010	Clothing
20020	Clothing accessories or equipment
20030	Protective equipment
20040	Sport or recreational equipment
30000	Computer related products
30010	Computer software (not prewritten)
30020	Computer software (not prewritten) delivered electronically
30030	Computer software (not prewritten) delivered via load and leave
30040	Prewritten computer software
30050	Prewritten computer software delivered electronically
30060	Prewritten computer software delivered via load and leave
40000	Food and food products
40010	Candy
40020	Dietary supplements
40030	Food and food ingredients
40040	Food sold through vending machines
40050	Soft drinks
41000	Prepared food
41010	Food sold without eating utensils provided by the seller whose primary NAICS classification is manufacturing in sector 311, except sub sector 3118 (bakeries)
41020	Food sold without eating utensils provided by the seller in an unheated state by weight or volume as a single item
41030	Bakery items sold without eating utensils provided by the seller, including bread, rolls, buns, biscuits, bagels, croissants, pastries, donuts, Danish, cakes, tortes, pies, tarts, muffins, bars, cookies, tortillas
50000	Health-care products
51000	Drugs
51010	Drugs for human use without a prescription
51020	Drugs for human use with a prescription
51030	Drugs for animal use without a prescription
51040	Drugs for animal use with a prescription
51050	Insulin for human use without a prescription
51060	Insulin for human use with a prescription
51070	Insulin for animal use without a prescription
51080	Insulin for animal use with a prescription
51090	Medical oxygen for human use without a prescription
51100	Medical oxygen for human use with a prescription
51110	Medical oxygen for animal use without a prescription

51120	Medical oxygen for animal use with a prescription
51130	Over-the-counter drugs for human use without a prescription
51140	Over-the-counter drugs for human with a prescription
51150	Over-the-counter drugs for animal use without a prescription
51160	Over-the-counter drugs for animal use with a prescription
51170	Grooming and hygiene products for human use
51180	Grooming and hygiene products for animal use
51190	Drugs for human use to hospitals and other medical facilities
51200	Prescription drugs for human use to hospitals and other medical facilities
51210	Drugs for animal use to veterinary hospitals and other animal medical facilities
51220	Prescription drugs for animal use to hospitals and other animal medical facilities
51230	Taxable and nontaxable drugs bundled together
51240	Free samples of drugs for human use
51250	Free samples of prescription drugs for human use
51260	Free samples of drugs for animal use
51270	Free samples of prescription drugs for animal use
52000	Durable medical equipment
52010	Durable medical equipment without a prescription
52020	Durable medical equipment with a prescription
52030	Durable medical equipment paid for by Medicare
52040	Durable medical equipment reimbursed by Medicare
52050	Durable medical equipment paid for by Medicaid
52060	Durable medical equipment reimbursed by Medicaid
52070	Durable medical equipment for home use without a prescription
52080	Durable medical equipment for home use with a prescription
52090	Durable medical equipment for home use paid for by Medicare
52100	Durable medical equipment for home use reimbursed by Medicare
52110	Durable medical equipment for home use paid for by Medicaid
52120	Durable medical equipment for home use reimbursed by Medicaid
53000	Mobility enhancing equipment
53010	Mobility enhancing equipment without a prescription
53020	Mobility enhancing equipment with a prescription
53030	Mobility enhancing equipment paid for by Medicare
53040	Mobility enhancing equipment reimbursed by Medicare
53050	Mobility enhancing equipment paid for by Medicaid
53060	Mobility enhancing equipment reimbursed by Medicaid
54000	Prosthetic devices
54010	Prosthetic devices without a prescription
54020	Prosthetic devices with a prescription
54030	Prosthetic devices paid for by Medicare
54040	Prosthetic devices reimbursed by Medicare
54050	Prosthetic devices paid for by Medicaid
54060	Prosthetic devices reimbursed by Medicaid
54070	Corrective eyeglasses without a prescription
54080	Corrective eyeglasses with a prescription
54090	Corrective eyeglasses paid for by Medicare
54100	Corrective eyeglasses reimbursed by Medicare
54110	Corrective eyeglasses paid for by Medicaid

54120	Corrective eyeglasses reimbursed by Medicaid
54130	Contact lenses without a prescription
54140	Contact lenses with a prescription
54150	Contact lenses paid for by Medicare
54160	Contact lenses reimbursed by Medicare
54170	Contact lenses paid for by Medicaid
54180	Contact lenses reimbursed by Medicaid
54190	Hearing aids without a prescription
54200	Hearing aids with a prescription
54210	Hearing aids paid for by Medicare
54220	Hearing aids reimbursed by Medicare
54230	Hearing aids paid for by Medicaid
54240	Hearing aids reimbursed by Medicaid
54250	Dental prosthesis without a prescription
54260	Dental prosthesis with a prescription
54270	Dental prosthesis paid for by Medicare
54280	Dental prosthesis reimbursed by Medicare
54290	Dental prosthesis paid for by Medicaid
54300	Dental prosthesis reimbursed by Medicaid

M. State SST Ids.

State/Possession	Abbreviation	Beginning Number	Ending Number
ALABAMA	AL	S00001001	S00001050
ALASKA	AK	S00002001	S00002050
ARIZONA	AZ	S00003001	S00003050
ARKANSAS	AR	S00004001	S00004050
CALIFORNIA	CA	S00005001	S00005050
COLORADO	CO	S00006001	S00006050
CONNECTICUT	CT	S00007001	S00007050
DELAWARE	DE	S00008001	S00008050
DISTRICT OF COLUMBIA	DC	S00009001	S00009050
FLORIDA	FL	S00010001	S00010050
GEORGIA	GA	S00011001	S00011050
GUAM	GU	S00012001	S00012050
HAWAII	HI	S00013001	S00013050
IDAHO	ID	S00014001	S00014050
ILLINOIS	IL	S00015001	S00015050
INDIANA	IN	S00016001	S00016050
IOWA	IA	S00017001	S00017050
KANSAS	KS	S00018001	S00018050
KENTUCKY	KY	S00019001	S00019050
LOUISIANA	LA	S00020001	S00020050
MAINE	ME	S00021001	S00021050
MARYLAND	MD	S00022001	S00022050
MASSACHUSETTS	MA	S00023001	S00023050
MICHIGAN	MI	S00024001	S00024050
MINNESOTA	MN	S00025001	S00025050

MISSISSIPPI	MS	S00026001	S00026050
MISSOURI	MO	S00027001	S00027050
MONTANA	MT	S00028001	S00028050
NEBRASKA	NE	S00029001	S00029050
NEVADA	NV	S00030001	S00030050
NEW HAMPSHIRE	NH	S00031001	S00031050
NEW JERSEY	NJ	S00032001	S00032050
NEW MEXICO	NM	S00033001	S00033050
NEW YORK	NY	S00034001	S00034050
NORTH CAROLINA	NC	S00035001	S00035050
NORTH DAKOTA	ND	S00036001	S00036050
OHIO	OH	S00037001	S00037050
OKLAHOMA	OK	S00038001	S00038050
OREGON	OR	S00039001	S00039050
		S00040001	S00040050
PENNSYLVANIA	PA	S00041001	S00041050
RHODE ISLAND	RI	S00042001	S00042050
SOUTH CAROLINA	SC	S00043001	S00043050
SOUTH DAKOTA	SD	S00044001	S00044050
TENNESSEE	TN	S00045001	S00045050
TEXAS	TX	S00046001	S00046050
UTAH	UT	S00047001	S00047050
VERMONT	VT	S00048001	S00048050
VIRGINIA	VA	S00049001	S00049050
WASHINGTON	WA	S00050001	S00050050
WEST VIRGINIA	WV	S00051001	S00051050
WISCONSIN	WI	S00052001	S00052050
WYOMING	WY	S00053001	S00053050
PUERTO RICO	PR	S00054001	S00054050

N. Testing Central

TC will report to the Executive Director of SST and will provide the following:

1. Communication regarding changes to Certified Service Provider (CAS) systems and acceptance testing by member states.
2. Historical data concerning system changes, testing dates, and dates changes were migrated into production for auditors and state administrators.
3. Communication between the CAS, TIGERS, and member states to ensure system and format changes are implemented in a timely manner.
4. Monitoring of any necessary system changes and testing of systems.

Testing Central Responsibilities:

1. Maintain up to date information on the certification, and testing status of potential automated systems.
2. Maintain contact lists of providers and member states.
3. Notify potential providers of member state change requests submitted on the appropriate change form and testing results.
4. Notify states of potential provider changes submitted on the appropriate change form that need regression testing.
5. Monitor testing time period for member states.
6. Notify appropriate parties of system change status (i.e., ready for testing, failed testing, production moves).
7. Review rates and boundaries databases for new states.
8. Provide reports upon request of outstanding and completed system changes.
9. Maintain system to capture complete change data. This will include backups of system.
10. Provide method of submitting change requests.
11. Provide method of communication to and between states and providers.
12. Ensure current testing documents are available for new states and vendors.

State Responsibilities:

1. Submit appropriate change forms to TC when any changes to programs are required.
2. Prepare test deck for potential provider to use in testing.
3. Ensure test transactions database is current with testing for all new tax changes for the member state.
4. Review the test results from the potential provider.
5. Notify TC and potential provider of changes in taxability matrix.
6. Resources shall be readily available to resolve, correct, retest, and restore corrected application components into the test environment during testing.
7. Submit and keep current names and contact information of individuals authorized to submit change requests, approve test results and receive communications from Testing Central on status changes.
8. Communicate all actions that will change the status of a change request (i.e. testing failure, pass/fail of change, production date etc.).

CAS applicant Responsibilities:

1. Maintain the test transactions database provided by the member states.

2. Make updates to the test transactions database as they are sent from the member states.
3. Provide member states with reports of all testing changes completed.
4. Changes shall be completed and testing reports ready to send to member states within the agreed upon number of days prior to the implementation date of the changes.
5. Potential provider resources will be readily available during testing to facilitate understanding and testing of the application and to resolve, correct, retest, and restore corrected application components into the test environment.
6. Submit on an appropriate form all system changes generated by the potential provider involving systems used in the calculation return processing or informational return processing.
7. Accept only state requested system changes submitted through TC on the approved form.
8. Communicate with TC any actions that will change the status of a change request (i.e. testing failure, pass/fail of change, production date, etc.).
9. Provide and keep current a list of individuals authorized to submit change requests, report on status changes, and provide assistance for testing questions.

HEALTH CARE ITEM LIST
COMPLETION DATE: JUNE 2, 2006

Item	Description of Item	Workgroup
Abdominal belts	An abdominal belt is a brace which places intra-abdominal pressure on the erector spinae and trunk muscles. The belts stiffen the truck muscles and stabilize the lumbar spine.	Prosthetic device
Abdominal binders and supports	An elastic and Velcro garment that raps around the abdomen and provides compression in the upper and lower abdomen. Binders are commonly prescribed for patients who have undergone surgery in the abdomen area. Binders provide support to surgical areas, improve blood circulation, minimize swelling after a surgical procedure, flushes the body out of potentially harmful liquids, accelerates the healing process.	Prosthetic device
Access Ports	Port-a-cath	Prosthetic device
Acetabular cups	An acetabular cup is the part of a hip implant that forms the socket in the ball-and-socket structure of the hip joint.	Prosthetic device
Air purifier		Not defined
Anesthesia machines		Durable medical equipment
Ankle brace		Prosthetic device
Anti-embolism stocking	Anti-embolism stockings are designed specifically for patients to help prevent blood from pooling in the veins of the leg. Pooling of blood in the veins of the leg may contribute to blood clots forming in the veins.	Prosthetic device
Apnea monitors		Durable medical equipment
Aqua K pumps and pads	Therapeutic heating or cooling pads or compresses or packs	Durable medical equipment
Arch supports	A pad worn in shoes to help support the foot arch. Arch supports are prescribed for patients whose own arches do not provide enough natural support to function properly. Use of arch supports can alleviate pain and lead to proper foot function.	Prosthetic device
Artificial eyes		Prosthetic device
Artificial heart valves		Prosthetic device
Artificial larynx		Prosthetic device
Artificial limbs		Prosthetic device
Atrial valves		Prosthetic device
Audiology equipment - Diagnostic	Audiometers, Acoustic impedance meter/bridge	Durable medical equipment

**HEALTH CARE ITEM LIST
COMPLETION DATE: JUNE 2, 2006**

Item	Description of Item	Workgroup
Automatic external defibrillator	Portable AED's and cables	Durable medical equipment
Autotransfusion equipment		Durable medical equipment
Back braces		Prosthetic device
Bath aid - raised toilet seat		Mobility enhancing equipment
Bath aid - tub and shower stool		Mobility enhancing equipment
Bed pull-up T	Bed pull-up is a rope with a handle attached to the base of the bed. The handicapped individual holds the handles to help pull himself to a sitting position or lower himself to recline. This includes Trapeze bars.	Mobility enhancing equipment
Beds - Alternating pressure pads	To eliminate bed sores	Durable medical equipment
Beds - Incubators/Isolettes		Durable medical equipment
Beds - Hospital beds - bassinets	A bed used by a medical facility for infants who are too small for a hospital bed	Durable medical equipment
Beds - Hospital beds - Beds & accessories/repair parts	A single bed with a frame in 3 sections so the head middle or foot can be raised as required	Durable medical equipment
Beds - Specialty care		Durable medical equipment
Billie lights	Equipment to treat jaundice	Durable medical equipment
Birth control (pills and implants)		Drug
Birth control - IUD	Two types of IUDs are available in the United States. The copper IUD (ParaGard®) causes a change in uterine and tubal fluids so that the egg does not get fertilized. The Progestin IUS (Mirena®) has a hormonal method of action: the cervical mucus thickens, preventing the sperm from getting into the uterus and reaching the egg. 21 CFR Ch. I 310.502 (8) Intrauterine device for human use for the purposes of contraception that incorporate heavy metals, drugs, or other active substances.	Drug
Blankets		Not defined
Blood pressure equipment - Diagnostic	Sphygmometer, Cuffs, Bulbs	Durable medical equipment

**HEALTH CARE ITEM LIST
COMPLETION DATE: JUNE 2, 2006**

Item	Description of Item	Workgroup
Bone Cement & Wax		Prosthetic device
Bone Pins, Plates, Nails, Screws	Implanted or fixated items	Prosthetic device
Braces	The item appear to normally be used to brace, support, or align the skeletal or muscular system.	Prosthetic device
Breast implants		Prosthetic device
Breast prosthesis - external	Breast prosthesis "corrective or support device."	Prosthetic device
Breast pumps		Not defined
Canes		Mobility enhancing equipment
Cardiology equipment - Diagnostic	EKG, 2Equipment - Diagnostic - - Holter Monitor	Durable medical equipment
Casts & Casting materials	Plaster, casting tapes, resins, fiberglass, silicone, splints, stockinettes, cast boots and shoes	Prosthetic device
Catheters	PICC line; Hickman, Broviac	Prosthetic device
Cauterization equipment	Bovie	Durable medical equipment
Cervical collars		Prosthetic device
Chair scales		Durable medical equipment
Closed caption devices		Not defined
Cofflator	Artificial inhalation equipment	Durable medical equipment
Cold packs and Hot packs (reusable)		Not defined
Collagen implants	Collagen-based implants and injectables fill in the area where collagen is deficient or depleted and causes regeneration by permitting granulation and vascularization of body tissue that is defective, diseased, traumatized or otherwise aged. In effect, collagen functions as the key structural element in the regeneration of body tissue in alleviating deformity and in wound management.	Prosthetic device
Collection bags - Body fluid collection	For collection and sending to lab for testing	Not defined - medical supply
Collection basins	Urinals - Urine containers / Bedpans / Emesis Basins	Durable medical equipment
Contact lens solutions		OTC Drug
Contact lenses		Prosthetic device

**HEALTH CARE ITEM LIST
COMPLETION DATE: JUNE 2, 2006**

Item	Description of Item	Workgroup
Contraceptives	Creams, foams, and jellies, medicated condoms	OTC Drug
Corrective eyeglasses (non prescription)		Prosthetic device
Crash carts - Stocked	Braslow carts, Resuscitation carts	Durable medical equipment
Crutches		Mobility enhancing equipment
Denture adhesive		Not defined
Denture cleaners		Grooming & Hygiene
Drainage catheters	Hollow tubes that are temporarily placed in the patient to eliminate fluid.	Prosthetic device
Drainage catheters - Urinary	Foleys	Prosthetic device
Drainage drains	Penrose	Prosthetic device
Drainage shunts		Prosthetic device
Drugs - Contrast media	Visipaque, radiopaques	Drug
Drugs - Over-the-counter	Benadryl, Aspirin, Betadine	OTC Drug
Drugs - Prescription (Legend)	Federal legend drugs including biologicals	Drug
Drugs - Radioactive isotopes	Implanted seeds	Drug
Ear, Nose & Throat implants	Any item that is implanted in the ear, nose or throat.	Prosthetic device
Eating utensils - Adjustable		Not defined
EEG		Durable medical equipment
Exam tables		Durable medical equipment
Eyeglasses (prescription)		Prosthetic device
Fever thermometers - Disposable/SPU		Not defined
Fever thermometers - Reusable	Thermometers, related parts	Durable medical equipment
Foley catheter	The Foley catheter is an indwelling urinary catheter retained in the bladder by a balloon inflated with air or liquid. Separate lumens are incorporated within the round shaft of the catheter for drainage of urine, inflation, and introduction of irrigating solutions into the Bladder.	Prosthetic device

HEALTH CARE ITEM LIST
COMPLETION DATE: JUNE 2, 2006

Item	Description of Item	Workgroup
Gases - Medical grade - Nitrous Oxide		Drug
Gases - Medical grade - Oxygen		Drug
Glucose meters	Blood sugar monitor	Durable medical equipment
Grafts	Vascular, Dacron	Prosthetic device
Handrails & Grab Bars	Hand rails and grab bars "to assist in rising from commode, tub or shower".	Mobility enhancing equipment
Hands & Feet implants		Prosthetic device
Head halters		Prosthetic device
Hearing aids	Hearing aid batteries are considered parts of hearing aids	Prosthetic device
Heat lamps	Medical heat lamps are used to generate heat over a confined and controlled area. Heat lamps are prescribed for patients whose bodies are unable to properly regulate their temperatures (i.e, a premature infant) or patients suffering from disease or illness who benefit from controlled doses of ultra violet radiation.	Durable medical equipment
Hip & Knee implants		Prosthetic device
Hydrogen peroxide		OTC Drug
Insulin pump	Devices worn in or on the body that delivers measured doses of insulin to the uncontrolled diabetic.	Prosthetic device
Intravenous stands		Durable medical equipment
IV Poles	IV Poles - stretcher, bed, rolling, etc.	Durable medical equipment
IV Therapy arm boards- Disposable		Not defined - medical supply
IV Therapy arm boards- Reusable		Durable medical equipment
Kinetic Therapy beds	Kinetic Therapy is the continuous side to side rotation of the patient. The Kinetic Therapy beds are designed to address complications associated with immobility which include complications resulting from pulmonary and circulatory problems.	Durable medical equipment
Knee immobilizers		Prosthetic device
Laboratory equipment	Microscopes, incubators, refrigerators, centrifuges	Not defined

**HEALTH CARE ITEM LIST
COMPLETION DATE: JUNE 2, 2006**

Item	Description of Item	Workgroup
Lift chairs and replacement parts	Lift chairs and replacement parts; A lift chair is an electrical chair that raises the person to a standing position and lowers the person from a standing position to a sitting position. This item is used when the handicap individual's natural ability to raise or lower himself is either totally or partially impaired.	Mobility enhancing equipment
Lithotripters		Durable medical equipment
Mammography equipment - Diagnostic		Durable medical equipment
Mastectomy surgical bra	Device for support after corrective surgery or for support.	Prosthetic device
Membranes implants	Neuro, Spinal, Joint	Prosthetic device
Monitors - Stationary	Remote equipment at nurses station to monitor equipment in patient's rooms.	Durable medical equipment
MRI/CT	Non-Ferrous equipment, etc	Durable medical equipment
Needles & Syringes - Acupuncture needles (Reusable)		Not defined - medical supply
Needles & Syringes - Needles - Aspirating		Not defined - medical supply
Needles & Syringes - Needles - Biopsy		Not defined - medical supply
Needles & Syringes - Needles - Blood Draw/Access		Not defined - medical supply
Needles & Syringes - Needles - Hypodermic		Not defined - medical supply
Needles & Syringes - Needles - Hypodermic - Insulin		Not defined - medical supply
Needles & Syringes - Needles - Not Inject/Drain	Parts to machines	Not defined - medical supply
Needles & Syringes - Needles/Syr Pckgd Tog		Not defined - medical supply

**HEALTH CARE ITEM LIST
COMPLETION DATE: JUNE 2, 2006**

Item	Description of Item	Workgroup
Needles & Syringes - Syringe - Cannula Package	Interlink System -- Separate Needle-less infusion device from IV sets - Stand alone items	Not defined - medical supply
Needles & Syringes - Syringes		Not defined - medical supply
Needles & Syringes - Syringes - Insulin		Not defined - medical supply
Needles & Syringes - Syringes - Not Inject/Drain	Irrigation (Toomey), oral and ear	Not defined - medical supply
Ocular implants	Intraocular and cataract	Prosthetic device
Ophthalmoscopes	For the eye	Durable medical equipment
Orbital implants		Prosthetic device
Orthobiologics implants	Processed Human bone	Prosthetic device
Orthopedic shoes, shoe lifts, inserts, arch supports, heel protector		Prosthetic device
Ostomy Products - See Breakout below:	Colostomy, urostomy, ileostomy, urological	
Ostomy - Adhesives	Cement, liquid adhesive, disc tape, gasket sealer	Prosthetic device
Ostomy - Barriers	Barrier wafer, barrier seal ring, barrier protective film, barrier paste, barrier stomahesive	Prosthetic device
Ostomy - Barriers	Barrier prep wipes, barrier powder	Not defined
Ostomy - Catheter	Catheter & Catheter leg strap	Prosthetic device
Ostomy - Cleaners / Skin Prep	Skin prep peri-wash, ostomy cleanser, cleanser deodorants, adhesive remover	Not defined
Ostomy - Collection leg bag & pouches	Leg bags, Drain bags, Pouches	Prosthetic device
Ostomy - Drain tube and valve		Prosthetic device
Ostomy - Lubricants	Lubricants, lubricant jelly, stoma lubricant	Not defined

**HEALTH CARE ITEM LIST
COMPLETION DATE: JUNE 2, 2006**

Item	Description of Item	Workgroup
Ostomy - Other	Irrigation set	Durable medical equipment
Ostomy - Other	Stoma cap, tubing, belt, hernia belt	Prosthetic device
Otosopes	For the ear	Durable medical equipment
Overbed table and tray		Durable medical equipment
Pacemaker	Devices that replace all or part of an internal body organ or replace all or part of the function of a permanently inoperative or malfunctioning internal body organ.	Prosthetic device
Pacemakers & Leads		Prosthetic device
Patient lift	Hydraulic or electric lift used to raise and transfer patient from bed to chair, wheelchair, commode or bathtub.	Mobility enhancing equipment
Patient positioners		Durable medical equipment
Percussor	Vibrating machine used to break up tenacious secretions in patients (who are) unable to cough effectively.	Durable medical equipment
Platelet separator	Platelet sequestration, cell savers	Durable medical equipment
Povidone Iodine (PVP)		OTC Drug
Pressure garments	Edema gloves, mast pants, burn garments	Prosthetic device
Pressure reduction therapy beds	Pressure Reduction Therapy is used primarily in the treatment of pressure ulcerations, severe burns, skin grafts and open wounds resulting from massive trauma. These beds provide redistribution of the patient's weight and reduction in surface interface pressures, thereby maintaining proper blood flow. The beds included in this group are comprised of a series of cushions that are fed by a manifold that is attached to a blower or motor that pushes air through the cushions. This treatment also helps to prevent the development of additional pressure ulcerations and helps to provided wound infection control. Patients suffering from long-term immobility suffer from increased pressure between the skin and the support surface on which they are placed. This pressure causes the compression of the patient's tissues between the support surface and the patient's bone resulting in the reduction of blood flow to the affected areas. After a period of time, generally a matter of minutes, toxins and chemical wastes produced by the body's tissues along with oxygen deprivation result in the necrosis or death of the affected tissues.	Durable medical equipment
Programable Drug Infusion Device	Isomed, Synchronomed	Prosthetic device
Programmable drug infusion pump	IVAC, PCA, Level I infusor	Durable medical equipment

HEALTH CARE ITEM LIST
COMPLETION DATE: JUNE 2, 2006

Item	Description of Item	Workgroup
Radiology equipment - Diagnostic	X-Ray, Lead shields, lead garments	Durable medical equipment
Resp.-Pulse oximetry equipment	Pulse oximeters, blood parameter monitors	Durable medical equipment
Respiratory equipment	ABG machines, blood gas analyzer	Durable medical equipment
Respiratory Humidifier	An O2 humidifier is a specialty humidifier which connects to a patients O2 equipment and mixes moist air with the O2. The humidifiers do not work as stand alone equipment and must be connected to O2 equipment. The humidifiers are prescribed for patients suffering from dry nose or throat. Humidifiers add moisture to the air and help relieve dry nose, dry throat, dry skin or lips. Humidifiers may produce cold or hot mists. Humidifiers are commonly prescribed for patients with respiratory illnesses or diseases.	Durable medical equipment
Resuscitators - Disposable		Not defined
Resuscitators - Reusable		Durable medical equipment
Rubbing Alcohol		OTC Drug
Safety equipment	Goggles, shields	Not defined
Scooters & Transporters		Mobility enhancing equipment
Scopes & Lasers	Endoscope, etc.	Durable medical equipment
Seprafilm	Seprafilm is a unique bioresorbable membrane that serves as a barrier to separate opposing tissue within the body. The use of Seprafilm significantly reduces the incidence, severity, and extent of post-surgical adhesions which are a natural consequence of surgery and lead to serious postoperative complications. Seprafilm is inserted prior to closure of the wound to prevent the adhesion of two surfaces of tissue. Post-surgical adhesions can occur after both open and laproscopic surgery. They result from the normal process of tissue repair and form when tissue surfaces that are usually separated become united. The complications resulting from adhesion vary depending on the type of surgery involved, and can include bowel obstruction, infertility, and difficulty in reoperative procedures. Due to the serious nature of the complications, it is an important objective to reduce the occurrence of adhesion.	Prosthetic device
Shoes - Post operative		Prosthetic device
Shoulder & Elbows implants		Prosthetic device
Sitz bath		Not defined
Skin implants - Synthetic		Prosthetic device

**HEALTH CARE ITEM LIST
COMPLETION DATE: JUNE 2, 2006**

Item	Description of Item	Workgroup
Sling scales		Durable medical equipment
Slings		Prosthetic device
Specialty chairs	Specialty chairs are wheelchairs adapted for specific uses or functions. Examples are all terrain wheelchairs and pool wheelchairs.	Mobility enhancing equipment
Sphincters		Prosthetic device
Splint & Splint materials		Prosthetic device
Stents	Billiary, coronary, urinary and other	Prosthetic device
Stents	Maintain the natural opening in the body. It is implanted into the body.	Prosthetic device
Sterilizers - Chemical		Not defined - medical supply
Stethoscope		Durable medical equipment
Stirrups		Durable medical equipment
Stretchers		Durable medical equipment
Stump shrinker		Prosthetic device
Suction regulators		Durable medical equipment
Surgical Mesh implants	Marlex	Prosthetic device
Surgical tables		Durable medical equipment
Tendon implants		Prosthetic device
Testicular & Penile implants		Prosthetic device
Therapy - Cold	Cold compression	Not defined - medical supply
Therapy - Heat	Heat warmers	Not defined - medical supply
Tongue depressors		Not defined - medical supply
Trachea tubes		Prosthetic device
Traction Devices - on the body	Cervical, pelvic	Prosthetic device
Traction equipment	Traction equipment "used for therapy in the treatment of orthopedic diagnosis involving the skeletal system".	Durable medical equipment
Transducer gel		Not defined - medical supply

HEALTH CARE ITEM LIST
COMPLETION DATE: JUNE 2, 2006

Item	Description of Item	Workgroup
Transfer belts	Belt that fits around waist of patient - to assist in the transfer of patients	Mobility enhancing equipment
Transfer benches		Mobility enhancing equipment
Trusses		Prosthetic device
Ultrasound equipment	Ultrasound Probes, Ultrasound Transducers, Mini dopplers	Durable medical equipment
Vaccines		Drug
Vaporizers		Durable medical equipment
Vena Cava Filter	Inserted into a patient's body and becomes a permanent part of the vena cava wall - traps blood clots	Prosthetic device
Venous blood sets		Not defined
Walkers		Mobility enhancing equipment
Wheelchair ramps	Tangible Personal Property only, building materials such as wood or concrete are not included in this item.	Mobility enhancing equipment
Wheelchairs		Mobility enhancing equipment
X-Ray developer solution		Not defined - medical supply
X-Ray equipment		Durable medical equipment

Health Care Item List Addendum
Revision Date: January 29, 2007

Item	Description of Item	Workgroup
Abduction, cervical, and orthodic pillows		Durable medical equipment
Anesthesia Ventilators	The anesthesia ventilators are used to ventilate the lungs by mechanically inflating and deflating the lungs during surgery to aid the patient to breath during surgery. The ventilation of the lungs is the primary function of the device. The secondary function is to push through the patient's blood. These machines permit the patient to breathe when one is incapable of doing so on one's own. The device can be built into an anesthesia machine, or it can stand alone.	Durable medical equipment
Anti-Thrombolytic Pumps		Durable medical equipment
Bed - kodel pad	Bed pad made from kodel polyester and used on beds to help decrease pressure on the skin. Kodel pads are prescribed for patients with limited mobility and help prevent open sores in bed bound individuals. The pads are machine washable (reusable) but are limited to a single patient due to difficulty in sterilization for others.	Durable medical equipment
Bed pads - Disposable - for incontinent patients	Disposable pad placed on beds to keep sheets dry and wick moisture away from the patient. Used for incontinent patients.	Not defined
Beds - Blanket Cradle	A blanket cradle is a steel device that fits under the mattress and is used to lift the bed sheets and blankets off the bed so that the patient is able to remain warm without bearing the weight of the sheets and blankets. Cradles are prescribed for patients with painful wound or broken bones.	Durable medical equipment
Bone Growth Stimulator - External - Not Worn		Durable medical equipment
Bone Growth Stimulator - External - Worn		Prosthetic device
Bone Growth Stimulator - Implanted	Stimulator - Bone	Prosthetic device
C.P.A.P. - Not Worn	C.P.A.P "continuous positive pressure on the airway, used to correct obstructive sleep apnea".	Durable medical equipment
C.P.A.P. - Worn	C.P.A.P "continuous positive pressure on the airway, used to correct obstructive sleep apnea".	Prosthetic device
Cardiopulmonary Bypass Machine	Also known as perfusion equipment, heart lung machine, bypass machine	Durable medical equipment
Cochlear Implant	A cochlear implant bypasses the damaged part of the ear and sends sound directly to the auditory (hearing) nerve. It is different from a hearing aid in that it doesn't make sounds louder.	Prosthetic device
Commodes	Versatile model serves as toilet safety frame, raised toilet seat, or stationary commode for use outside the bathroom. Features snap-on seat and lid, splash shield, removable backrest with wing nuts, nonskid rubber tips, and armrests for added comfort.	Durable medical equipment

Health Care Item List Addendum
Revision Date: January 29, 2007

Item	Description of Item	Workgroup
Continuous Passive Motion Devices	Continuous Passive Motion (CPM) devices are a controlled treatment modality used to provide early, gentle motion of the upper or lower limb following a surgical procedure. CPM machines are commonly prescribed for patients who have undergone knee, shoulder or hip replacement surgeries as well as other joint surgeries.	Durable medical equipment
Cotton Swabs - Medicated - OTC	Non Legend Drug	OTC Drug
Cotton Swabs - Medicated - RX	Legend Drug	Drug
Defibrillator & Leads - Implanted	Sends electric signals to a heart that's beating to slow, same as a pacemaker. It can also deliver an electric shock to help restore a normal heartbeat to a heart that's beating chaotically and too fast. Cardiac defibrillation is a way to return an abnormal heartbeat to normal.	Prosthetic device
Dermal fillers - Injectables	Dermal fillers are prescription-only injectable substance comprised of collagen (human or bovine) or hyaluronic acid that are used to treat a variety of skin contour defects, as well as stress urinary incontinence, facial lipoatrophy (loss of subcutaneous fat) resulting from disease and perlèche, a condition where deep cracks and splits form at the corners of the mouth that can bleed when the mouth is opened. Collagen is a protein that appears throughout the body in skin, connective tissue, cartilage and bone. Hyaluronic acid is a polysaccharide (a form of complex carbohydrate) that is found in many tissues of the body such as skin, cartilage, and the vitreous humor (center of the eyeball).	Drug
Dialysis Bags - Peritoneal Dialysis Drain		Not defined
Dialysis Catheters - Hemodialysis		Prosthetic device
Dialysis Catheters - Peritoneal		Prosthetic device
Dialysis Control Media	Used to calibrate machine before use or to verify test results	Not defined
Dialysis Dialysate Solution		Drug
Dialyzers - Single Patient - Multiple Use	A dialyzer is an artificial kidney designed to provide controllable transfer of solutes and water across a semi permeable membrane separating flowing blood and dialysate streams. The transfer processes are diffusion (dialysis) and convection (ultrafiltration). There are three basic dialyzer designs: coil, parallel plate, and hollow fiber configurations. Filter that is incorporated in machine	Durable medical equipment

Health Care Item List Addendum
Revision Date: January 29, 2007

Item	Description of Item	Workgroup
Dialyzers - Single Use	A dialyzer is an artificial kidney designed to provide controllable transfer of solutes and water across a semi permeable membrane separating flowing blood and dialysate streams. The transfer processes are diffusion (dialysis) and convection (ultrafiltration). There are three basic dialyzer designs: coil, parallel plate, and hollow fiber configurations. Filter that is incorporated in machine	Not defined
Diapers - Adults	Incontinence	Clothing
Diapers - Infant		Clothing
Dressings - Compression - Non Medicated	Ace Bandages	Not defined
Dressings - Elastic - Non Medicated	Non-Ace bandages to hold dressings	Not defined
Dressings - Gauze Wraps	Tube gauze, Gauze Wraps	Not defined
Dressings - General	Pads, sponges, tapes and adherents, elastic, compression, gauze	Not defined
Dressings - Medicated - OTC	Elastic, Compression, Gauze Wraps	OTC Drug
Dressings - Medicated - RX	Elastic, Compression, Gauze Wraps	Drug
Dressings - Non-Medicated	Dressings containing a substance which is neither a RX or OTC drug	Not defined
Dressings - Wound Care - Skin Barrier Products	Sprays, cream	Not defined
Drugs - Solutions - Ad Mixture	Sterile Water - 1cc, 5cc, 10cc vials, Sterile Normal Saline (.9%) - 1cc, 5cc, 10cc vials	Drug
Drugs - Solutions - Irrigation	Sterile Water, Sterile Normal Saline (.9%) - in larger volumes such as liter bottles, or large volume infusion bags	Drug
Drugs - Solutions - IV	Does not include tubings, administration sets, needles, etc., Normal Salines - .9%, .Equipment - Diagnostic - 5%, .33%, D5W, etc.	Drug
ECG Monitor - Implanted		Not defined
Feeding Systems - See Breakdown below	Total Parenteral and Enteral Nutrition Systems	
Enteral - Feeding Bags - Disposable	Enteral bags are sold separately from the food and are used for individuals who are fed enteral formula either through a tube or catheter. The bags are used generally for up to a 24 hour period which will encompass numerous feedings and are then disposed.	Durable medical equipment

Health Care Item List Addendum
Revision Date: January 29, 2007

Item	Description of Item	Workgroup
Enteral - Feeding Connectors	Locks, Clamps, Connectors	Durable medical equipment
Enteral - Feeding Tubing	Nasal - The tubing may be used for several days and connects the pump to the patient's entry site.	Durable medical equipment
Enteral Nutrition	Nutritional formulas - Including drug facts box	OTC Drug
Enteral Nutrition	Nutritional formulas - No drug facts box	Food
Enteral pumps and I.V. Stands	Enteral pumps and I.V. stands are items used to administer nutrition given to the patient through a tube that is inserted into the stomach or the small intestine.	Durable medical equipment
Feeding Catheters		Prosthetic device
Feeding Plugs	The plug is used to prevent accidental disconnection of the pump from the stomach tube (G tube). The plug is reusable by the patient but is not used for others.	Durable medical equipment
Parenteral - Feeding Bags - Disposable	Parenteral bags are sold separately from the contents and are used for individuals who are unable to consume food through normal means and require nutrition (fluids, fats, vitamins & drugs) being administered by intravenously through an IV pump. The bags are used for up to a 24 hour period and are then disposed.	Durable medical equipment
Parenteral - Feeding Connectors	Locks, Clamps, Connectors	Durable medical equipment
Parenteral - Feeding Tubing	The tubing may be used for several days and connects the pump to the patient's entry site.	Durable medical equipment
Parenteral Nutrition	Nutritional formulas - All on prescription	Drug
Parenteral pumps and I.V. Stands	Parenteral pumps and I.V. stands are items used to administer total parenteral nutrition ("TPN") products. TPN is a therapy used by patients who could no longer ingest or digest solid foods. Usually this condition is a result of removal of a large portion of the intestine. TPN products are delivered intravenously. The I.V. stand and pump are necessary for the parenteral nutrition system to work properly.	Durable medical equipment
First aid products and kits		Bundling Determination
Gases - Medical Grade	Air, Carbon Dioxide, Helium, Nitrogen, Oxygen	Drug
Gases - Non-Medical Grade		Not defined
Gases - Tanks for	Empty - Tanks only	Not defined

Health Care Item List Addendum
Revision Date: January 29, 2007

Item	Description of Item	Workgroup
Gastric Bands	Gastric bands are used to correct morbid obesity in patients that are generally unable to regulate their caloric intake. They are prescription-only implanted devices that are placed around the top portion of the stomach via a minimally invasive “keyhole” or laparoscopic surgical procedure. The placement of the band creates a small pouch at the top of the stomach that holds a volume of approximately 50 milliliters. The pouch fills quickly with food and also slows the passage of partially digested food from the top to the bottom of the stomach. As the upper part of the stomach believes it is “full” or satiated, the message to the brain is that the stomach is full and this sensation of satiation helps the person to eat smaller portions, eat less and therefore lose weight over time.	Prosthetic device
Glucose for Insulin Reactions	Tablets, liquid	Not defined
ICD/Pacemaker Programmer	ICD/Pacemaker Programmer -- Used for implantable device	Durable medical equipment
Implanted Expander - Tissue & Breast	Tissue expanders are prescription-only implanted devices that are used to stimulate the growth of new skin. The expander consists of a silicone inflatable balloon implanted in a pocket created beneath the skin. Once inserted into the pocket, the incision is closed with sutures. The expander device includes a small tube and a self-sealing valve, which allows the surgeon to gradually fill the expander percutaneously (through the skin) with saline solution over a period of several weeks or months. While most commonly used in conjunction with breast reconstruction following a mastectomy (cancerous breast removal) procedure, tissue expanders are also used to facilitate replacement of skin that has been compromised due to the presence of certain skin cancers, as well as to repair skin damaged by birth defects, accidents or surgery. In certain instances, the expander remains in the body indefinitely, particularly in the case of certain types of breast reconstruction procedures.	Prosthetic device
Infra-red lamps and bulbs	Infrared lamps and bulbs are used for heat therapy, for example to promote wound healing or help reduce muscle spasms.	Durable medical equipment
Infuser Bags	Pressure Infuser bags - used to administer intravenous fluids under pressure at any angle to patients in pre-hospital or emergency room settings - Disposable	Not defined
Infuser Pumps - Worn	Pressure Infuser pump - used to administer intravenous fluids under pressure at any angle to patients in pre-hospital or emergency room settings.	Prosthetic device
Insulin	Regular Insulin - injectable, NPH Insulin - injectable	Drug
Insulin Pump		Prosthetic device
Intraaortic balloon pump (IABP)	The IABP is a long tube (catheter) with a collapsed, 8-inch, sausage - shaped plastic balloon at its tip. The catheter is inserted in an artery in your groin. You will be given a shot to numb the area where the tube is inserted, but you will remain awake.	Durable medical equipment

Health Care Item List Addendum
Revision Date: January 29, 2007

Item	Description of Item	Workgroup
Intra gastric Balloons	Intra gastric balloons are prescription-only implanted devices used to induce weight loss in morbidly obese patients. The balloon device is inserted through the esophagus and into the stomach as part of an endoscopic procedure by using a placement catheter. After positioning the device in the stomach, the balloon is inflated by introducing saline solution through the placement catheter. Once filled, the catheter is removed. The balloon has a self-sealing valve and remains inflated in the stomach. Weight loss is achieved as the balloon displaces a certain volume in the stomach (typically 400 to 700 cc's), to induce the feeling of fullness and support patients in reducing food intake	Prosthetic device
IV Therapy Tourniquets - SPU	Disposable	Not defined
Kidney dialysis machines and associated parts	Dialysis is a treatment that removes waste and excess fluid from the blood. Hemodialysis circulates blood through the dialyzer (filter) with a machine controlling the function. In Peritoneal Dialysis the abdominal cavity is filled with dialysate which remove waste and then after several hours is drained out.	Durable medical equipment
Maxillofacial Devices - Implanted	Maxillofacial Prosthetics is a subspecialty of Prosthodontics. Specially trained experts seek to correct defects in the maxillofacial area (area of the head, face or jaw), resulting from tumors, cancer surgery, traumatic injuries and birth defects. Prostheses are made of human tissue or artificial materials, and include eyes, ears, noses and special devices to improve speech and swallowing.	Prosthetic device
Medical atomizers - Disposable	An atomizer that gives controlled delivery of topical anesthetics and other drugs. Used primarily for nasal or oral drug delivery. This version of atomizers is disposable.	Not defined
Medical atomizers - Reusable	An atomizer that gives controlled delivery of topical anesthetics and other drugs. Used primarily for nasal or oral drug delivery. This version of atomizers is reusable.	Durable medical equipment
Medical Instruments - Disposable	Clamps, drills, endolinear cutter, forceps, retractors, scalpels, reamers, scissors, trocar	Not defined
Medical Instruments - Reusable	Clamps, drills, forceps, retractors, scalpels, reamers, scissors	Durable medical equipment
Medical kits, trays, and packs	Bundling issue	Bundling Determination
Mobility Enhancing Car Seats	Car seats that provide restraint and support systems (five point harnesses) for disabled children who have outgrown standard size child car seats but still need the restraint and support provided by car seats.	Mobility enhancing equipment
Needleless Drug Delivery System - Injection Guns	Reusable	Durable medical equipment

Health Care Item List Addendum
Revision Date: January 29, 2007

Item	Description of Item	Workgroup
Needleless Drug Delivery System - Injection Guns	Disposable	Not defined
Needles - Wound Closure - Suturing	Disposable	Not defined
Needles & Syringe - Drug Filled		Bundling Determination
Nerve Stimulators - Implanted with Leads	Stimulator - Nerve & Leads - For pain and nonpain - Used to treat epilepsy, Parkinson, incontinence	Prosthetic device
Nerve Stimulators - Programmer	Nerve Stim Programmer & Leads -- Used for implantable device	Durable medical equipment
Oxygen Delivery -Respiratory Equipment		Durable medical equipment
Oxygen Tents/Bed		Durable medical equipment
Pacemaker - Not Implanted - Not Worn	This pacemaker is completely external and is connected to a device which is not worn in or on the body.	Durable medical equipment
Pacemaker - Not Implanted - Worn	This pacemaker has leads guided into the heart through an incision in the neck or chest with the external generator worn on the body in a small patch and the device fits in a pocket.	Prosthetic device
Pacemaker Transmitter		Durable medical equipment
Paraffin wax	Wax used in paraffin baths. Paraffin heat therapy provides moist heat to warm joints tissue and skin. Used in the treatment of arthritis and joint injuries.	Not defined
Penile Pump	External vacuum system that restores sexual function in impotent men. System includes a pump and constriction rings. The pump fits over the penis and assists men in achieving erections. Once erection is achieved, a constriction ring is placed on the penis to sustain the erection.	Prosthetic device
Physical Therapy -Equipment & Tools	Exerbands, weights, bikes, treadmills, rowers, parallel bars from #212	Not defined
Respiratory - Nebulizer		Durable medical equipment
Respiratory Bags - Resuscitation	A flexible air chamber, about the size of an American football, attached to a face mask via a shutter valve. When the air chamber or "bag" is squeezed, the device forces air into the patient's lungs; when the bag is released, it self-inflates, drawing in ambient air.	Durable medical equipment
Respiratory Equipment - Not Oxygen Delivery	Equipment used in respiratory treatments excluding items used to deliver oxygen; such as sensors; analyzers	Durable medical equipment

Health Care Item List Addendum
Revision Date: January 29, 2007

Item	Description of Item	Workgroup
Salem sump with anti-reflux valve -	The Salem sump is a tube which is inserted in the nose and runs into the stomach. It is primarily used to remove the contents of the stomach. It can also be used to instill liquid food or other substances into the stomach. Filling and emptying the stomach are functions of the body.	Prosthetic device
Seat Cushions - Comfort		Not defined
Skin closures	These are called butterfly bandages, steri-strips, cover strips, or suture strips are variations of sterile adhesive skin closures designed to hold the edges of a skin wound together.	Not defined
Sleeves - Compression	Compression sleeves are prescribed for individuals with swollen limbs. The sleeves compress swollen tissues and stop fluid build up. The compression sleeves also provide support for the muscles so that they pump fluid away from the area more effectively.	Prosthetic device
Spas, hot or cold	Spas which are available for sale to the general public and not specifically manufactured for medical purposes.	Not defined
Speech aids - Electronic	Worn	Prosthetic device
Speech aids - Electronic	Hand-held, non-worn vibrator which is pressed against the neck or face so that vibrations transmit into the airway.	Durable medical equipment
Staple Remover - Wound Closure	Disposable	Not defined
Stapler - Empty - one Use Only		Not defined
Stapler - Empty - Reusable		Durable medical equipment
Stapler - Preloaded -Non-reloadable	One Use	Bundling Determination
Stapler - Preloaded - Reloadable - SPU		Bundling Determination
Staples, Sutures and Suture Alternatives	Use to hold skin, internal organs, blood vessels and all other tissues of the human body together, after they have been severed by injury or surgery. Example is absorbable hemostat.	Prosthetic device
Stent implanted through Endoscopy	A stent is mounted on an angioplasty balloon in order for it to be delivered to the diseased area for deployed. The balloon is inflated, and the stent along with it. When the balloon is deflated and withdrawn, the stent remains in place, serving as a permanent scaffolding for the newly widened artery.	Prosthetic device
Stockings - Compression	Used to relieve the discomfort of varicose veins, venous statis, post schlerotherapy and deep vein thrombosis.	Prosthetic device

Health Care Item List Addendum
Revision Date: January 29, 2007

Item	Description of Item	Workgroup
Suction Catheter	This catheter is used for the removal of respiratory tract secretions. The catheter is inserted through tracheal and tracheostomy tubes. Four eyes at the catheter's tip serve as vacuum breakers to help prevent tissue from being pulled into the tube. Since suctioning removes the patient's air supply, suction should not exceed 10 seconds duration. Suction catheters are intended for single use only.	Not defined
Surgical Laser Devices		Durable medical equipment
Suspensories	Male suspensories are designed to isolate and support the testicles. Suspensories are used after vasectomies, injuries or in cases of disease. Used to reduce pain and swelling in the scrotum.	Prosthetic device
Swivel seats	The swivel seats enables a handicapped person to rotate his/her body, while seated, in order to get into position to rise from a chair.	Mobility enhancing equipment
Tens units - not worn	Equipment used to stimulate the muscles to prevent atrophy. This version is not worn.	Durable medical equipment
Tens units - worn	Equipment used to stimulate the muscles to prevent atrophy. This version is worn.	Prosthetic device
Tourniquet - Non-Pneumatic	A tourniquet is a tightly tied band applied around a body part (an arm or a leg) sometimes used in an attempt to stop severe traumatic bleeding. These are reusable.	Durable medical equipment
Tourniquet - Pneumatic	Broad band of fabric with inflatable bladder, connected on one side to an inflation bulb and the other to a manometer for measuring blood pressure	Durable medical equipment
Tracheostomy Speaking Valve	The speaking valve is a buttonlike piece of equipment that is placed on the outer hub of the tracheostomy tube. The one-way valve opens to let air in through the tracheostomy when the patient inspires. The valve closes during expiration, causing the air to follow the normal route of expiration and permitting speech.	Prosthetic device
Visually Impaired Supplies & Equipment - Other		Not defined
Wheelchair Cushions - Brace/Support	Not attached/Does not become a component part of the wheelchair itself.	Durable medical equipment
Whirlpools (portable, over-the-tub type devices only)	Not available for sale to the general public, specifically manufactured for a medical purpose.	Durable medical equipment
Wound Closure Needles - Suturing w/Thread		Bundling Determination
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