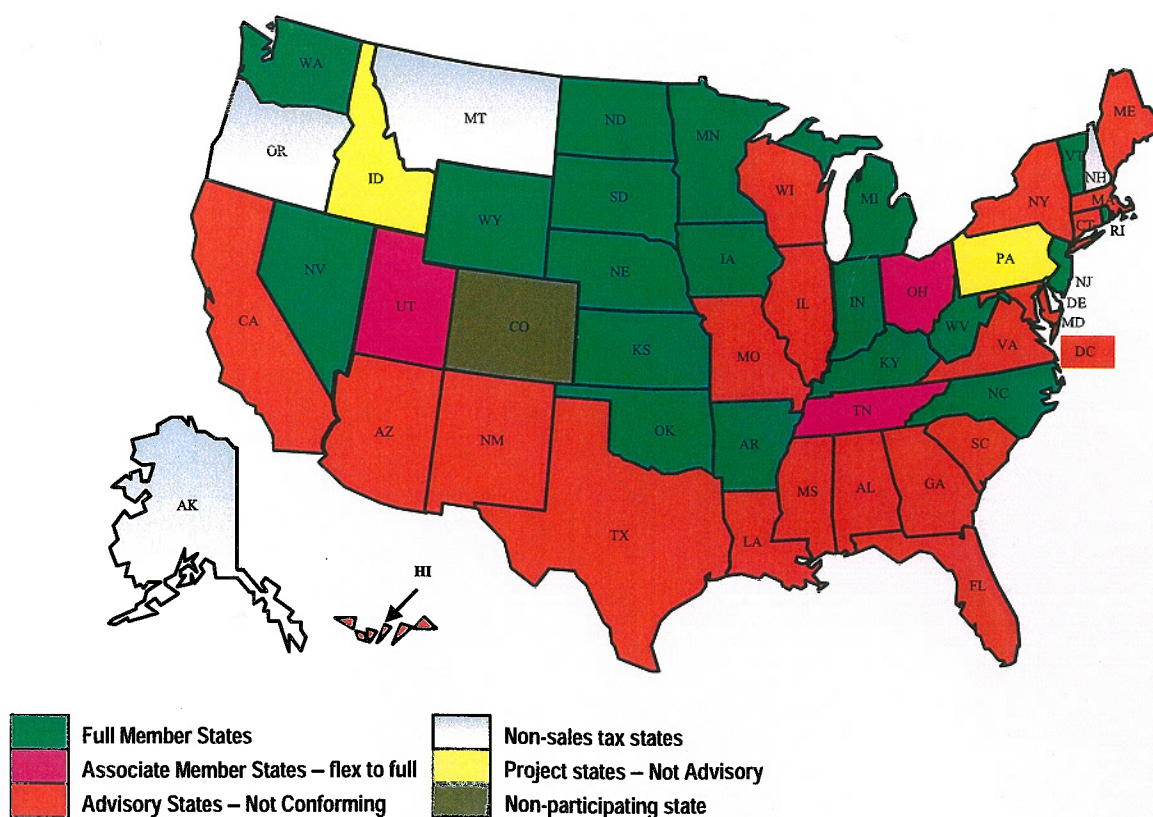




2008 ANNUAL REPORT



Message from President Joan Wagon:

I began serving as President of the Governing Board at the September 2007 meeting in Kansas City. Since then the organization has made considerable progress towards its goals. The Governing Board has grown in number of full members, has organized to persuade Congress to pass the federal legislation and has attained a greater degree of organizational stability. The list of accomplishments which follows is organized according to each of the Board's goals.

I. Expand Advocacy Efforts to Pass Federal Legislation:

- Held a successful "Teach-In" for staff of the U.S. House and Senate to acquaint them with the federal legislation and the SST organization. We were greatly assisted by staff for Congressman Delahunt and Senator Enzi.
- Held our first-ever "DC Lobby Day" for Governing Board delegates to meet with their members of Congress and to meet with Congressional leaders.
- Appointed a Compensation/Small Seller Task Force to work on these issues in the federal legislation.
- Issued an RFP to hire a legislative advocate in Washington, DC.
- Held discussions with the Navajo Nation and the Congress of American Indians regarding their interest in SST.
- Appeared before the House Judiciary Subcommittee on Administrative Law in support of Rep. Delahunt's SST legislation.

II. Recruit Remote Sellers:

- There were 1,100 sellers registered with SST at the end of June.
- Those sellers collected \$135,168,556 in sales tax in the Streamline states during the fiscal year.
- One hundred twenty-four registered sellers use a CSP, 29 use a CAS, and 947 use their own system to collect and report sales tax to the member states.
- The Board evaluated and renewed contracts with the three existing Certified Service Providers (CSP).
- The Board valuated and entered into a contract with a new CSP.
- The Board began discussions on a marketing strategy with the CSPs to recruit new sellers.

III. Expand Legislative Leadership:

- The Board assisted in the training provided to legislators at NCSL's Streamline Academy.
- The Executive Director made a Streamline presentation at every NCSL event during the year.

IV. Recruit Additional Member States:

- Streamline leadership appeared before or responded to invitations to present or provide information to revenue agencies, state tax commissions or legislatures in CT, FL, HI, IL, MA, MO, and NM.
- The Governing Board amended the Agreement to provide an alternate origin sourcing rule that will greatly assist several states.

-
- The Governing Board met in Texas, Virginia, and Illinois, all of which are interested in adopting the alternate origin sourcing rule and joining SST. These meetings included sessions with their elected state and local delegations.
 - Washington, Wyoming, Nevada, and Arkansas moved from associate to full member states during the fiscal year.
 - Ohio and Utah adopted the alternate origin sourcing rule. Texas and Illinois are contemplating adoption in the next fiscal year.

V. Strengthen Organizational Structure:

- The Governing Board met in Dallas, TX December 11-12, in Reston, VA April 1-2, and in Chicago, IL June 17-18. In addition, there were numerous teleconferences for committees, ad hoc task forces and advisory groups.
- The Issues Resolution process was strengthened by forming a standing committee which is writing rules for its processes.
- The Board imposed its first ever sanctions on a state for not being in compliance with the SSUTA.
- The Board's Audit Committee developed a process and successfully audited the CSP's.
- The Board increased local government participation by holding workshops in conjunction with all Board meetings.

Member States:

Arkansas, Indiana, Iowa, Kansas, Kentucky, Michigan, Minnesota, Nevada, North Carolina, North Dakota, Nebraska, New Jersey, Oklahoma, Rhode Island, South

Dakota, Vermont, Washington, West Virginia, Wyoming

Associate Member States:

Ohio, Tennessee, Utah

Changes to the Streamlined Sales and Use Tax Agreement:

The Governing Board approved the following changes:

- Defined and adopted rules for specified digital products.
- Changed the definition of delivery charges.
- Defined "Energy Star" products for use in sales tax holidays.
- Defined and allowed the use of a uniform origin sourcing.
- Provided liability relief for retailers when a state does not provide at least thirty days notice for tax rate changes.
- Allowed a state to use origin sourcing for direct mail produced and delivered in that state.

Officers:

President
Joan Wagnon, Secretary
Kansas Department of Revenue

1st Vice President
Delegate John Doyle
West Virginia House of Delegates

2nd Vice President
Jerry Johnson, Commissioner
Oklahoma Tax Commission

Secretary/Treasurer
Robert Cox/Richard Dobson

Kentucky

Directors:

Senator Luke Kenley
Indiana State Senate

Senator Ron Amstutz
Ohio State Senate

Rodney (Pete) Anderson
Wyoming House of Representatives

R. Bruce Johnson, Commissioner
Utah State Tax Commission

Andy Sabol
North Carolina

Finance Committee:

Robert Cox/Richard Dobson, Chair
Kentucky

David Casey
Iowa

Representative Rodney Anderson
Wyoming

Senator Janis Lee
Kansas State Senate

Mary Cameron
Arkansas

**Compliance Review and Interpretations
Committee:**

Delegate John Doyle, Chair
West Virginia

Joseph VanDevender
Indiana

Dale Vettel
Michigan

Andy Sabol
North Carolina

Myles Vosberg
North Dakota

Tony Mastin
Oklahoma

Larry Wilkie
Minnesota

FY2007 Financial Report:

The Governing Board had projected a deficit of \$195,000 when it adopted the FY2008 budget, but realized a surplus of \$294,803. The resulted in an ending balance of \$935,139 plus accumulated FY2009 dues. Receipts totaled \$926,281 and came from \$706,545 in petition fees paid by full and associate member states, \$188,635 in gross revenue from Streamline meetings, and \$31,101 in interest income. Expenses were \$453,522 below budgeted levels. Salary and benefits were lower due to the use of a part-time contractor instead of a full-time employee. The only major budgetary development in FY 2008 was the addition of \$100,000 for registration system enhancements. This amount was not spent because of the length of time it took to get consensus on the changes. At the June 2008 meeting the Governing Board approved changes to the registration system with an estimated cost of \$40,000.

The following is a report of the expenses for the Board.

Streamlined Sales Tax Governing Board Inc
FY 2008 Annual Report of Receipts and Expenses

	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
	Actual	Actual	Actual	Actual	Actual	Actual
BEGINNING BALANCE	\$ 31,138	\$ 50,514	\$ 57,306	\$ 220,482	\$ 361,228	\$ 640,336
INCOME						
Member Payments	\$ -	\$ -	\$ 80,000	\$ 300,000	\$ 604,000	\$ 620,000
Member payments held in escrow	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Publication Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investment Income	\$ -	\$ -	\$ -	\$ 7,048	\$ 29,622	\$ 31,101
NGA/NCSL Contributins	\$ -	\$ -	\$ 100,000	\$ -	\$ -	\$ -
Meeting Income	\$ 155,700	\$ 152,265	\$ 260,950	\$ 302,650	\$ 268,575	\$ 188,635
TOTAL INCOME	\$ 155,700	\$ 152,265	\$ 440,950	\$ 609,698	\$ 902,197	\$ 839,736
EXPENSES						
Salaries and Benefits						
Salaries	\$ -	\$ -	\$ -	\$ 60,096	\$ 212,306	\$ 238,654
Payroll Taxes	\$ -	\$ -	\$ -	\$ 8,589	\$ 17,814	\$ 16,532
Health coverage	\$ -	\$ -	\$ -	\$ 1,783	\$ 7,243	\$ 9,980
Retirement Expense	\$ -	\$ -	\$ -	\$ -	\$ 150	\$ 1,200
Subtotal - Salaries	\$ -	\$ -	\$ -	\$ 70,468	\$ 237,513	\$ 266,366
Office Expense						
Telecommunications	\$ 7,650	\$ 8,209	\$ 21,461	\$ 24,621	\$ 15,150	\$ 18,624
Printing	\$ 3,666	\$ 1,248	\$ 7,140	\$ 24,372	\$ 6,856	\$ 2,162
Materials and Supplies	\$ 1,821	\$ -	\$ 432	\$ 87	\$ 4,191	\$ 7,947
Postage and Delivery	\$ 830	\$ 148	\$ 2,279	\$ 676	\$ 1,902	\$ 1,355
Law Service and Books	\$ -	\$ -	\$ -	\$ 743	\$ 1,147	\$ -
Computer Equipment/Furniture-Depreciation	\$ -	\$ -	\$ -	\$ -	\$ 3,347	\$ 4,756
Computer Equipment and Furniture	\$ -	\$ -	\$ -	\$ -	\$ 5,355	\$ 1,138
Other Insurance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,082
Other	\$ 5,371	\$ 5,123	\$ 24,040	\$ 847	\$ 7,855	\$ -
Other - Write off of conference receivables	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Subtotal - Office Expense	\$ 19,338	\$ 14,728	\$ 55,352	\$ 51,346	\$ 45,803	\$ 37,064

FY2008 Annual Report – Streamlined Sales Tax Governing Board

Page 5

Travel

	\$	\$	\$	\$	\$	\$
Employee Travel	-	-	-	31,867	29,180	48,925
Other Travel	2,664	3,176	18,676	7,687	3,891	15,172
	\$	\$	\$	\$	\$	\$
Subtotal - Travel	2,664	3,176	18,676	39,554	33,071	64,098
Contractual Services						
	\$	\$	\$	\$	\$	\$
Rent - Office space	-	-	-	-	8,287	10,452
Central Registration	\$	\$	\$	\$	\$	\$
	-	-	-	72,938	52,594	8,794
Accounting Services	\$	\$	\$	\$	\$	\$
	-	-	-	1,050	11,400	10,950
Legal Services	\$	\$	\$	\$	\$	\$
	-	-	-	9,850	11,050	-
Fund Audit	\$	\$	\$	\$	\$	\$
	-	-	-	-	9,000	9,000
Web Site Development & Hosting	\$	\$	\$	\$	\$	\$
	-	-	-	-	540	-
Other	\$	\$	\$	\$	\$	\$
	14,555	-	-	20,890	5,429	29,718
	\$	\$	\$	\$	\$	\$
Subtotal - Contractual Services	14,555	-	-	\$104,728	98,300	68,914
Meeting Expenses	\$	\$	\$	\$	\$	\$
	99,768	127,567	\$203,745	\$202,855	\$208,402	\$195,036
Registration System Enhancements	\$	\$	\$	\$	\$	\$
	-	-	-	-	-	-
Reserve	\$	\$	\$	\$	\$	\$
	-	-	-	-	-	-
	\$	\$	\$	\$	\$	\$
TOTAL EXPENSES	\$136,325	145,471	\$277,773	\$468,951	\$623,089	\$631,478
	\$	\$	\$	\$	\$	\$
Surplus(Deficit) for Budget Period	19,375	6,793	\$163,176	\$140,747	\$279,108	\$208,259
	\$	\$	\$	\$	\$	\$
ENDING BALANCE	50,514	57,306	\$220,482	\$361,228	\$640,336	\$848,595

Audit Committee Report:**SST Audit Committee:**

- 1.) Conducted, through the Audit Core Team, three CSP contract compliance audits and coordinated member state tax compliance audits of Model 1 sellers. The auditors from Indiana, Minnesota, Oklahoma and West Virginia are to be commended for their CSP audit work.
- 2.) Developed recommendations for an alternative to the bond requirement in the CSP contract.
- 3.) Updated and revised the rule that addresses the type and format of data required by states from a CSP and Model 2 and Model 3 seller.
- 4.) Identified and implemented Audit Core Team responsibilities and resolved confidentiality issues concerning the Audit Core Team.
- 5.) Assisted the Certification Committee to develop a process to obtain data from CSPs for use in the tax compliance audits of Model 1 Sellers.
- 6.) Is working on requirements of a CAS and Model 2 seller to develop audit guidelines for the CAS contract compliance audits and the tax compliance audits of Model 2 sellers.
- 7.) Is working on a SST Compliance Audit Manual to provide uniformity in performing contract and tax compliance audits.

Certification Committee Report:

The Certification Committee completed all phases of the certification process and recommended that SpeedTax, Inc. be contracted as a CSP and CAS.

The Committee completed the recertification of Avalara, Exactor and ADP Taxware, including an on-site security assessment of their respective data centers.

The Committee's review of proposed SSUTA amendments relating to registrations, returns and remittances resulted in a recommendation to eliminate the Information Report (IR). The IR recommendation was made because the current audit data requirements provide sufficient information. In addition, the Committee recommended the addition of six common exempt items to the Simplified Electronic Return, along with the addition of a food/drug tax amount, a state specific taxpayer identification number and an excess tax amount.

The Committee is also recommending that states accept a bulk payment that allows for a single payment that is linked with a data file containing multiple detailed payment records. The Committee is part of ongoing discussions on changes to the registration system to allow some sellers to not have to register in states where they do not conduct business.

The Committee is working to establish procedures to certify vendor provided addressed-based databases. In addition, two vendors have applied to become Model 2 CAS providers.

Compliance Review and Interpretations Committee Report:

The Committee undertook the evaluation of a state for its compliance with the SSUTA. The Committee recommended that the Governing Board find New Jersey out of compliance for failure to adopt a number of

telecommunication definitions and procedures.

The Committee reviewed and sent on to the Governing Board rules relating to annual state recertification and interpretative opinions of the SSUTA.

The Governing Board approved the Committee's following interpretation recommendations:

Approved Interpretation
Recommendations:

- 2007-02, Lafarge North America request concerning sourcing.
- 2007-03, General Nutrition Centers, Inc. request pertaining to the definition of "flour" as used in the definition of "candy."
- 2008-01, Society of American Florists concerning who is a seller.