

# HOUSE BILL No. 5080

September 20, 2001, Introduced by Reps. Allen, Howell, Gilbert, Koetje, Vear, DeVuyst and Mortimer and referred to the Committee on Commerce.

A bill to provide for a streamlined system of sales and use tax collection; to prescribe the requirements necessary for this state to adopt a multistate agreement; to provide for a board with certain powers and duties; to provide for the registration of sellers who select a model of collection and remittance; to forgive liability of collection of sales and use taxes on past transactions for certain sellers; to assure privacy of buyers; to prescribe certain powers and duties of state departments; and to repeal acts and parts of acts.

**THE PEOPLE OF THE STATE OF MICHIGAN ENACT:**

1       Sec. 1. (1) This act shall be known and may be cited as the  
2 "equitable sales and use tax administration act".

3       (2) This act shall at no time create or implement a new tax  
4 on interstate electronic commerce.

1       Sec. 2. As used in this act:

2       (a) "Agreement" means the streamlined sales and use tax  
3 agreement.

4       (b) "Board" means the board of governance created in section  
5 5 or the board's designee.

6       (c) "Certified automated system" means computer software  
7 certified jointly by the states that are signatories to the  
8 agreement to calculate the tax imposed by each jurisdiction on a  
9 transaction, determine the amount of tax to remit to the appro-  
10 priate state, and maintain a record of the transaction.

11       (d) "Certified service provider" means an agent certified  
12 jointly by the states that are signatories to the agreement to  
13 perform all of the seller's sales and use tax functions, other  
14 than the seller's obligation to remit tax on its own purchases.

15       (e) "Department" means the department of treasury.

16       (f) "Person" means an individual, trust, estate, fiduciary,  
17 partnership, limited liability company, limited liability part-  
18 nership, corporation, or any other legal entity.

19       (g) "Purchaser" means a person to whom a sale of tangible  
20 personal property is made or to whom a service is furnished.

21       (h) "Sales tax" means the tax levied under the general sales  
22 tax act, 1933 PA 167, MCL 205.51 to 205.78.

23       (i) "Seller" means any person who sells, leases, or rents  
24 tangible personal property or services to another person.

25       (j) "Signatory state" means a state that has entered into  
26 the agreement.

1 (k) "Sourcing" means determining the tax situs of a  
2 transaction.

3 (l) "State" means any state of the United States or the  
4 District of Columbia.

5 (m) "Use tax" means the tax levied under the use tax act,  
6 1937 PA 94, MCL 205.91 to 205.111.

7 Sec. 3. This act is not intended to generate revenue that  
8 is not currently due under the sales and use tax acts but is  
9 intended to provide for simplification of the method of collect-  
10 ing the sales and use taxes that is currently authorized to be  
11 collected under those acts. Nothing in this act shall be con-  
12 strued to expand the tax base of the sales tax or use tax or to  
13 eliminate exemptions, but rather, this act simplifies and modern-  
14 izes the sales tax and use tax administration in order to sub-  
15 stantially reduce the burden of tax compliance for all sellers  
16 and for all types of commerce.

17 Sec. 4. The payment, collection, and remittance of the  
18 sales and use taxes under this act are subject to the provisions  
19 of the general sales tax act, 1933 PA 167, MCL 205.51 to 205.78,  
20 and the use tax act, 1937 PA 94, MCL 205.91 to 205.111.

21 Sec. 5. (1) There is created a board of governance consist-  
22 ing of the following members:

23 (a) The majority leader of the senate or his or her designee  
24 who is a member or former member of the senate or an employee of  
25 the senate or the senate fiscal agency.

26 (b) The speaker of the house of representatives or his or  
27 her designee who is a member or former member of the house of

1 representatives or an employee of the house of representatives or  
2 the house fiscal agency.

3 (c) The minority leader of the senate or his or her designee  
4 who is a member or former member of the senate or an employee of  
5 the senate or the senate fiscal agency.

6 (d) The minority leader of the house of representatives or  
7 his or her designee who is a member or former member of the house  
8 of representatives or an employee of the house of representatives  
9 or the house fiscal agency.

10 (e) The state treasurer or his or her designee.

11 (f) One member appointed by the state treasurer.

12 (g) The governor or his or her designee.

13 (h) One member appointed by the governor.

14 (2) The board may represent this state in all meetings that  
15 are limited to only those states that are also authorized by  
16 statute to enter into a streamlined sales and use tax agreement.  
17 The board shall vote on behalf of this state and represents the  
18 position of this state in all matters relating to the adoption of  
19 the agreement or amendment of the agreement.

20 (3) The board shall report quarterly to the committees  
21 responsible for reviewing tax issues in the senate and the house  
22 of representatives on the board's progress in negotiating the  
23 agreement and recommend what state statutes are required to be  
24 amended to be substantially in compliance with the agreement.

25 (4) A business advisory council is created to advise and  
26 make recommendations to the board. The council shall consist of  
27 6 members appointed as follows:

1 (a) The governor shall appoint 2 members who are retail  
2 sellers domiciled in this state.

3 (b) The governor shall appoint 2 members who are large  
4 national retail sellers domiciled outside of this state but who  
5 are licensed to do business in this state.

6 (c) After the members are appointed under subdivisions (a)  
7 and (b), those members shall elect 1 retail seller domiciled in  
8 this state and 1 manufacturer domiciled in this state.

9 Sec. 6. (1) The department shall not enter into the agree-  
10 ment until legislation substantially complying with the require-  
11 ments of the agreement is enacted into law.

12 (2) The department shall not enter into the agreement unless  
13 the agreement requires each signatory state to abide by the fol-  
14 lowing requirements:

15 (a) The agreement shall set restrictions to achieve more  
16 uniform state rates through the following:

17 (i) Limiting the number of state rates.

18 (ii) Eliminating caps on the amount of state tax that is due  
19 on a transaction.

20 (iii) Eliminating thresholds on the application of state  
21 tax.

22 (b) The agreement shall establish uniform standards for the  
23 following:

24 (i) The sourcing of transactions to taxing jurisdictions.

25 (ii) The administration of exempt sales.

26 (iii) The allowances a seller can take for bad debts.

1           (iv) Sales and use tax returns and remittances.

2           (c) The agreement shall require signatory states to develop  
3 and adopt uniform definitions of sales and use tax terms. The  
4 definitions shall enable a signatory state to preserve its abil-  
5 ity to make policy choices that are substantially consistent with  
6 the uniform definitions.

7           (d) The agreement shall provide a central electronic regis-  
8 tration system that allows a seller to register to collect and  
9 remit sales and use taxes for all signatory states.

10          (e) The agreement shall provide that registration with the  
11 central registration system and the collection of sales and use  
12 taxes in the signatory states will not be used as a factor in  
13 determining whether the seller has nexus with a state for any  
14 tax.

15          (f) The agreement shall provide for reduction of the burdens  
16 of complying with local sales and use taxes through the  
17 following:

18           (i) Restricting and eliminating variances between each sig-  
19 natory state's tax base and the local tax bases within that  
20 state.

21           (ii) Requiring signatory states to administer any sales and  
22 use taxes levied by local jurisdictions within the state so that  
23 sellers collecting and remitting these taxes will not have to  
24 register or file returns with, remit funds to, or be subject to  
25 independent audits from local taxing jurisdictions.

26           (iii) Restricting the frequency of changes in the local  
27 sales and use tax rates and setting effective dates for the

1 application of local jurisdictional boundary changes to local  
2 sales and use taxes.

3 (iv) Providing notice of changes in local sales and use tax  
4 rates and of changes in the boundaries of local taxing  
5 jurisdictions.

6 (g) The agreement shall outline any monetary allowances that  
7 are to be provided by the signatory states to sellers or certi-  
8 fied service providers.

9 (h) The agreement shall require each signatory state to cer-  
10 tify compliance with the terms of the agreement before joining  
11 and to maintain compliance under the laws of the member state  
12 with all provisions of the agreement while a member.

13 (i) The agreement shall require each signatory state to  
14 adopt a uniform policy for certified service providers that pro-  
15 tects the privacy of consumers and maintains the confidentiality  
16 of tax information.

17 (j) The agreement shall provide for the appointment of an  
18 advisory council of private sector representatives and an  
19 advisory council of nonmember state representatives to consult  
20 with the signatory states in the administration of the  
21 agreement.

22 Sec. 7. The department with the approval of the board and  
23 subject to section 6 shall enter into the streamlined sales and  
24 use tax agreement with 1 or more states to simplify and modernize  
25 sales and use tax administration in order to substantially reduce  
26 the burden of tax compliance for all sellers and for all types of  
27 commerce. The department may act jointly with other signatory

1 states of the agreement to establish standards for certification  
2 of a certified service provider and certified automated system  
3 and to establish performance standards for multistate sellers.  
4 The department may also take other actions reasonably required to  
5 implement the provisions of this act. Other actions authorized  
6 by this section include, but are not limited to, the promulgation  
7 of rules and regulations and the joint procurement, with other  
8 member states, of goods and services in furtherance of the coop-  
9 erative agreement. Implementation of any condition of the agree-  
10 ment in this state, regardless of when implemented, must be by  
11 the action of this state.

12       Sec. 8. (1) Any provision of the agreement or any applica-  
13 tion of a provision of the agreement to any person or circum-  
14 stance that is inconsistent with any law of this state shall not  
15 have effect.

16       (2) Nothing in this act shall be construed to amend or  
17 modify any law of this state or to limit the authority of the  
18 Michigan legislature. The agreement authorized by this act binds  
19 and inures only to the benefit of this state and the other signa-  
20 tory states. No person, other than a signatory state, is an  
21 intended beneficiary of the agreement. Any benefit to a person  
22 other than a signatory state is established by the law of this  
23 state and the other signatory states and not by the terms of the  
24 agreement.

25       (3) Nothing in this act shall be construed to limit the  
26 authority of the courts in this state. A person has all the  
27 rights and remedies provided for in 1941 PA 122, MCL 205.1 to



1 205.31. A person does not have any cause of action or defense  
2 under the agreement because of this state's approval of the  
3 agreement or on the ground that the department's action or inac-  
4 tion is inconsistent with the agreement.

5 (4) A law of this state, or the application of a law, may  
6 not be declared invalid as to any person or circumstance on the  
7 ground that the provision or application is inconsistent with the  
8 agreement.

9 (5) No provision of the agreement authorized by this act in  
10 whole or in part invalidates or amends any provision of the law  
11 of this state. Adoption of the agreement by this state does not  
12 amend or modify any law of this state.

13 Sec. 9. (1) A person may participate under this act only by  
14 registering in the central registration system provided for by  
15 the agreement.

16 (2) The department shall participate in an online registra-  
17 tion system with other signatory states that allows sellers to  
18 register online.

19 (3) A seller registered under the agreement in this state is  
20 considered registered in each of the signatory states. A seller  
21 registered under the agreement in any other signatory state is  
22 considered registered in this state. A seller may also choose to  
23 register directly with other signatory states.

24 (4) A seller may cancel its registration under the agreement  
25 at any time according to the agreement. However, a seller who  
26 cancels its registration remains liable for remitting taxes  
27 collected to the appropriate states.

1 (5) By registering under this section, the seller agrees to  
2 collect and remit sales and use taxes according to the agreement  
3 for taxable sales in all signatory states including states that  
4 adopt the agreement after the seller registers.

5 (6) Registration of a person under the agreement and collec-  
6 tion of sales and use taxes by that person in signatory states  
7 does not provide nexus with any signatory state and shall not be  
8 used as a factor in determining nexus with a signatory state for  
9 any tax purpose.

10 Sec. 10. A seller registered under section 9 shall agree to  
11 1 of the following models for purposes of collecting and remit-  
12 ting sales and use taxes under the agreement:

13 (a) Model 1. A seller that has contracted with a certified  
14 service provider to act as its agent to perform all of the  
15 seller's sales and use tax collection functions other than the  
16 seller's obligation to remit sales or use tax on its own  
17 purchases.

18 (b) Model 2. A seller that has selected a certified auto-  
19 mated system to perform part of the seller's sales and use tax  
20 collection functions, but retains responsibility for remitting  
21 the tax.

22 (c) Model 3. A seller that has sales in at least 5 signa-  
23 tory states, has total annual sales of \$500,000,000.00 or more,  
24 has a proprietary system that calculates the amount of tax due in  
25 each taxing jurisdiction, and has entered into a performance  
26 agreement with the signatory states establishing a tax  
27 performance standard for the seller. As used in this

1 subdivision, a seller includes an affiliated group of sellers  
2 using the same proprietary system.

3       Sec. 11. (1) In computing the amount of tax remitted to  
4 this state, a certified service provider under model 1 in section  
5 10(a) and a seller under model 2 in section 10(b) may deduct a  
6 base rate that applies to taxable transactions processed through  
7 the certified automated system of the certified service provider  
8 under model 1 or of the seller under model 2, in accordance with  
9 the terms of the contract entered into by the signatory states.  
10 A model 2 seller under section 10(b) who takes the deduction  
11 under this subsection, or a seller who contracted with a certi-  
12 fied service provider to act as its agent under model 1 in sec-  
13 tion 10(a), shall not take a deduction under section 4 of the  
14 general sales tax act, 1933 PA 167, MCL 205.54, or section 4f of  
15 the use tax act, 1937 PA 94, MCL 205.94f.

16       (2) In computing the amount of tax remitted to this state, a  
17 seller under model 3 in section 10(c) may only take the deduction  
18 provided for in section 4 of the general sales tax act, 1933  
19 PA 167, MCL 205.54, or section 4f of the use tax act, 1937 PA 94,  
20 MCL 205.94f.

21       (3) In addition to the deduction under subsection (1) or  
22 (2), whichever is applicable, for the period not to exceed 24  
23 months following the voluntary seller's registration under sec-  
24 tion 9, a voluntary seller may also deduct a percentage of tax  
25 revenue generated in this state by the voluntary seller in  
26 accordance with the terms of the contract entered into by the  
27 signatory states. As used in this subsection, "voluntary seller"

1 means a seller that is not required to register to collect the  
2 tax for this state.

3       Sec. 12. (1) A certified service provider is the agent of a  
4 seller, with whom the certified service provider has contracted  
5 for the collection and remittance of sales and use taxes. As the  
6 seller's agent, the certified service provider is liable for  
7 sales and use tax due each signatory state on all sales transac-  
8 tions it processes for the seller except as provided in this  
9 section. A seller that contracts with a certified service pro-  
10 vider is not liable to this state for sales or use tax due on  
11 transactions processed by the certified service provider unless  
12 the seller makes a material misrepresentation of the type of  
13 items it sells or committed fraud. In the absence of probable  
14 cause to believe that the seller has committed fraud or made a  
15 material misrepresentation, the seller is not subject to audit on  
16 the transactions processed by the certified service provider. A  
17 seller is subject to audit for transactions not processed by the  
18 certified service provider. The signatory states acting jointly  
19 may perform a system check of the seller and review the seller's  
20 procedures to determine if the certified service provider's  
21 system is functioning properly and the extent to which the  
22 seller's transactions are being processed by the certified serv-  
23 ice provider.

24       (2) A person that provides a certified automated system is  
25 responsible for the proper functioning of that system and is  
26 liable to this state for underpayments of tax attributable to  
27 errors in the functioning of the certified automated system. A

1 seller that uses a certified automated system remains responsible  
2 and is liable to this state for reporting and remitting tax.

3 (3) A seller that has a proprietary system for determining  
4 the amount of tax due on transactions and has signed an agreement  
5 establishing a performance standard for that system is liable for  
6 the failure of the system to meet the performance standard.

7 Sec. 13. (1) Except as provided in subsection (3), a certi-  
8 fied service provider shall not retain or disclose the personally  
9 identifiable information of consumers. A certified service  
10 provider's system shall be designed and tested to assure the pri-  
11 vacy of consumers by protecting their anonymity.

12 (2) A certified service provider shall provide clear and  
13 conspicuous notice of its information practices to consumers,  
14 including, but not limited to, what information it collects, how  
15 it collects the information, how it uses the information, and  
16 whether it discloses the information to signatory states.

17 (3) A certified service provider's retention or disclosure  
18 to signatory states of personally identifiable information is  
19 limited to exemption claims because of a consumer's status or  
20 intended use of the goods or services purchased, to investiga-  
21 tions of fraud, and to the extent necessary to ensure the reli-  
22 ability of the certified service provider's technology.

23 (4) A certified service provider shall provide the necessary  
24 technical, physical, and administrative safeguards to protect  
25 personally identifiable information from unauthorized access and  
26 disclosure.

1 (5) This privacy policy is subject to enforcement by  
2 signatory states' attorneys general or other appropriate  
3 authorities.

4 (6) If personally identifiable information is retained for  
5 the purpose of subsection (3), in the absence of exigent circum-  
6 stances, a person shall be provided with reasonable notification  
7 of that retention and afforded reasonable access to their own  
8 data, with a right to correct inaccurately recorded data.

9 (7) The agreement does not enlarge or limit a signatory  
10 state's authority to do any of the following:

11 (a) Conduct audits or other review pursuant to section 12 as  
12 provided under this agreement and state law.

13 (b) Provide records pursuant to a signatory state's freedom  
14 of information act, disclosure laws with governmental agencies,  
15 or other regulations.

16 (c) Prevent, consistent with state law, disclosures of con-  
17 fidential taxpayer information.

18 (d) Prevent, consistent with federal law, disclosures or  
19 misuse of federal return information obtained under a disclosure  
20 agreement with the internal revenue service.

21 (e) Collect, disclose, disseminate, or otherwise use any-  
22 mous data for governmental purposes.

23 (8) As used in this section, "personally identifiable  
24 information" means information that identifies a specific  
25 person.

26 Sec. 14. (1) A person who registers as a seller under  
27 section 9 is not liable for any uncollected or nonremitted sales

1 or use tax on transactions with purchasers in this state before  
2 the date of registration if the seller was not licensed under the  
3 sales or use tax act in this state in the 12-month period preced-  
4 ing the date this state entered into the agreement. The seller  
5 is also not responsible for any penalty or interest that may be  
6 due on those transactions.

7 (2) Subsection (1) does not apply to the following:

8 (a) Any tax liability of the registered seller for transac-  
9 tions that are subject to sales or use tax in this state in which  
10 the registered seller is the purchaser.

11 (b) Any sales or use taxes already paid or remitted to this  
12 state.

13 (c) Any transactions for which the seller received notice of  
14 the commencement of an audit and the audit is not finally  
15 resolved, including related administrative or judicial  
16 processes.

17 (3) Subsection (1) applies to the seller absent the seller's  
18 fraud or intentional misrepresentation of a material fact if the  
19 seller continues to be registered under section 9 and continues  
20 collection and remittance of applicable sales and use taxes in  
21 this state for at least 36 months. The statute of limitations  
22 applicable to assessing a tax liability is tolled during this  
23 36-month period.

24 Sec. 15. (1) The department, acting jointly with the signa-  
25 tory states, may certify a person as a certified service provider  
26 if the person meets all of the following requirements:

1 (a) The person uses a certified automated system.

2 (b) The person integrates its certified automated system  
3 with the system of a seller for whom the person collects tax so  
4 that the tax due on a sale is determined at the time of the  
5 sale.

6 (c) The person agrees to remit the taxes it collects at the  
7 time and in the manner specified by the signatory states.

8 (d) The person agrees to file returns on behalf of the sell-  
9 ers for whom it collects tax.

10 (e) The person agrees to protect the privacy of tax informa-  
11 tion it obtains.

12 (f) The person enters into a contract with the signatory  
13 states and agrees to comply with the terms of the contract.

14 (2) The department, acting jointly with the signatory  
15 states, may certify a software program as a certified automated  
16 system if the signatory states determine that the program meets  
17 all of the following requirements:

18 (a) It identifies the applicable state and local sales and  
19 use tax rate for a transaction based on the uniform sourcing pro-  
20 vision established under the agreement.

21 (b) It identifies whether or not an item is exempt from  
22 tax.

23 (c) It identifies the amount of tax to be remitted for each  
24 taxpayer for a reporting period.

25 (d) It can generate reports and returns as required by the  
26 signatory states.



1 (e) It can meet any other requirement set by the signatory  
2 states.

3 (3) The department, acting jointly with the signatory  
4 states, may establish 1 or more sales tax performance standards  
5 for multistate sellers that meet the eligibility criteria set by  
6 the signatory states and that have developed a proprietary system  
7 to determine the amount of sales and use tax due on  
8 transactions.

9 Sec. 16. The committees responsible for reviewing tax  
10 issues in the senate and the house of representatives shall  
11 review the revenue reports produced by the senate and house  
12 fiscal agencies and consider methods to return to the taxpayers  
13 revenues from enhanced use tax compliance as a result of this  
14 act.

15 Sec. 17. This act is repealed effective December 31, 2002.