

From: Pitts, Ted  
To: Baker, Josh <JoshBaker@gov.sc.gov>  
CC: Soura, Christian <ChristianSoura@gov.sc.gov>  
Date: 1/30/2012 10:13:45 AM  
Subject: FW: Federal Bills

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Nothing urgent but will you do research on the bills referenced below.

Ted

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From: RDavis1087@aol.com [mailto:RDavis1087@aol.com]  
Sent: Friday, January 27, 2012 1:37 PM  
To: Pitts, Ted  
Subject: Federal Bills

Ted,

Per the Governor's meeting with Paul Misener, we mentioned that we would send you the federal bills. It would be great if the Governor could ask Senator Graham to sign on as a co-sponsor. The big box stores as well as Amazon and WalMart are working on this together. Thanks for your help.

There are House & Senate versions and they are known as the Main Street Fairness Act.

In the Senate, S.1452 and is sponsored by Dick Durbin (D-Illinois) and is co-sponsored by Tim Johnson (D-South Dakota) and Jack Reed (D-Rhode Island). It is currently in the Senate Finance Committee. No subcommittee has been assigned. Neither Lindsey Graham nor Jim DeMint are members of Senate Finance.

#### HOUSE BILL

The House bill is H.R. 2701 and is sponsored by John Conyers (D-Michigan). Co-sponsors are Mike Capuano (D-Massachusetts), Steve Cohen (D-Tennessee), Jesse Jackson Jr. (D-Illinois), Hank Johnson (D-Georgia), Bobby Scott (D-Virginia), Heath Shuler (D-North Carolina), Adam Smith (D-Washington), and Peter Welch (D-Vermont). The House bill is currently in the Subcommittee on Courts, Commercial & Administrative Law, which is a subcommittee of Judiciary. Coincidentally, Trey Gowdy is vice-chairman of this subcommittee. Howard Coble (R-NC) is chairman.

Both the House & Senate bills were introduced July 29, 2011.

112TH CONGRESS

1ST SESSION H. R. 2701

To promote simplification and fairness in the administration and collection of sales and use taxes.

IN THE HOUSE OF REPRESENTATIVES

JULY 29, 2011

Mr. CONYERS (for himself, Mr. WELCH, and Mr. SHULER) introduced the following bill; which was referred to the Committee on the Judiciary

#### A BILL

To promote simplification and fairness in the administration and collection of sales and use taxes.

1 Be it enacted by the Senate and House of Representa2  
tives of the United States of America in Congress assembled,

3 SECTION 1. SHORT TITLE; TABLE OF CONTENTS.

4 (a) SHORT TITLE.—This Act may be cited as the

5 ‘‘Main Street Fairness Act’’.

6 (b) TABLE OF CONTENTS.—The table of contents for

7 this Act is as follows:

Sec. 1. Short title; table of contents.

Sec. 2. Consent of Congress.

Sec. 3. Findings.

Sec. 4. Authorization to require collection of sales and use taxes.

Sec. 5. Determinations by governing board and judicial review of such determinations.

Sec. 6. Minimum simplification requirements.

VerDate Mar 15 2010 04:21 Jul 30, 2011 Jkt 099200 PO 00000 Frm 00001 Fmt 6652 Sfmt 6211 E:\BILLS\H2701.IH

•HR 2701 IH

Sec. 7. Limitation.

Sec. 8. Expedited judicial review.

Sec. 9. Definitions.

Sec. 10. Severability.

Sec. 11. Sense of Congress on digital goods and services.

1 SEC. 2. CONSENT OF CONGRESS.

2 Congress consents to the Streamlined Sales and Use

3 Tax Agreement.

4 SEC. 3. FINDINGS.

5 Congress makes the following findings:

6 (1) States should be encouraged to simplify

7 their sales and use tax systems.

8 (2) As a matter of economic policy and basic

9 fairness, similar sales transactions should be treated

10 equally, without regard to the manner in which sales

11 are transacted, whether in person, through the mail,

12 over the telephone, on the Internet, or by other

13 means.

14 (3) Congress may facilitate such equal taxation

15 consistent with the United States Supreme Court's

16 decision in *Quill Corp. v. North Dakota*.

17 (4) States that voluntarily and adequately sim18

plify their tax systems should be authorized to cor19

rect the present inequities in taxation through re20

quiring sellers to collect taxes on sales of goods or

21 services delivered in-state, without regard to the lo22

cation of the seller.

VerDate Mar 15 2010 04:21 Jul 30, 2011 Jkt 099200 PO 00000 Frm 00002 Fmt 6652 Sfmt 6201 E:\BILLS\H2701.IH

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•HR 2701 IH

1 (5) The States have experience, expertise, and

2 a vital interest in the collection of sales and use

3 taxes, and thus should take the lead in developing

4 and implementing sales and use tax collection sys5

tems that are fair, efficient, and non-discriminatory

6 in their application and that will simplify the process

7 for both sellers and buyers.

8 (6) Online consumer privacy is of paramount

9 importance to the growth of electronic commerce

10 and must be protected.

11 SEC. 4. AUTHORIZATION TO REQUIRE COLLECTION OF  
12 SALES AND USE TAXES.

13 (a) GRANT OF AUTHORITY.—

14 (1) IN GENERAL.—Each Member State under

15 the Streamlined Sales and Use Tax Agreement is

16 authorized, subject to the requirements of this sec17

tion, to require all sellers not qualifying for the

18 small seller exception to collect and remit sales and

19 use taxes with respect to remote sales sourced to

20 that Member State under the Agreement.

21 (2) REQUIREMENTS FOR AUTHORITY.—The au22

thorization provided under paragraph (1) shall be

23 granted once all of the following have occurred:

24 (A) Ten States comprising at least 20 per25

cent of the total population of all States impos-

VerDate Mar 15 2010 04:21 Jul 30, 2011 Jkt 099200 PO 00000 Frm 00003 Fmt 6652 Sfmt 6201 E:\BILLS\H2701.IH

•HR 2701 IH

1 ing a sales tax, as determined by the most re2  
cent Federal census, have petitioned for mem3  
bership and have become Member States under  
4 the Agreement.

5 (B) The following necessary operational as6  
pects of the Agreement have been implemented  
7 by the Governing Board:

8 (i) Provider and system certification.

9 (ii) Setting of monetary allowance by  
10 contract with providers.

11 (iii) Implementation of an online  
12 multistate registration system.

13 (iv) Adoption of a standard form for  
14 claiming exemptions electronically.

15 (v) Establishment of advisory coun16  
cils.

17 (vi) Promulgation of rules and proce18  
dures for dispute resolution.

19 (vii) Promulgation of rules and proce20  
dures for audits.

21 (viii) Provisions for funding and staff22  
ing the Governing Board.

23 (C) Each Member State has met the re24  
quirements to provide and maintain the data25  
bases for sales and use taxes and the taxability

VerDate Mar 15 2010 04:21 Jul 30, 2011 Jkt 099200 PO 00000 Frm 00004 Fmt 6652 Sfmt 6201 E:\BILLS\H2701.IH

•HR 2701 IH

1 matrix described in the Agreement, pursuant to  
2 requirements of the Governing Board.

3 (3) LIMITATION OF AUTHORITY.—The author4  
ization provided under paragraph (1)—

5 (A) shall be granted notwithstanding any  
6 other provision of law; and

7 (B) is dependent upon the Agreement, as  
8 amended, meeting the minimum simplification  
9 requirements of section 6.

10 (b) TERMINATION OF AUTHORITY.—

11 (1) IN GENERAL.—The authorization provided  
12 under subsection (a) shall terminate for all States  
13 if—

14 (A) the requirements contained in sub15  
section (a) cease to be satisfied; or

16 (B) any amendment adopted to the Agree17  
ment after the date of the enactment of this  
18 Act is inconsistent with the provisions of this  
19 Act.

20 (2) LOSS OF MEMBER STATE STATUS.—The au21  
thorization provided under subsection (a) shall ter22  
minate for a Member State, if such Member State  
23 no longer meets the requirements for Member State  
24 status under the terms of the Agreement or the pro25  
visions of this Act.

VerDate Mar 15 2010 04:21 Jul 30, 2011 Jkt 099200 PO 00000 Frm 00005 Fmt 6652 Sfmt 6201 E:\BILLS\H2701.IH

•HR 2701 IH

1 (c) DETERMINATION OF STATUS.—

2 (1) IN GENERAL.—The Governing Board shall  
3 determine if Member States are in compliance with  
4 the requirements of subsections (a) and (b) and  
5 whether each Member State meets the minimum  
6 simplification requirements of section 6, and shall  
7 reevaluate such determination on an annual basis.

8 (2) COMPLIANCE DETERMINATION.—Upon the  
9 determination of the Governing Board that all the  
10 requirements of subsection (a) have been satisfied,  
11 the authority to require a seller to collect and remit  
12 sales and use taxes shall commence on the first day  
13 of a calendar quarter at least 6 months after the  
14 date the Governing Board makes its determination.

15 (3) NONCOMPLIANCE DETERMINATION.—Upon  
16 a final determination by the Governing Board that  
17 a Member State is not in compliance with the min18  
imum simplification requirements of section 6 or is  
19 otherwise not in compliance with the Agreement,  
20 that Member State shall lose its remote seller collec21  
tion authority on the earlier of—

22 (A) the date specified by the Governing  
23 Board; or  
24 (B) the later of—

VerDate Mar 15 2010 04:21 Jul 30, 2011 Jkt 099200 PO 00000 Frm 00006 Fmt 6652 Sfmt 6201 E:\BILLS\H2701.IH  
H2701 smartinez on DSK6TPTVN1PROD with BILLS

7

•HR 2701 IH

1 (i) the first day of January at least 2  
2 years after the Governing Board finally de3  
termined the State was not compliant; or

4 (ii) the first day of a calendar quarter  
5 following the end of one full session of the  
6 State’s legislature beginning after the Gov7  
erning Board finally determined the State  
8 was not compliant.

9 For purposes of this section, the terms “final  
10 determination” or “finally determined” shall  
11 mean that all appeals processes provided for in  
12 the Agreement have been exhausted or the time  
13 for pursuing such appeals has expired. An ac14  
tion before the Federal Court of Claims pursu15  
ant to section 5 shall not operate to stay a  
16 State’s loss of collection authority.

17 (4) RESTORATION OF AUTHORITY.—Any Mem18  
ber State that loses its collection authority under  
19 this section must comply with all provisions of this  
20 section to have its remote seller collection authority  
21 restored.

22 SEC. 5. DETERMINATIONS BY GOVERNING BOARD AND JU23  
DICIAL REVIEW OF SUCH DETERMINATIONS.

24 (a) PETITION.—At any time after the Governing  
25 Board has made the determinations required under section

VerDate Mar 15 2010 04:21 Jul 30, 2011 Jkt 099200 PO 00000 Frm 00007 Fmt 6652 Sfmt 6201 E:\BILLS\H2701.IH  
H2701 smartinez on DSK6TPTVN1PROD with BILLS

8

•HR 2701 IH

1 4(c), any person who may be affected by the Agreement  
2 may petition the Governing Board for a determination on

3 any issue related to the implementation of the Agreement  
4 or on a Member State's compliance with this Act or the  
5 Agreement.

6 (b) REVIEW IN COURT OF FEDERAL CLAIMS.—Any  
7 person who submits a petition under subsection (a) may  
8 bring an action against the Governing Board in the United  
9 States Court of Federal Claims for judicial review of the  
10 action of the Governing Board on that petition if—

11 (1) the petition relates to an issue of whether—

12 (A) a Member State has satisfied or con13  
tinues to satisfy the requirements for Member  
14 State status under the Agreement;

15 (B) the Governing Board has performed a  
16 nondiscretionary duty of the Governing Board  
17 under the Agreement;

18 (C) the Agreement—

19 (i) continues to satisfy the minimum  
20 simplification requirements of section 6; or

21 (ii) otherwise continues to be con22  
sistent with the provisions of this Act; or

23 (D) any other requirement of section 4 has  
24 been satisfied; and

VerDate Mar 15 2010 04:21 Jul 30, 2011 Jkt 099200 PO 00000 Frm 00008 Fmt 6652 Sfmt 6201 E:\BILLS\H2701.IH  
H2701 smartinez on DSK6TPTVN1PROD with BILLS

9

•HR 2701 IH

1 (2) the petition is denied by the Governing  
2 Board in whole or in part with respect to that issue,  
3 or the Governing Board fails to act on the petition  
4 with respect to that issue not later than the 6-month  
5 period beginning on the day after the date on which  
6 the petition was submitted.

7 (c) TIMING OF ACTION FOR REVIEW.—An action for  
8 review under this section shall be initiated not later than  
9 60 days after the denial of the petition by the Governing  
10 Board, or, if the Governing Board fails to act on the peti11  
tion, not later than 60 days after the end of the 6-month  
12 period beginning on the day after the date on which the  
13 petition was submitted.

14 (d) STANDARD OF REVIEW.—

15 (1) IN GENERAL.—In any action for review  
16 under this section, the court shall set aside the ac17  
tions, findings, and conclusions of the Governing  
18 Board found to be arbitrary, capricious, an abuse of  
19 discretion, or otherwise not in accordance with law.

20 (2) REMAND.—If the court sets aside any ac21  
tion, finding, or conclusion of the Governing Board  
22 under paragraph (1), the court shall remand the  
23 case to the Governing Board for further action con24  
sistent with the decision of the court.

VerDate Mar 15 2010 04:21 Jul 30, 2011 Jkt 099200 PO 00000 Frm 00009 Fmt 6652 Sfmt 6201 E:\BILLS\H2701.IH  
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10

•HR 2701 IH

1 (3) NONMONETARY RELIEF.—In connection  
2 with any remand under paragraph (2), the court  
3 may not award monetary relief, but may award de4  
claratory and injunctive relief.

5 (e) JURISDICTION.—

6 (1) GENERALLY.—Chapter 91 of title 28,

7 United States Code, is amended by adding at the  
8 end the following new section:  
9 “SEC. 1510. JURISDICTION REGARDING THE STREAMLINED  
10 SALES AND USE TAX AGREEMENT.

11 “The United States Court of Federal Claims shall  
12 have exclusive jurisdiction over actions for judicial review  
13 of determinations of the Governing Board of the Stream  
14 lined Sales and Use Tax Agreement under the terms and  
15 conditions provided in section 5 of the Main Street Fair  
16 ness Act.”.

17 (2) CONFORMING AMENDMENT TO TABLE OF  
18 SECTIONS.—The table of sections for chapter 91 of  
19 title 28, United States Code, is amended by adding  
20 at the end the following new item:

“1510. Jurisdiction regarding the streamlined sales and use tax agreement.”.

21 SEC. 6. MINIMUM SIMPLIFICATION REQUIREMENTS.

22 (a) IN GENERAL.—The minimum simplification re  
23 quirements for the Agreement are as follows:

24 (1) A centralized, one-stop, multistate registra  
25 tion system that a seller may elect to use to register

VerDate Mar 15 2010 04:21 Jul 30, 2011 Jkt 099200 PO 00000 Frm 00010 Fmt 6652 Sfmt 6201 E:\BILLS\H2701.IH  
H2701 smartinez on DSK6TPTVN1PROD with BILLS

11

•HR 2701 IH

1 with the Member States, provided a seller may also  
2 elect to register directly with a Member State, and  
3 further provided that privacy and confidentiality  
4 controls shall be placed on the multistate registra  
5 tion system so that it may not be used for any pur  
6 pose other than the administration of sales and use  
7 taxes. Furthermore, no taxing authority within a  
8 Member State or a Member State that has with  
9 drawn or been expelled from the Agreement may use  
10 registration with the centralized registration system  
11 for the purpose of, or as a factor in determining,  
12 whether a seller has a nexus with that Member State  
13 for any tax at any time.

14 (2) Uniform definitions of products and prod  
15 uct-based exemptions from which a Member State  
16 may choose its individual tax base, provided, how  
17 ever, that all local jurisdictions in that Member  
18 State with respect to which a tax is imposed or col  
19 lected, shall have a common tax base identical to the  
20 State tax base of that Member State. A Member  
21 State may enact product-based exemptions without  
22 restriction if the Agreement does not have a defini  
23 tion for the product or for a term that includes the

24 product. A Member State shall relax the good faith  
25 requirement for acceptance of exemption certificates

VerDate Mar 15 2010 04:21 Jul 30, 2011 Jkt 099200 PO 00000 Frm 00011 Fmt 6652 Sfmt 6201 E:\BILLS\H2701.IH  
H2701 smartinez on DSK6TPTVN1PROD with BILLS

12

•HR 2701 IH

1 in accordance with section 317 of the Agreement, as  
2 in effect on the date of the enactment of this Act.

3 (3) Uniform rules for sourcing and attributing  
4 transactions to particular taxing jurisdictions.

5 (4) Uniform procedures for the certification of  
6 service providers and software on which a seller may  
7 elect to rely in order to determine Member State

8 sales and use tax rates and taxability.  
9 (5) Uniform rules for bad debts and rounding.  
10 (6) Uniform requirements for tax returns and  
11 remittances.  
12 (7) Consistent electronic filing and remittance  
13 methods.  
14 (8) Single, State-level administration of all  
15 Member State and local sales and use taxes, includ  
16 ing a requirement for a State-level filing of tax re  
17 turns in each Member State.

18 (9) A provision requiring the elimination by  
19 each Member State of caps and thresholds on the  
20 application of sales and use tax rates and exemp  
21 tions based on value, provided that this limitation  
22 does not apply to the items identified in sections  
23 308C, 322, and 323 of the Agreement, as in effect  
24 on the date of the enactment of this Act.

VerDate Mar 15 2010 04:21 Jul 30, 2011 Jkt 099200 PO 00000 Frm 00012 Fmt 6652 Sfmt 6201 E:\BILLS\H2701.IH  
H2701 smartinez on DSK6TPTVN1PROD with BILLS  
13

•HR 2701 IH

1 (10) A provision requiring each Member State  
2 to complete a taxability matrix, as adopted by the  
3 Governing Board. The matrix shall include informa  
4 tion regarding terms defined by the Agreement in  
5 the Library of Definitions. The matrix shall also in  
6 clude, pursuant to the requirements of the Gov  
7 erning Board, information on use-, entity-, and  
8 product-based exemptions.

9 (11) A provision requiring that each Member  
10 State relieves a seller or service provider from liabil  
11 ity to that Member State and local jurisdiction for  
12 collection of the incorrect amount of sales or use tax,  
13 and relieves the purchaser from penalties stemming  
14 from such liability, provided that collection of the  
15 improper amount is the result of relying on informa  
16 tion provided by that Member State regarding tax  
17 rates, boundaries, or taxing jurisdiction assignments,  
18 or in the taxability matrix regarding terms defined  
19 by the Agreement in the Library of Definitions.

20 (12) Audit procedures for sellers, including an  
21 option under which a seller not qualifying for the  
22 small business exception may request, by notifying  
23 the Governing Board, to be subject to a single audit  
24 on behalf of all Member States for sales and use

VerDate Mar 15 2010 04:21 Jul 30, 2011 Jkt 099200 PO 00000 Frm 00013 Fmt 6652 Sfmt 6201 E:\BILLS\H2701.IH  
H2701 smartinez on DSK6TPTVN1PROD with BILLS  
14

•HR 2701 IH

1 taxes. The Governing Board, in its discretion, may  
2 authorize such a single audit.

3 (13)(A) Subject to subparagraphs (B), (C),  
4 (D), and (E), a provision requiring that in order for  
5 a Member State to require collection with respect to  
6 remote sales under section 4, the Member State  
7 shall provide compensation for expenses incurred by  
8 a seller directly in administering, collecting, and re  
9 mitting sales and use taxes to that Member State.  
10 Such compensation may vary in each Member State  
11 as provided in the Agreement.

12 (B) Congress hereby finds that the compensa13  
tion for expenses incurred by sellers required of  
14 Member States under the terms of the Agreement,  
15 as in effect on the enactment of this Act, is the min16  
imum compensation necessary, when considered in  
17 connection with the simplification requirements con18  
tained in the Agreement on the date authority to re19  
quire collection commences under section 4, to sat20  
isfy the requirement under subparagraph (A) on  
21 such date.

22 (C)(i) A provision requiring that the minimum  
23 compensation required of a Member State under  
24 subparagraph (A) may be modified as follows:

VerDate Mar 15 2010 04:21 Jul 30, 2011 Jkt 099200 PO 00000 Frm 00014 Fmt 6652 Sfmt 6201 E:\BILLS\H2701.IH  
H2701 smartinez on DSK6TPTVN1PROD with BILLS  
15

•HR 2701 IH

1 (I) Adjusted in relationship to changes in  
2 the size of the small business exemption adopt3  
ed by the Governing Board.

4 (II) Decreased as additional simplifications  
5 and improvements in technology reduce collec6  
tion costs.

7 (III) Increased if provisions of the Agree8  
ment are adopted that increase collection costs.

9 (ii) Any such modification in the minimum re10  
quired compensation must be based on an inde11  
pendent review of the expenses incurred by sellers in  
12 administering, collecting, and remitting sales and  
13 use taxes and shall consider all changes impacting  
14 such expenses and take into account and be propor15  
tional to the increase or decrease in the expenses in16  
curred by sellers in administering, collecting, and re17  
mitting sales and use taxes.

18 (D) The compensation required by subpara19  
graph (A) shall be provided pursuant to the imple20  
mentation schedule set out in the Agreement. Noth21  
ing in this Act shall prohibit a Member State from  
22 providing compensation greater than the amount re23  
quired by this Act or the Agreement or on a date  
24 earlier than required by this Act or the Agreement.

VerDate Mar 15 2010 04:21 Jul 30, 2011 Jkt 099200 PO 00000 Frm 00015 Fmt 6652 Sfmt 6201 E:\BILLS\H2701.IH  
H2701 smartinez on DSK6TPTVN1PROD with BILLS  
16

•HR 2701 IH

1 (E) Compensation necessary to meet the re2  
quirement of subparagraph (A) may be provided to  
3 a seller or a third party service provider whom a  
4 seller has contracted with to perform the sales and  
5 use tax responsibilities of a seller.

6 (14) Appropriate protections for consumer pri7  
vacy.

8 (15) Governance procedures and mechanisms to  
9 ensure timely, consistent, and uniform implementa10  
tion and adherence to the principles of the stream11  
lined system and the terms of the Agreement.

12 (16) A uniform rule to establish a small seller  
13 exception to a requirement to collect authorized by  
14 this Act.

15 (17) Uniform rules and procedures for sales tax

16 holidays.

17 (18) Uniform rules and procedures to address  
18 refunds and credits for sales taxes relating to cus19  
20 tomer returns, restocking fees, discounts and cou20  
21 pons, and rules to address allocations of shipping  
22 and handling and discounts applied to multiple item  
23 and multiple seller orders.

23 (b) REQUIREMENT TO PROVIDE SIMPLIFIED TAX  
24 SYSTEMS.—

VerDate Mar 15 2010 04:21 Jul 30, 2011 Jkt 099200 PO 00000 Frm 00016 Fmt 6652 Sfmt 6201 E:\BILLS\H2701.IH  
H2701 smartinez on DSK6TPTVN1PROD with BILLS

17

•HR 2701 IH

1 (1) IN GENERAL.—The requirements of this  
2 section are intended to ensure that each Member  
3 State provides and maintains the necessary sim4  
4 plification to its sales and use tax system to warrant  
5 the collection authority granted to such Member  
6 State in section 4.

7 (2) REDUCTION OF ADMINISTRATIVE BUR8  
8 DENS.—The requirements of this section should be  
9 construed—

10 (A) to require each Member State to sub11  
12 stantially reduce the administrative burdens as12  
13 sociated with sales and use taxes; and

14 (B) as allowing each Member State to ex14  
15 ercise flexibility in how these requirements are  
16 satisfied.

16 (3) EXCEPTION.—In instances where exceptions  
17 to the requirements of this section can be exercised  
18 in a manner that does not materially increase the  
19 administrative burden on a seller obligated to collect  
20 or pay the taxes, such exceptions are permissible.

21 (c) NO REQUIREMENT TO EXEMPT FROM OR IMPOSE  
22 TAX.—Nothing in this Act or the Agreement shall require  
23 any Member State or any local taxing jurisdiction to ex24

24 empt, or to impose a tax on any product, or to adopt any

VerDate Mar 15 2010 04:21 Jul 30, 2011 Jkt 099200 PO 00000 Frm 00017 Fmt 6652 Sfmt 6201 E:\BILLS\H2701.IH  
H2701 smartinez on DSK6TPTVN1PROD with BILLS

18

•HR 2701 IH

1 particular type of tax, or to impose the same rate of tax  
2 as any other taxing jurisdiction.

3 SEC. 7. LIMITATION.

4 (a) IN GENERAL.—Nothing in this Act shall be con5  
6 strued as—

7 (1) subjecting a seller to franchise taxes, in7  
8 come taxes, or licensing requirements of a Member  
9 State or political subdivision thereof; or

10 (2) affecting the application of such taxes or re10  
11 quirements or enlarging or reducing the authority of  
12 any Member State to impose such taxes or require12  
13 ments.

13 (b) NO EFFECT ON NEXUS, ETC.—

14 (1) IN GENERAL.—No obligation imposed by  
15 virtue of the authority granted by section 4 shall be  
16 considered in determining whether a seller has a  
17 nexus with any Member State for any other tax pur18  
19 pose.

19 (2) PERMISSIBLE MEMBER STATE AUTHOR20

ITY.—Except as provided in subsection (a), and in  
21 section 4, nothing in this Act permits or prohibits a  
22 Member State from—

23 (A) licensing or regulating any person;

24 (B) requiring any person to qualify to

25 transact intrastate business;

VerDate Mar 15 2010 04:21 Jul 30, 2011 Jkt 099200 PO 00000 Frm 00018 Fmt 6652 Sfmt 6201 E:\BILLS\H2701.IH  
H2701 smartinez on DSK6TPTVN1PROD with BILLS

19

•HR 2701 IH

1 (C) subjecting any person to State taxes

2 not related to the sale of goods or services; or

3 (D) exercising authority over matters of

4 interstate commerce.

5 SEC. 8. EXPEDITED JUDICIAL REVIEW.

6 (a) THREE-JUDGE DISTRICT COURT HEARING.—

7 Notwithstanding any other provision of law, any civil ac8

tion challenging the constitutionality of this Act, or any

9 provision thereof, shall be heard by a district court of 3

10 judges convened pursuant to the provisions of section

11 2284 of title 28, United States Code.

12 (b) APPELLATE REVIEW.—

13 (1) IN GENERAL.—Notwithstanding any other

14 provision of law, an interlocutory or final judgment,

15 decree, or order of the court of 3 judges in an action

16 under subsection (a) holding this Act, or any provi17

sion thereof, unconstitutional shall be reviewable as

18 a matter of right by direct appeal to the United

19 States Supreme Court.

20 (2) THIRTY-DAY TIME LIMIT.—Any appeal

21 under paragraph (1) shall be filed not more than 30

22 days after the date of entry of such judgment, de23

cree, or order.

VerDate Mar 15 2010 04:21 Jul 30, 2011 Jkt 099200 PO 00000 Frm 00019 Fmt 6652 Sfmt 6201 E:\BILLS\H2701.IH  
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20

•HR 2701 IH

1 SEC. 9. DEFINITIONS.

2 For the purposes of this Act the following definitions

3 apply:

4 (1) GOVERNING BOARD.—The term “Governing

5 Board” means the governing board established by

6 the Streamlined Sales and Use Tax Agreement.

7 (2) MEMBER STATE.—The term “Member

8 State”—

9 (A) means a Member State as that term is

10 used under the Streamlined Sales and Use Tax

11 Agreement as in effect on the date of the enact12

ment of this Act; and

13 (B) does not include associate members

14 under the Agreement.

15 (3) NONDISCRETIONARY DUTY OF THE GOV16

ERNING BOARD.—The term “nondiscretionary duty

17 of the Governing Board” means any duty of the

18 Governing Board specified in the Agreement as a re19

quirement for action by use of the term “shall”,

20 “will”, or “is required to”.

21 (4) PERSON.—The term “person” means an in22

dividual, trust, estate, fiduciary, partnership, cor23

poration, limited liability company, or any other

24 legal entity, and includes a State or local govern25  
ment.

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1 (5) REMOTE SALE.—The term “remote sale”  
2 means a sale of goods or services attributed to a  
3 particular Member State with respect to which a  
4 seller does not have adequate physical presence to  
5 establish nexus under the law existing on the day be6  
fore the date of the enactment of this Act so as to  
7 allow such Member State to require, without regard  
8 to the authority granted by this Act, the seller to  
9 collect and remit taxes covered by this Act with re10  
spect to such sale.

11 (6) REMOTE SELLER.—The term “remote sell12  
er” means any seller who makes a remote sale.

13 (7) STATE.—The term “State” means each of  
14 the several States, the District of Columbia, the  
15 Commonwealth of Puerto Rico, Guam, American  
16 Samoa, the United States Virgin Islands, the Com17  
monwealth of the Northern Mariana Islands, and  
18 any other territory or possession of the United  
19 States.

20 (8) STREAMLINED SALES AND USE TAX AGREE21

MENT.—The term “Streamlined Sales and Use Tax  
22 Agreement” (or “the Agreement”) means the  
23 multistate agreement with that title adopted on No24  
vember 12, 2002, as in effect on the date of the en-

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•HR 2701 IH

1 actment of this Act and unless the context otherwise  
2 indicates as further amended from time to time.

3 SEC. 10. SEVERABILITY.

4 If any provision of this Act, an amendment made by  
5 this Act, or the application of such provision or amend6  
ment to any person or circumstance is held to be unconsti7  
tutional, the remainder of this Act, the amendments made  
8 by this Act, and the application of the provisions of such  
9 to any person or circumstance shall not be affected there10  
by.

11 SEC. 11. SENSE OF CONGRESS ON DIGITAL GOODS AND  
12 SERVICES.

13 It is the sense of Congress that each Member State  
14 that is a party to the Agreement should work with other  
15 Member States that are also parties to the Agreement to  
16 prevent double taxation in situations where a foreign coun17  
try has imposed a transaction tax on a digital good or  
18 service.

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112TH CONGRESS  
1ST SESSION S. 1452

To promote simplification and fairness in the administration and collection  
of sales and use taxes.

IN THE SENATE OF THE UNITED STATES  
JULY 29, 2011

Mr. DURBIN (for himself, Mr. JOHNSON of South Dakota, and Mr. REED) introduced  
the following bill; which was read twice and referred to the Committee  
on Finance

A BILL

To promote simplification and fairness in the administration  
and collection of sales and use taxes.

1 Be it enacted by the Senate and House of Representa2  
tives of the United States of America in Congress assembled,

3 SECTION 1. SHORT TITLE; TABLE OF CONTENTS.

4 (a) SHORT TITLE.—This Act may be cited as the  
5 ‘Main Street Fairness Act’.

6 (b) TABLE OF CONTENTS.—The table of contents for  
7 this Act is as follows:

Sec. 1. Short title; table of contents.

Sec. 2. Consent of Congress.

Sec. 3. Findings.

Sec. 4. Authorization to require collection of sales and use taxes.

Sec. 5. Determinations by governing board and judicial review of such determinations.

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Sec. 6. Minimum simplification requirements.

Sec. 7. Limitation.

Sec. 8. Expedited judicial review.

Sec. 9. Definitions.

Sec. 10. Severability.

Sec. 11. Sense of Congress on digital goods and services.

1 SEC. 2. CONSENT OF CONGRESS.

2 Congress consents to the Streamlined Sales and Use

3 Tax Agreement.

4 SEC. 3. FINDINGS.

5 Congress makes the following findings:

6 (1) States should be encouraged to simplify  
7 their sales and use tax systems.

8 (2) As a matter of economic policy and basic  
9 fairness, similar sales transactions should be treated  
10 equally, without regard to the manner in which sales  
11 are transacted, whether in person, through the mail,  
12 over the telephone, on the Internet, or by other  
13 means.

14 (3) Congress may facilitate such equal taxation  
15 consistent with the United States Supreme Court’s  
16 decision in *Quill Corp. v. North Dakota*.

17 (4) States that voluntarily and adequately sim18  
plify their tax systems should be authorized to cor19  
rect the present inequities in taxation through re20  
quiring sellers to collect taxes on sales of goods or  
21 services delivered in-state, without regard to the lo22  
cation of the seller.

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1 (5) The States have experience, expertise, and  
2 a vital interest in the collection of sales and use  
3 taxes, and thus should take the lead in developing  
4 and implementing sales and use tax collection sys5  
6 in their application and that will simplify the process  
7 for both sellers and buyers.

8 (6) Online consumer privacy is of paramount  
9 importance to the growth of electronic commerce  
10 and must be protected.

#### 11 SEC. 4. AUTHORIZATION TO REQUIRE COLLECTION OF 12 SALES AND USE TAXES.

13 (a) GRANT OF AUTHORITY.—

14 (1) IN GENERAL.—Each Member State under  
15 the Streamlined Sales and Use Tax Agreement is  
16 authorized, subject to the requirements of this sec17  
18 tion, to require all sellers not qualifying for the  
19 small seller exception to collect and remit sales and  
20 use taxes with respect to remote sales sourced to  
21 that Member State under the Agreement.

22 (2) REQUIREMENTS FOR AUTHORITY.—The au22  
23 thorization provided under paragraph (1) shall be  
24 granted once all of the following have occurred:

25 (A) Ten States comprising at least 20 per25  
26 cent of the total population of all States impos-

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1 ing a sales tax, as determined by the most re2  
3 cent Federal census, have petitioned for mem3  
4 bership and have become Member States under  
5 the Agreement.

6 (B) The following necessary operational as6  
7 pects of the Agreement have been implemented  
8 by the Governing Board:

9 (i) Provider and system certification.

10 (ii) Setting of monetary allowance by  
11 contract with providers.

12 (iii) Implementation of an online  
13 multistate registration system.

14 (iv) Adoption of a standard form for  
15 claiming exemptions electronically.

16 (v) Establishment of advisory coun16  
17 cils.

18 (vi) Promulgation of rules and proce18  
19 dures for dispute resolution.

20 (vii) Promulgation of rules and proce20  
21 dures for audits.

22 (viii) Provisions for funding and staff22  
23 ing the Governing Board.

24 (C) Each Member State has met the re24  
25 quirements to provide and maintain the data25  
26 bases for sales and use taxes and the taxability

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1 matrix described in the Agreement, pursuant to  
2 requirements of the Governing Board.

3 (3) LIMITATION OF AUTHORITY.—The author4  
ization provided under paragraph (1)—  
5 (A) shall be granted notwithstanding any  
6 other provision of law; and  
7 (B) is dependent upon the Agreement, as  
8 amended, meeting the minimum simplification  
9 requirements of section 6.

10 (b) TERMINATION OF AUTHORITY.—  
11 (1) IN GENERAL.—The authorization provided  
12 under subsection (a) shall terminate for all States  
13 if—

14 (A) the requirements contained in sub15  
section (a) cease to be satisfied; or  
16 (B) any amendment adopted to the Agree17  
ment after the date of the enactment of this  
18 Act is inconsistent with the provisions of this  
19 Act.

20 (2) LOSS OF MEMBER STATE STATUS.—The au21  
thorization provided under subsection (a) shall ter22  
minate for a Member State, if such Member State  
23 no longer meets the requirements for Member State  
24 status under the terms of the Agreement or the pro25  
visions of this Act.

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1 (c) DETERMINATION OF STATUS.—  
2 (1) IN GENERAL.—The Governing Board shall  
3 determine if Member States are in compliance with  
4 the requirements of subsections (a) and (b) and  
5 whether each Member State meets the minimum  
6 simplification requirements of section 6, and shall  
7 reevaluate such determination on an annual basis.

8 (2) COMPLIANCE DETERMINATION.—Upon the  
9 determination of the Governing Board that all the  
10 requirements of subsection (a) have been satisfied,  
11 the authority to require a seller to collect and remit  
12 sales and use taxes shall commence on the first day  
13 of a calendar quarter at least 6 months after the  
14 date the Governing Board makes its determination.

15 (3) NONCOMPLIANCE DETERMINATION.—Upon  
16 a final determination by the Governing Board that  
17 a Member State is not in compliance with the min18  
imum simplification requirements of section 6 or is  
19 otherwise not in compliance with the Agreement,  
20 that Member State shall lose its remote seller collec21  
tion authority on the earlier of—

22 (A) the date specified by the Governing  
23 Board; or  
24 (B) the later of—

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1 (i) the first day of January at least 2  
2 years after the Governing Board finally de3  
termined the State was not compliant; or

4 (ii) the first day of a calendar quarter  
5 following the end of one full session of the

6 State's legislature beginning after the Gov7  
erning Board finally determined the State  
8 was not compliant.

9 For purposes of this section, the terms "final  
10 determination" or "finally determined" shall  
11 mean that all appeals processes provided for in  
12 the Agreement have been exhausted or the time  
13 for pursuing such appeals has expired. An ac14  
tion before the Federal Court of Claims pursu15  
ant to section 5 shall not operate to stay a  
16 State's loss of collection authority.

17 (4) RESTORATION OF AUTHORITY.—Any Mem18  
ber State that loses its collection authority under  
19 this section must comply with all provisions of this  
20 section to have its remote seller collection authority  
21 restored.

## 22 SEC. 5. DETERMINATIONS BY GOVERNING BOARD AND JU23 DICIAL REVIEW OF SUCH DETERMINATIONS.

24 (a) PETITION.—At any time after the Governing  
25 Board has made the determinations required under section

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1 4(c), any person who may be affected by the Agreement  
2 may petition the Governing Board for a determination on  
3 any issue related to the implementation of the Agreement  
4 or on a Member State's compliance with this Act or the  
5 Agreement.

6 (b) REVIEW IN COURT OF FEDERAL CLAIMS.—Any  
7 person who submits a petition under subsection (a) may  
8 bring an action against the Governing Board in the United  
9 States Court of Federal Claims for judicial review of the  
10 action of the Governing Board on that petition if—

11 (1) the petition relates to an issue of whether—

12 (A) a Member State has satisfied or con13  
tinues to satisfy the requirements for Member  
14 State status under the Agreement;

15 (B) the Governing Board has performed a  
16 nondiscretionary duty of the Governing Board  
17 under the Agreement;

18 (C) the Agreement—

19 (i) continues to satisfy the minimum  
20 simplification requirements of section 6; or

21 (ii) otherwise continues to be con22  
sistent with the provisions of this Act; or

23 (D) any other requirement of section 4 has  
24 been satisfied; and

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1 (2) the petition is denied by the Governing  
2 Board in whole or in part with respect to that issue,  
3 or the Governing Board fails to act on the petition  
4 with respect to that issue not later than the 6-month  
5 period beginning on the day after the date on which  
6 the petition was submitted.

7 (c) TIMING OF ACTION FOR REVIEW.—An action for  
8 review under this section shall be initiated not later than

9 60 days after the denial of the petition by the Governing  
10 Board, or, if the Governing Board fails to act on the peti11  
tion, not later than 60 days after the end of the 6-month  
12 period beginning on the day after the date on which the  
13 petition was submitted.

14 (d) STANDARD OF REVIEW.—

15 (1) IN GENERAL.—In any action for review  
16 under this section, the court shall set aside the ac17  
tions, findings, and conclusions of the Governing  
18 Board found to be arbitrary, capricious, an abuse of  
19 discretion, or otherwise not in accordance with law.

20 (2) REMAND.—If the court sets aside any ac21  
tion, finding, or conclusion of the Governing Board  
22 under paragraph (1), the court shall remand the  
23 case to the Governing Board for further action con24  
sistent with the decision of the court.

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1 (3) NONMONETARY RELIEF.—In connection  
2 with any remand under paragraph (2), the court  
3 may not award monetary relief, but may award de4  
claratory and injunctive relief.

5 (e) JURISDICTION.—

6 (1) GENERALLY.—Chapter 91 of title 28,  
7 United States Code, is amended by adding at the  
8 end the following new section:

9 “SEC. 1510. JURISDICTION REGARDING THE STREAMLINED  
10 SALES AND USE TAX AGREEMENT.

11 “The United States Court of Federal Claims shall  
12 have exclusive jurisdiction over actions for judicial review  
13 of determinations of the Governing Board of the Stream14  
lined Sales and Use Tax Agreement under the terms and  
15 conditions provided in section 5 of the Main Street Fair16  
ness Act.”.

17 (2) CONFORMING AMENDMENT TO TABLE OF  
18 SECTIONS.—The table of sections for chapter 91 of  
19 title 28, United States Code, is amended by adding  
20 at the end the following new item:

“1510. Jurisdiction regarding the streamlined sales and use tax agreement.”.

21 SEC. 6. MINIMUM SIMPLIFICATION REQUIREMENTS.

22 (a) IN GENERAL.—The minimum simplification re23  
quirements for the Agreement are as follows:

24 (1) A centralized, one-stop, multistate registra25  
tion system that a seller may elect to use to register

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1 with the Member States, provided a seller may also  
2 elect to register directly with a Member State, and  
3 further provided that privacy and confidentiality  
4 controls shall be placed on the multistate registra5  
tion system so that it may not be used for any pur6  
pose other than the administration of sales and use  
7 taxes. Furthermore, no taxing authority within a  
8 Member State or a Member State that has with9  
drawn or been expelled from the Agreement may use  
10 registration with the centralized registration system

11 for the purpose of, or as a factor in determining,  
12 whether a seller has a nexus with that Member State  
13 for any tax at any time.

14 (2) Uniform definitions of products and prod15  
uct-based exemptions from which a Member State  
16 may choose its individual tax base, provided, how17  
ever, that all local jurisdictions in that Member  
18 State with respect to which a tax is imposed or col19  
lected, shall have a common tax base identical to the  
20 State tax base of that Member State. A Member  
21 State may enact product-based exemptions without  
22 restriction if the Agreement does not have a defini23  
tion for the product or for a term that includes the  
24 product. A Member State shall relax the good faith  
25 requirement for acceptance of exemption certificates  
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1 in accordance with section 317 of the Agreement, as  
2 in effect on the date of the enactment of this Act.

3 (3) Uniform rules for sourcing and attributing  
4 transactions to particular taxing jurisdictions.

5 (4) Uniform procedures for the certification of  
6 service providers and software on which a seller may  
7 elect to rely in order to determine Member State  
8 sales and use tax rates and taxability.

9 (5) Uniform rules for bad debts and rounding.

10 (6) Uniform requirements for tax returns and  
11 remittances.

12 (7) Consistent electronic filing and remittance  
13 methods.

14 (8) Single, State-level administration of all  
15 Member State and local sales and use taxes, includ16  
ing a requirement for a State-level filing of tax re17  
turns in each Member State.

18 (9) A provision requiring the elimination by  
19 each Member State of caps and thresholds on the  
20 application of sales and use tax rates and exemp21  
tions based on value, provided that this limitation  
22 does not apply to the items identified in sections  
23 308C, 322, and 323 of the Agreement, as in effect  
24 on the date of the enactment of this Act.

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1 (10) A provision requiring each Member State  
2 to complete a taxability matrix, as adopted by the  
3 Governing Board. The matrix shall include informa4  
tion regarding terms defined by the Agreement in  
5 the Library of Definitions. The matrix shall also in6  
clude, pursuant to the requirements of the Gov7  
erning Board, information on use-, entity-, and  
8 product-based exemptions.

9 (11) A provision requiring that each Member  
10 State relieves a seller or service provider from liabil11  
ity to that Member State and local jurisdiction for  
12 collection of the incorrect amount of sales or use tax,  
13 and relieves the purchaser from penalties stemming

14 from such liability, provided that collection of the  
15 improper amount is the result of relying on informa16  
tion provided by that Member State regarding tax  
17 rates, boundaries, or taxing jurisdiction assignments,  
18 or in the taxability matrix regarding terms defined  
19 by the Agreement in the Library of Definitions.

20 (12) Audit procedures for sellers, including an  
21 option under which a seller not qualifying for the  
22 small business exception may request, by notifying  
23 the Governing Board, to be subject to a single audit  
24 on behalf of all Member States for sales and use

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1 taxes. The Governing Board, in its discretion, may  
2 authorize such a single audit.

3 (13)(A) Subject to subparagraphs (B), (C),  
4 (D), and (E), a provision requiring that in order for  
5 a Member State to require collection with respect to  
6 remote sales under section 4, the Member State  
7 shall provide compensation for expenses incurred by  
8 a seller directly in administering, collecting, and re9  
mitting sales and use taxes to that Member State.

10 Such compensation may vary in each Member State  
11 as provided in the Agreement.

12 (B) Congress hereby finds that the compensa13  
tion for expenses incurred by sellers required of  
14 Member States under the terms of the Agreement,  
15 as in effect on the enactment of this Act, is the min16  
imum compensation necessary, when considered in  
17 connection with the simplification requirements con18  
tained in the Agreement on the date authority to re19  
quire collection commences under section 4, to sat20  
isfy the requirement under subparagraph (A) on  
21 such date.

22 (C)(i) A provision requiring that the minimum  
23 compensation required of a Member State under  
24 subparagraph (A) may be modified as follows:

VerDate Mar 15 2010 00:40 Jul 31, 2011 Jkt 099200 PO 00000 Frm 00014 Fmt 6652 Sfmt 6201 E:\BILLS\S1452.IS  
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1 (I) Adjusted in relationship to changes in  
2 the size of the small business exemption adopt3  
ed by the Governing Board.

4 (II) Decreased as additional simplifications  
5 and improvements in technology reduce collec6  
tion costs.

7 (III) Increased if provisions of the Agree8  
ment are adopted that increase collection costs.

9 (ii) Any such modification in the minimum re10  
quired compensation must be based on an inde11  
pendent review of the expenses incurred by sellers in  
12 administering, collecting, and remitting sales and  
13 use taxes and shall consider all changes impacting  
14 such expenses and take into account and be propor15  
tional to the increase or decrease in the expenses in16  
curred by sellers in administering, collecting, and re17  
mitting sales and use taxes.

18 (D) The compensation required by subpara19  
graph (A) shall be provided pursuant to the imple20  
mentation schedule set out in the Agreement. Noth21  
ing in this Act shall prohibit a Member State from  
22 providing compensation greater than the amount re23  
quired by this Act or the Agreement or on a date  
24 earlier than required by this Act or the Agreement.

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1 (E) Compensation necessary to meet the re2  
quirement of subparagraph (A) may be provided to  
3 a seller or a third party service provider whom a  
4 seller has contracted with to perform the sales and  
5 use tax responsibilities of a seller.

6 (14) Appropriate protections for consumer pri7  
vacy.

8 (15) Governance procedures and mechanisms to  
9 ensure timely, consistent, and uniform implementa10  
tion and adherence to the principles of the stream11  
lined system and the terms of the Agreement.

12 (16) A uniform rule to establish a small seller  
13 exception to a requirement to collect authorized by  
14 this Act.

15 (17) Uniform rules and procedures for sales tax  
16 holidays.

17 (18) Uniform rules and procedures to address  
18 refunds and credits for sales taxes relating to cus19  
tomer returns, restocking fees, discounts and cou20  
pons, and rules to address allocations of shipping  
21 and handling and discounts applied to multiple item  
22 and multiple seller orders.

23 (b) REQUIREMENT TO PROVIDE SIMPLIFIED TAX  
24 SYSTEMS.—

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1 (1) IN GENERAL.—The requirements of this  
2 section are intended to ensure that each Member  
3 State provides and maintains the necessary sim4  
plification to its sales and use tax system to warrant  
5 the collection authority granted to such Member  
6 State in section 4.

7 (2) REDUCTION OF ADMINISTRATIVE BUR8  
DENS.—The requirements of this section should be  
9 construed—

10 (A) to require each Member State to sub11  
stantially reduce the administrative burdens as12  
sociated with sales and use taxes; and

13 (B) as allowing each Member State to ex14  
ercise flexibility in how these requirements are  
15 satisfied.

16 (3) EXCEPTION.—In instances where exceptions  
17 to the requirements of this section can be exercised  
18 in a manner that does not materially increase the  
19 administrative burden on a seller obligated to collect  
20 or pay the taxes, such exceptions are permissible.

21 (c) NO REQUIREMENT TO EXEMPT FROM OR IMPOSE

22 TAX.—Nothing in this Act or the Agreement shall require  
23 any Member State or any local taxing jurisdiction to ex24  
empt, or to impose a tax on any product, or to adopt any  
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1 particular type of tax, or to impose the same rate of tax  
2 as any other taxing jurisdiction.

3 SEC. 7. LIMITATION.

4 (a) IN GENERAL.—Nothing in this Act shall be con5  
strued as—

6 (1) subjecting a seller to franchise taxes, in7  
come taxes, or licensing requirements of a Member  
8 State or political subdivision thereof; or

9 (2) affecting the application of such taxes or re10  
quirements or enlarging or reducing the authority of  
11 any Member State to impose such taxes or require12  
ments.

13 (b) NO EFFECT ON NEXUS, ETC.—

14 (1) IN GENERAL.—No obligation imposed by  
15 virtue of the authority granted by section 4 shall be  
16 considered in determining whether a seller has a  
17 nexus with any Member State for any other tax pur18  
pose.

19 (2) PERMISSIBLE MEMBER STATE AUTHOR20  
ITY.—Except as provided in subsection (a), and in  
21 section 4, nothing in this Act permits or prohibits a  
22 Member State from—

23 (A) licensing or regulating any person;

24 (B) requiring any person to qualify to  
25 transact intrastate business;

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S1452 rfederick on DSKD9S0YB1PROD with BILLS  
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1 (C) subjecting any person to State taxes  
2 not related to the sale of goods or services; or  
3 (D) exercising authority over matters of  
4 interstate commerce.

5 SEC. 8. EXPEDITED JUDICIAL REVIEW.

6 (a) THREE-JUDGE DISTRICT COURT HEARING.—  
7 Notwithstanding any other provision of law, any civil ac8  
tion challenging the constitutionality of this Act, or any  
9 provision thereof, shall be heard by a district court of 3  
10 judges convened pursuant to the provisions of section  
11 2284 of title 28, United States Code.

12 (b) APPELLATE REVIEW.—

13 (1) IN GENERAL.—Notwithstanding any other  
14 provision of law, an interlocutory or final judgment,  
15 decree, or order of the court of 3 judges in an action  
16 under subsection (a) holding this Act, or any provi17  
sion thereof, unconstitutional shall be reviewable as  
18 a matter of right by direct appeal to the United  
19 States Supreme Court.

20 (2) THIRTY-DAY TIME LIMIT.—Any appeal  
21 under paragraph (1) shall be filed not more than 30  
22 days after the date of entry of such judgment, de23  
cree, or order.

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1 SEC. 9. DEFINITIONS.

2 For the purposes of this Act the following definitions  
3 apply:

4 (1) GOVERNING BOARD.—The term “Governing  
5 Board” means the governing board established by  
6 the Streamlined Sales and Use Tax Agreement.

7 (2) MEMBER STATE.—The term “Member  
8 State” —

9 (A) means a Member State as that term is  
10 used under the Streamlined Sales and Use Tax  
11 Agreement as in effect on the date of the enact12  
ment of this Act; and

13 (B) does not include associate members  
14 under the Agreement.

15 (3) NONDISCRETIONARY DUTY OF THE GOV16  
ERNING BOARD.—The term “nondiscretionary duty  
17 of the Governing Board” means any duty of the  
18 Governing Board specified in the Agreement as a re19  
quirement for action by use of the term “shall”,  
20 “will”, or “is required to”.

21 (4) PERSON.—The term “person” means an in22  
dividual, trust, estate, fiduciary, partnership, cor23  
poration, limited liability company, or any other  
24 legal entity, and includes a State or local govern25  
ment.

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1 (5) REMOTE SALE.—The term “remote sale”  
2 means a sale of goods or services attributed to a  
3 particular Member State with respect to which a  
4 seller does not have adequate physical presence to  
5 establish nexus under the law existing on the day be6  
fore the date of the enactment of this Act so as to  
7 allow such Member State to require, without regard  
8 to the authority granted by this Act, the seller to  
9 collect and remit taxes covered by this Act with re10  
spect to such sale.

11 (6) REMOTE SELLER.—The term “remote sell12  
er” means any seller who makes a remote sale.

13 (7) STATE.—The term “State” means each of  
14 the several States, the District of Columbia, the  
15 Commonwealth of Puerto Rico, Guam, American  
16 Samoa, the United States Virgin Islands, the Com17  
monwealth of the Northern Mariana Islands, and  
18 any other territory or possession of the United  
19 States.

20 (8) STREAMLINED SALES AND USE TAX AGREE21  
MENT.—The term “Streamlined Sales and Use Tax  
22 Agreement” (or “the Agreement”) means the  
23 multistate agreement with that title adopted on No24  
vember 12, 2002, as in effect on the date of the en-

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1 actment of this Act and unless the context otherwise  
2 indicates as further amended from time to time.

3 SEC. 10. SEVERABILITY.

4 If any provision of this Act, an amendment made by  
5 this Act, or the application of such provision or amend6  
ment to any person or circumstance is held to be unconsti7  
tutional, the remainder of this Act, the amendments made  
8 by this Act, and the application of the provisions of such  
9 to any person or circumstance shall not be affected there10  
by.

11 SEC. 11. SENSE OF CONGRESS ON DIGITAL GOODS AND  
12 SERVICES.

13 It is the sense of Congress that each Member State  
14 that is a party to the Agreement should work with other  
15 Member States that are also parties to the Agreement to  
16 prevent double taxation in situations where a foreign coun17  
try has imposed a transaction tax on a digital good or  
18 service.

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