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Kentucky joins national Sales Tax Simplification Agreement

FRANKFORT, Ky.—Kentucky is one of 18 states that recently voted to trigger an Oct. 1, 2005, effective date for the Streamlined Sales and Use Tax Agreement, a multi-state agreement providing for simplification of the nation's varying sales tax laws. These 18 states are part of a nationwide effort by 43 state and local governments and members of the business community to develop measures to design, test and implement a system that radically simplifies sales and use tax collection and administration by retailers and states.

The agreement will take effect just shy of three years from its initial approval date on Nov. 12, 2002. Following approval in 2002, numerous state legislatures immediately began to consider and pass legislation to bring their states into compliance with its provisions. Under its terms, the change becomes binding and effective when states comprising at least 20 percent of the total population of states with a sales tax have approved the agreement. This threshold was achieved on July 1, 2005 in Chicago during a meeting of petitioning states with the affirmative vote on these 18 states.

Full members, or states with sales tax law and policies in substantial compliance with each of the provisions of the Streamlined Agreement, include Indiana, Iowa, Kansas, Kentucky, Michigan, Minnesota, Nebraska, North Carolina, Oklahoma, South Dakota and West Virginia. New Jersey, North Dakota, Ohio, Tennessee and Utah were approved as associate members and will become full members when certain amendments to their sales taxes approved by the legislature become effective. Arkansas and Wyoming were approved as associate members and may petition for full membership following the passage of certain amendments to their conforming legislation.

"This cooperative effort is a major step in creating greater uniformity and simplicity in the area of sales and use taxation across the country," said Kentucky Department of Revenue Commissioner Mark Treesh. "It is a very significant project and we believe it will make tax compliance easier for all sellers, as well as create greater equity between our in-state and remote vendors. It will also simplify the manner in which Kentucky consumers must meet their own tax obligations by having the tax in most instances collected at the point of sale."

The effective date of the agreement triggers a Web-based centralized point of sales tax registration for the member states, certification of software that will assist in sales tax collection responsibilities and an amnesty period for sellers that have not been contacted by member states for audit. The simplified system reduces the number of sales tax rates, brings uniformity to definitions of items in the sales tax base, significantly reduces the paperwork burden on retailers, and incorporates new technology to modernize many administrative procedures.

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While current law does not require e-commerce and direct mail companies to collect and remit sales taxes on transactions that occur in jurisdictions where they do not have a physical presence, the states expect some of these companies to come forward and volunteer to collect taxes under the simplified system.

Individuals and companies seeking more information on the Streamlined Sales and Use Tax Agreement and the new simplified system may refer to the Web site at www.streamlinedsalestax.org.