

States should create a certification framework for sales tax compliance software providers.

Certified Service Providers are an integral part of a simple sales tax—leading to enhanced tax revenues and lower administrative costs for retailers and states.

In the post-*Wayfair* sales tax environment, sellers who bring their goods to a national market must navigate a complex web of state sales tax rules and regulations. Keeping track of shifting boundaries within a state, variable bases, and changing tax rates of distinct taxing jurisdictions is a daunting task, but the system is particularly burdensome for smaller sellers without dedicated compliance staff.

Cloud-based software from leading sales tax compliance companies significantly eases multi-jurisdiction sales tax calculation, collection, and remittance. **Using software from a certified service provider simplifies and streamlines the process for retailers, creating cost savings for states and encouraging voluntary compliance.** All states should develop frameworks to certify service providers to ensure accurate and efficient sales tax collection and remittance.

Twenty-four states have already had success implementing Certified Service Provider (CSP) frameworks. In the 24 Streamlined Sales and Use Tax Agreement (SSUTA) states, CSPs serve as trusted intermediaries, helping to facilitate the prompt and accurate collection and payment of sales tax from retailers across countless jurisdictions.

Certified Service Providers: an integral part of a simple sales tax.

For more than five years, CSPs have worked with the SSUTA to provide a full suite of compliance systems for sellers in their member states. When a service provider and its software are certified by a state, both the state and taxpayers can approach the market knowing that sales taxes are being accurately collected and remitted. CSPs automatically provide sellers with all the information needed to remain tax code compliant in a constantly-changing environment, from identifying the appropriate taxing jurisdiction, to automatically applying any appropriate exemptions, to seamlessly collecting and remitting owed tax. **These efficiencies lead to higher compliance rates, enhanced tax collections, and lower state administrative costs.**

A robust CSP framework should include five key provisions.

Non-SSUTA states will also benefit from certifying tax service providers, recognizing the role and proficiency of CSPs in facilitating higher compliance rates and more accurate tax collections. States working to build CSP frameworks should include the following key provisions in their framework:

- 1 Authorizing tax officials to establish standards for CSP certification.**
- 2 Requiring tax officials to maintain a database of tax jurisdictional boundaries and rates.**
- 3 Establishing minimum certification standards.**
- 4 Providing liability relief for CSPs and sellers relying on state data.**
- 5 Exempting a remote seller's registration from any determination of taxation nexus.**

Additional Background

In its decision in *South Dakota v. Wayfair*, the U.S. Supreme Court removed a key limitation on state authority to levy sales and use taxes on out-of-state sellers. However, the Court articulated that this authority is predicated on states providing sellers with protections from undue collection and remittance burdens. This is the essential service that CSPs provide: by ensuring that sellers of every size or budget can comply with any state's tax code, they help to ensure that remote sales tax collection systems can survive legal scrutiny. The Court itself explicitly recognized the importance of CSPs in sales tax administration, identifying three key elements of a constitutional sales tax regime as applied to remote sellers, including "provid[ing] sellers access to sales tax administration software paid for by the State."