Streamlined Sales Tax Mitigation
Advisory Committee Meeting Minutes
May 6, 2009

Attendees:
Lorrie Brown, Office of Financial Management
Dean Carlson, Senate Ways & Means
Sheila Gall, Association of Washington Cities
Bob Jean, City of University Place
Jim Katica, City of Woodinville
Neil Kruse, City of Kirkland
Danielle Larson, City of Tacoma
Glen Lee, City of Seattle
Lucy Liu, City of Bellevue
Scott Merriman, Association of Counties
Bob Nachlinger, City of Kent
Rick Peterson, House Finance
John Starbard, City of Newcastle
Cynthia Stewart, Thurston County
Jim Turpie, Community Transit
Kristie Vessey, Thurston County

Department of Revenue Staff - Matthew Bryan, Kim Davis, Joyce Fouts, Miki Gearhart, Don Gutmann, Jim Harden, Tiffany Johnson, Diane Mielke, Kathy Oline, James Petit, Greg Potegal

Legislative Update

Don Gutmann: The money for mitigation was adopted in the final budget. We forecasted $31.5 million for Fiscal Year 2010 and $33.6 million for Fiscal Year 2011. They are in the budget. In Fiscal Year 2009 there are only three payments – we forecasted that we would need $22.9 million. The two payments have totaled $14.8 million. The second payment totaled a little under $7 million. I don't think we are going to hit $8 million for the first quarter of 2009.

Lorrie Brown: What will happen to the extra?

Don Gutmann: It will stay in the account until the Legislature does something with it.

Greg Potegal: During the session there was one bill that dealt with Streamlined – Senate Bill 5566. It allowed in-state printers to source their mail to the printer's location. This is what is done now, and they will continue to source it to the home location. At the national level there is a meeting of the governing board next week and they are expected to vote on the membership of Wisconsin. The only other state that looks like it might become a member soon is Massachusetts. They passed a law dealing with an amendment for taxing clothing under $100.

Update on Second Payment – Comparison of Second vs. First Payment

Matthew Bryan: The last payment went out on March 31. It was quite a bit lower than the first payment. We had fewer jurisdictions receiving payments than the first payment. This last payment 56 jurisdictions had a larger payment and 54 had a smaller one, so it's relatively even. Technical problems and questions went down the second quarter.

Don Gutmann: The biggest reason for the drop in the second payment was the economy. Appliance sales, anything having to do with construction has gone down. We don't expect the payments to increase for the next payment.

Matthew Bryan: We took more firms out of the calculation and we expect that to continue.

Contact by Jurisdictions on Payments/Detail Data

Don Gutmann: Detail files have been made available to each of the jurisdictions.

Matthew Bryan: The most common firm level questions have been why has a firm been left out of the calculation? The calculations have been skewed by recently opened and closed establishments, and we have been looking at them. Questions have gone down a lot. The first payment we had 120 total conversations, and that has gone down to 20 this time. We are doing a good job of getting information to the people who need it.

The biggest adjustment that Research has made is to remove a firm from the calculation. We have taken a total of 370 firms out of the calculation between the first and second payments.

Don Gutmann: The changes to their numbers are not due to sourcing, so that is why we removed these types of firms.

Matthew Bryan: We removed 100 establishments that we adjusted for because of openings and closings. Another question was the payment size or lack of payment – one received a mitigation payment the second quarter that didn't receive one in the first quarter. That was Bellingham. Tacoma received a payment in the first quarter but not in the second quarter. Three had a big decrease in the size of the payment from first to second quarter.

TAA Follow-up

Tiffany Johnson: We have been looking at the Q3/08 requests specifically. We received 12 requests; we reviewed 691 accounts and adjusted 104 accounts. Some examples of misreporting were offsite catering and Internet sales that were reported incorrectly.

For Q4/08 we received five requests from jurisdictions on 50 accounts. So far we have reviewed 45 accounts, and we are still reviewing them.

Kim Davis: Do you move local dollars from one jurisdiction to another?

Tiffany Johnson: Yes.

Jim Turpie: Looking at the transits – Thurston went from very positive to very negative. Did something happen particularly in Thurston County?

Matthew Bryan: It probably was an adjustment. I will get back to you on that one.

Dean Carlson: Do we know the level of compliance?

Tiffany Johnson: Overall, the firms have made the change pretty well.

Don Gutmann: We looked at the top 100 businesses. You could tell that the retailers have made the change. We feel that 95 percent of the top 100 firms made the change to destination sourcing.

Bob Nachlinger: I was concerned about the process itself. Between the Q3/08 payment and the Q4/08 payment I had a large number of firms whose NAICS codes did not show up in the Q4 payment when they did in the Q3 payment. I was concerned that there wasn't a check between one quarter and the next. Was there a crosswalk between quarterly payments to make sure you get the right firms in the calculation?

Matthew Bryan: No, there wasn't. We are still looking into some firms. There is no systematic way that we go through and say these are in the first payment and these are in the second payment.

Kim Davis: When a local jurisdiction tells us to review a business, it might impact more than the jurisdiction that contacted us. It will impact all the jurisdictions where they are filing.

Bob Nachlinger: And that is why we decided as a group to not retroactively make adjustments to the payments. I am basically concerned about the entire process, about the magnitude of the change and the fact that the account is in one quarter and it just vanishes in the next quarter's payment when the business is still there and moving forward. I was very comfortable with the process, but this has taken my comfort level down quite a bit.

Kim Davis: Certainly there are a lot of reasons why a firm may not be showing up. We are asking that the local jurisdictions do a review and let us know where there are problems. We suggest that you continue to look at your detail information each quarter and let us know about firms that we should look at.

Miki Gearhart: I don't think doing a crosswalk would be realistic. A firm might be doing business in this location this quarter, then in a different location the next quarter. So there wouldn't be a crosswalk from one quarter to the next.

Don Gutmann: This will only be an issue for a couple of more payments. I want to emphasize that we call the businesses and ask questions about what they do and how they are reporting.

Jim Katica: One of our top five businesses in the city of Woodinville sells computer and software equipment and installs it across the state. They weren't there in the second mitigation payment. Now we have lost perhaps $200,000. My guess is this business was classified as professional technical and maybe it should be retail sales. The business said only a small part of its business is the installation. My question is how do we deal with errors that are made? To not go back and fix the errors – in this instance somebody got the destination revenue from that, but the city of Woodinville wasn't mitigated. At this time when cities are suffering, it seems to me like putting blinders on at the wrong time.

Matthew Bryan: We have talked about making a specific exception in this case and hand programming this business in.

Jim Katica: Can you just change the NAICS code?

Matthew Bryan: We looked at the business and decided the NAICS code is right.

Miki Gearhart: Do we have confidentiality issues with providing a list of the firms that are out of the calculation for mitigation?

Don Gutmann: I have a concern with that. We need to check into it. I have been told we can not do that.

Neil Kruse: I think we should add this to our list of why we need to have horizontal conversations. Streamlined and destination based sourcing change things and require more communication.

Matthew Bryan: Maybe we can talk about this before the next meeting.

Kim Davis: On any of the firms that we are taking out, we have an adjustment file that gives the business the reason why it is taken out. We are very systematically tracking the businesses that are being removed.

Threshold Discussion

Don Gutmann: There is an issue paper in the packet for this. After the first payment some jurisdictions sent the file back to us and asked us to look at all of the accounts. We looked at over 700 accounts for one city. Given that volume, we looked at over 100 of its accounts and it changed the calculation by less than half a percent. We need to establish a threshold. If the gain or loss due to sourcing in terms of taxable retail sales is under $1,000, we want to tell the jurisdiction that we won't look at it. When we are ready to do the annual calculation, we want to provide to every jurisdiction the firm level detail and do it ahead of time so the jurisdictions have time to look at the firms. We want to attach a letter to the detail saying to look at the firms with the large gains and the ones with the large losses, and we want to walk them through how they should look at the detail.

Kim Davis: How many people here are familiar with the detail? On the detail reports we are giving you the registration number, the taxable retail sales for the same quarter last year, the taxable retail sales for the quarter this year, and whether you have a gain or loss due to sourcing. If you are seeing a business with a zero, that means that business did not have any impact based on destination sourcing. If you see a gain or loss for that business, you want to look at that. If you see that you lost a dollar in sales tax from one account, it may not be the best use of our time to look into what happened.

Cynthia Stewart: I work in Thurston County, and 50 percent of our population is in the unincorporated area. We were expecting a shift from city taxes to county. We are not seeing any gain or loss where the cities are showing gains or losses. How do we look at what is happening for us?

Don Gutmann: You need to sign the data sharing agreement so you can look at the detail and sort the information by the gains and losses.

Bob Nachlinger: Is the problem that the jurisdictions are coming back to you and saying I don't like it, so please look at the whole thing? Rather than putting a dollar amount threshold on it, could we put a limit on the number of accounts that you will look at?

James Petit: That could be reasonable.

Don Gutmann: That is reasonable to us because we are trying to cut down the number of firms that we look at.

Bob Nachlinger: Could we say you will look at 10 percent of a jurisdiction's businesses?

Lorrie Brown: If you say you can highlight up to 10 percent, it might be an invitation to pick your top 10. You might want to make an exception for a jurisdiction with a bunch of tiny, tiny firms.

James Petit: This is a workload issue for us.

Scott Merriman: I am a little concerned that the conversation is biased toward the urban areas. Can we approach this in a way that there is equity in the conversation?

Miki Gearhart: Have we gotten requests from counties to look at their detail?

Tiffany Johnson: Two in Quarter 4, none in Quarter 3.

Miki Gearhart: Can I ask which counties?

Tiffany Johnson: Kitsap and Skagit.

Jim Turpie: My concern about setting a limit, it depends on what the question they're asking is. I understand the concern about doing a percentage because a jurisdiction might pick the number of firms in their jurisdiction that reaches that percentage.

Miki Gearhart: I think we are pretty flexible. We are not getting questions from many counties.

Kim Davis: When we get to the point where we are trying to set the mitigation payment, if we have 400 jurisdictions sending us their entire lists, we need to continue training the jurisdictions on how to read the detail file so they know which firms they need to ask about.

Bob Nachlinger: It doesn't seem like it is a problem anymore.

Don Gutmann: We want to do as much as we can to tell the jurisdictions to look at their detail. I would hope that every jurisdiction will look at the file when we send it out sometime in late September or early October.

Miki Gearhart: Is it possible that we could put together some sort of Webinar and invite all the people who get the files? I don't know if we have the resources to do that right now, but we could ask.

Don Gutmann: I was thinking about sending out some instructions.

Sheila Gall: We could work with our training folks to set something up with you.

Lucy Liu: The cities are having a roundtable meeting in early June.

Sheila Gall: The AWC is hosting that. It is being held around June 11th. Could you be ready with a paper by then?

Matthew Bryan: We could put something together.

Don Gutmann: We would like it to be consistent across jurisdictions.

Miki Gearhart: If we need to revisit this issue at the next meeting, we can.

Don Gutmann: I have no feel for how many jurisdictions are going to contact us when we do the annual detail.

Miki Gearhart: Are you suggesting that we wait until the six quarters are through?

Don Gutmann: I am saying when we have all of 2009.

Kim Davis: The annual view is allowing the jurisdictions another opportunity to look at the detail and see the broader picture.

Late Implementers

Tiffany Johnson: We consider a late implementer as a business that has failed to implement destination based sales tax. We are able to identify 38 businesses that failed to implement destination based sourcing. Nine amended returns have been submitted and six are pending amended returns. One firm was reporting 29 location codes and now is reporting 191.

We will be following up with 23 firms. The amended taxable sales are about $580,000.

The businesses are filing correctly now. We will keep that list going. We also have the situation where they were early implementers and we are keeping that list too.

Past Payment Adjustments

Kim Davis: We are now going to look at Issue Paper 04-03 – Adjustments to Taxpayer Data.

Jim Katica: It is a pretty broad brush that is being used by the committee to not look back. We would lose and have lost some pretty big dollars. I am not sure that it is always the case that some other city receives the dollars. My guess is that the dollars are still in the pool. But even if cities received dollars that another jurisdiction was entitled to, I think they should return the money and a correction should be made. It impacts us too heavily to not go back and make the adjustments.

Bob Nachlinger: I am looking at a major distribution company in Kent. I am guessing that someone complained about the gain that they received from the sourcing change and the firm was eliminated from mitigation. So some firms don't show the gain anymore, but they are in my jurisdiction and I am the only one showing the loss. I am concerned about the magnitude of dollars as well as the process itself. I am looking at a 20 percent swing as a result of the changes. I am not sure any other jurisdiction received a gain from this firm. I am not sure that switching them back is going to result in any shift of dollars from the other jurisdictions to me. If that is the case, I would like my money.

Kim Davis: The committee made the recommendation to make prospective adjustments and not make adjustments to the current mitigation distribution. We realized there were going to be shifts. Is each quarter's data rerun? How many times? Every time someone comes forward, would we need to rerun the data? We need to come up with a new recommendation if the committee is choosing to change that recommendation.

Lorrie Brown: At the end of your six quarters, you're going to be doing an annual data run for the whole past. So you wouldn't have to rerun the data. That would be the actual.

Bob Nachlinger: You would have to rerun the numbers because if the firm was put back in my data, you would have to rerun the data to include it.

Lorrie Brown: In the meantime, things will be shifting all around.

Miki Gearhart: The other question is do we have a certain pile of money to draw from? Part of the discussion before was if you hit that threshold, you would have to prorate to give everyone their money.

Bob Nachlinger: I am satisfied that the adjustments for the true-up period are going to result in the correct amount of mitigation payments coming to me going forward. You just cost me $200,000. You just cost me two cops.

Dean Carlson: At the six quarter mark, couldn't those who had some shortage in the past get more and those who had gains could get less so they don't have to give any back? Then you have it going forward.

Lorrie Brown: I don't know if it is possible, but could you use the extra money to adjust the negative ones and not bother with the ripple effects?

Rick Peterson: You might have to ask for some legislative guidance on this. When the local sales distribution is made and an error is made, the money is taken back. Who knows? Maybe the financial situation will be better by the time we get to that payment.

Dean Carlson: This will all come down before the supplemental session, right?

Don Gutmann: It will be after the session when we fix those periods.

Dean Carlson: It is just an appropriation, so you could build it into the appropriation.

Jim Katica: It might still be in your pool.

Kim Davis: We are going to have some large jurisdictions that have the staff to look at the detail and look for problems. Smaller jurisdictions might not have the staff to do that.

Don Gutmann: Would Kent and Woodinville be willing to wait six months to be made whole?

Bob Nachlinger: When would that be?

Kim Davis: The six quarters would be after next January.

Don Gutmann: You're talking next summer – June of 2010.

Bob Nachlinger: I would still be happy to get the money, but I wouldn't be happy about the delay in getting it. My fiscal year ends December 31 and this would be a downturn for me.

Don Gutmann: Greg, is there anything in the bill that would prevent us from giving it to him now?

Greg Potegal: I need to look at the bill again.

Miki Gearhart: We can come up with all of our recommendations today but not make a decision today.

Don Gutmann: We can not make a decision today. This has to go upstairs.

Bob Nachlinger: I would be interested to find out if the correction was made for my account, would it impact other jurisdictions? We didn’t want to let an error impact different jurisdictions. I have a strong suspicion that by putting these people’s revenue back in as a gain, it is going to do nothing but increase their gain.

Matthew Bryan: I think there will be some people helped and some people hurt by this.

Lorrie Brown: It is more likely to affect the host city but it probably will affect the other cities in dribs and drabs.

Miki Gearhart: The committee has talked before about putting a threshold on but, depending on the size of the jurisdiction, it may or may not be significant.

Kim Davis: It is a catch-22 almost where we want you to look at the jurisdictions but it can be helpful or be a hindrance.

Dean Carlson: I don’t think the term error is appropriate – I think adjustment is appropriate.

Don Gutmann: In one instance, one of the jurisdictions that this firm could possibly be delivering into contacted us. TAA contacted that firm and, based on that contact, we pulled out the firm. Whoever we talked to said they were not doing deliveries. So we pulled the firm out.

Kim Davis: We have pulled businesses where they were destination based prior and the change to destination based sourcing didn’t impact them. That would be a reason why we would pull a firm out.

Rick Peterson: So a big gain in a particular jurisdiction might be because of a large project they worked on.

Kim Davis: As we get to the true-up we will look at all the NAICS to determine if there are other firms that should be included. It is not just on a business by business basis – it will look at annexations, predecessors/successors – so anything during the true-up period could affect what’s going on here.

Bob Nachlinger: Given that my fiscal year ends December 31, I would like it in my fiscal year and not yours.

Don Gutmann: Right now the proposal is that we wait until the true-up period when the annual payments are fixed. We would add that to the first payment after that.

Lorrie Brown: And if somebody was overpaid, you take it out of that payment.

Kim Davis: What if it is more than they get?

Lorrie Brown: Then you carry it forward.

Miki Gearhart: Part of this process was that we would talk about any changes once a year at an annual meeting. I think it is important that everyone will know that that is the meeting when the changes will be made.

Kim Davis: We should come up with some possible solutions and allow the committee time to think about them.

Don Gutmann: We will do a new issue paper on this with your possible solutions.

Lorrie Brown: One is take your true-up numbers and the sum of the four quarters and make the adjustments. The other one is to do that and fund only the negative ones.

Don Gutmann: Another one is to make them whole now or as soon as possible.

Bob Nachlinger: Only consider for adjustments those issues identified by local governments. As a subset of your second solution.

Lorrie Brown: If you're going back on some, you should go back on all of them.

Jim Turpie: What kind of threshold are we talking about for making them whole now?

Kim Davis: So on these possible solutions is it only making the quarters whole or if two years from now I want to make an adjustment, does it go back to the beginning?

Lorrie Brown: I think that makes it very messy.

Bob Nachlinger: When mitigation is fixed, you close the door on it.

Kim Davis: So adjustments are prospective only? But if you suddenly discovered a firm that had an incorrect NAICS code for years, would you expect that to be fixed back to the beginning or going forward?

Bob Nachlinger: It would have to be going forward.

Don Gutmann: So one possibility if we determine there is a need to make an adjustment, we could add that amount to your next payment to cover the back period or periods.

Bob Nachlinger: Or you could make it to my payment on January 1.

Kim Davis: How do we determine the gains or losses without rerunning the data?

Lorrie Brown: You just compare your final number with the four quarters and you don’t rerun the data.

Matthew Bryan: You would have to rerun all four quarters individually.

Bob Nachlinger: But my point is if you’re going to make adjustments to the data, even without making adjustments to the mitigation payments, you will have to rerun all the quarters. Say there is a taxpayer error, and the firm I am concerned about was removed inappropriately. To ensure that the mitigation prior to being fixed is correct, you are going to have to rerun the data.

Kim Davis: When it is annualized.

Lorrie Brown: Matthew is saying that part will be annualized but there are other parts. Essentially they will end up having to run all four quarters again.

Kim Davis: If you bring something forward this quarter and you want us to rerun all the quarters, and then the next quarter somebody else brings up something and wants the quarters rerun, we will be rerunning every quarter.

Bob Nachlinger: Any adjustments to the payments can be made on the December 31 payment.

Kim Davis: I’m hearing that after the four quarters we do kind of a true-up. At that point we would sum up what the four quarters should have been versus what they got and that difference would be in the next payment after that. That would put us at the December 31 payment.

The next option is to do the same true-up only make the negatives whole and don’t make an adjustment to the positives. Another is after the mitigation is set at the annual meeting, it would always go forward and not go back.

Bob Nachlinger: That would be after mitigation is fixed.

Jim Turpie: What about the six quarters that we are going to use? What are we going to do then?

Kim Davis: The plan before was that everything would be prospective.

Lorrie Brown: So quarters five and six will be like quarters one through four. So you would have to do two true-ups?

Dean Carlson: Two true-ups just this one time.

Don Gutmann: We will do one true-up after the first four quarters and another after the six quarters. We don’t need to do it after the fifth quarter.

Jim Turpie: Is there any threshold on this?

Lorrie Brown: It is probably just easier to redo it rather than set thresholds.

Jim Turpie: If that is going to be the proposal, what are all the impacts and issues that you recommend go along with it?

Don Gutmann: We will have to think about it. These are good questions.

Kim Davis: It is going to impact every jurisdiction in one way or another.

Lorrie Brown: So another recommendation is to do one rerun after the six quarters instead of two.

Jim Turpie: What does that do to the whole presentation that we went out with saying we weren't going to do this and now we are saying we are going to? It is not good that we are shifting gears but if we feel we need to make a shift. How long is it?

Lorrie Brown: The big thing is you only rerun everything once so things change only once and not twice. But some people will have a hole for over a fiscal year that is not going to get filled. All the changes get made, but do you give them some money to fill the hole in the meantime? How does it work to fill the holes? Maybe you put some kind of threshold on it.

Kim Davis: Right now we need to be able to rewrite the issue paper with the possible solutions.

Jim Turpie: So you will give us the impact on the department to do the work?

Kim Davis: Rerunning a quarter is about a two-week process – so rerunning three quarters would be about six weeks.

Don Gutmann: One of our key considerations is to minimize our work.

Miki Gearhart: At the same time we recognize if there is a change, it will create a big impact. If we are aware of them, we will try to remedy them the best way we can. If you're giving someone money, you have to take it away from someone else. We will consider the workload, but it is really about how you handle the other jurisdictions if you are going to take money away from them because of this change.

Kim Davis: It is certainly going to work both ways.

Bob Nachlinger: I would be interested if, as part of the issue paper, you could pick my city or pick Woodinville and tell us for that instance how many jurisdictions will be affected and if they are winner or loser cities to start out with.

Lorrie Brown: It is almost inevitable that almost every jurisdiction will have some change. Some could be big.

Kim Davis: We know that in the second run we pulled 440 businesses, so just rerunning the data with those 400 businesses out would substantially change.

Miki Gearhart: Can you find out for us what the thinking was of all the cities back then? To make the changes going forward or there could be some jurisdictions that would have to pay money back.

Bob Jean: I think I heard Lorrie say the overpayments probably tend to be a lot of little ones, but the underpayments would be bigger. I think all of us are spending our fund balances down. Make the adjustment only if it is positive going forward.

Jim Turpie: If it was to be recalculated, and making these adjustments is going to reduce the total amount of mitigation in the pot, that is going to cause some concern.

Sheila Gall: But we had the appeals process to fix the errors.

Don Gutmann: Another proposal is that we make you whole in the next payment, but I don't know if we can do that. I don't know that the current appropriation will allow us to do that.

Bob Nachlinger: Something that had concerned me from the first time this came up as a possibility is if you eliminate a firm from the data and I know nothing about it, and I am the jurisdiction that has the business.

Don Gutmann: You are one of the firms that has the business.

Lorrie Brown: For your proposal, if you find adjustments that need to be made, you make them on a case by case basis.

Don Gutmann: We calculate the payment and add $200,000 to the next payment.

Jim Harden: Would everyone be affected at the true-up period then?

Don Gutmann: Yes.

Lorrie Brown: But no one will be affected. You just do it to fill the holes.

Don Gutmann: Yes. I believe that after two payments if there are any other large things going on, we would know about them. We were contacted by Kent and by Woodinville. I would think we would have been contacted at this point.

Kim Davis: The firms that we are reviewing this quarter could have this kind of impact in the next quarter.

Lorrie Brown: I think what you are proposing is pretty good, especially if you have caught most of the big things. One of the big benefits is that you have the money sitting there and you are going to use it.

Dean Carlson: The Legislature is going to take the money when the Department of Revenue says they don't need it. It takes a statutory change to take the money.

Don Gutmann: A major topic at the next meeting will be this issue. We will try to get a feel for what our Executive management thinks we should do.

John Starbard: I am with Newcastle and we have an issue that we are experiencing the downside of sales tax that is determined on the businesses with zip codes. We continue to find a number of national companies that use their own software. We share a zip code with other cities, so the sales tax is going to a different city rather than to the proper destination. That is a growing concern of ours.

James Petit: We don't endorse a zip code based software.

Greg Potegal: States are encouraged to use the zip plus four and not default to a five-digit zip.

Kim Davis: If a local jurisdiction has a concern about a certain business, don't we have staff who work with the businesses to help them transition over when they're having trouble?

James Petit: Yes. We can talk after the meeting.

Don Gutmann: One of the other items that we found when talking to the large cities is large auto dealers. For the most part, auto dealers don't deliver cars. It is not an impact due to sourcing. The one exception is delivering auto parts. We do not believe auto dealers deliver many auto parts across jurisdictions. We are recommending that we take them out of the calculation. We propose that we remove any firm that reports new and used car sales on line 130 be excluded from the calculation.

Rick Peterson: You might be a little careful with that. There could be some repair shops that have a couple of cars.

Kim Davis: The last document is an issue paper on issues identified as a result of business reviews. If you can, look this over before the next meeting and be prepared to discuss this.

Don Gutmann: Most of the items in this issue paper have come up during our review and we recommend dealing with them on a firm by firm basis.

Miki Gearhart: We are proposing to take some of these types of firms out of the data.

Jim Turpie: I have a question. A lot of auto dealers are complaining that purchasers are moving farther north to buy their cars because there is up to a seven percent difference in the sales tax rate. So doing this would help with that issue?

Don Gutmann: Yes it would. It is due to economic and tax related changes and not due to sourcing. We are going to try to take out all the auto dealers.

Bob Nachlinger: What would be the problem with having them have a separate NAICS code for auto parts sales?

Don Gutmann: It is not required under the current law to segregate those sales, and we don't have a line on the combined excise tax return for that.

Next Meeting

Don Gutmann: When should we have our next meeting? We are going to do the programming in the first week of June. We have to have the data to TAA in early June. I would prefer after the fourth of July for the next meeting. Put July 8 as a tentative date for the next meeting.

Minutes submitted by Diane Mielke