

Notice of Important Changes to Vermont Sales/Use Tax Law Effective January 1, 2007

The Streamlined Sales Tax Agreement

The Streamlined Sales Tax Agreement (SSTA) is a multi-state initiative, created with input from local governments and the business community, which simplifies and modernizes, state sales tax compliance requirements nationwide. In 2003, the Vermont Legislature adopted laws, effective January 1, 2007, to enable the State to participate in the initiative. As a result, Vermont is now a member of the SSTA.

The SSTA has benefits for Vermont. First, it is a positive step towards eliminating the competitive advantage that out-of-state internet and catalog retailers have historically held over Vermont businesses that are required to collect Vermont sales tax on sales to Vermont residents. Second, it brings tax revenues otherwise lost by Vermont into the State and helps keep Vermont's tax rates from rising. Under the SSTA, sellers can voluntarily register, using a simplified method of registration, to collect and remit taxes to each of the SSTA states. More than one thousand sellers around the country have already chosen to register and participate in the initiative.

As a seller, you are not required to register to collect and remit tax to SSTA states where you do not otherwise have a requirement to do so. **Registration by sellers under the SSTA is voluntary.** All Vermont sellers, however, must comply with the new Vermont tax laws that become effective on January 1, 2007, which are summarized below.

Important Changes to the Sales and Use Tax Laws

Note: These changes apply to both the state and local option sales taxes.

- Clothing and footwear will not be subjected to sales tax regardless of price. The current \$110 threshold for clothing is repealed effective January 1, 2007.
- The retail sale of beer will become taxable. The deposit on beer bottles and cans will be subject to tax only when the beverage and deposit are sold for a single charge; when the deposit is separately charged and stated on an invoice or register receipt, it is exempt.
- Delivery or shipping charges become subject to tax when associated with taxable sales. Delivery or shipping charges on exempt sales remain exempt.
- All canned software becomes taxable whether purchased in tangible form (e.g. CD-ROM) or delivered electronically.
- The tax exemption for the first \$20 of monthly residential telecommunications services is repealed as of January 1, 2007.
- Cash discounts given at the time of sale will reduce the sale price upon which the tax is calculated.

Important Changes to Local Option Sales Taxes

As of January 1, 2007, the tax rate to be applied to a sale for local option tax purposes must be determined by the delivery location (destination) of the item purchased, rather than the location from which the seller initiates the sale (origin). For example, a seller in Montpelier (which has no local option tax) would be required to collect the tax on a taxable item shipped or delivered to a purchaser in Burlington. A seller in Burlington should not collect the local option tax on a taxable item shipped or delivered to Montpelier. (As of this date, Burlington, Manchester, Williston, and Stratton impose a local

option sales tax). Note that this change in the law will have no impact on in-store, “walk-out” sales, where the origin and destination of the sale are the same.

As of January 1, 2007, the taxability of all products and services subjected to the local option tax mirrors that of State law. Accordingly, all clothing and footwear will become exempt from the local option tax. Telecommunications services subject to the state tax will become taxable at the local level. Note that these are changes to the current local option tax treatment of these products and services.