



**PHIL BREDESEN**  
Governor

**STATE OF TENNESSEE**  
DEPARTMENT OF REVENUE  
**ANDREW JACKSON STATE OFFICE BUILDING**  
**NASHVILLE, TENNESSEE 37242**

**REAGAN FARR**  
Commissioner

September 17, 2007

Mr. Scott Peterson  
Executive Director  
Streamlined Sales Tax Governing Board, Inc.  
4205 Hillsboro Pike, Suite 305  
Nashville, TN 37215

Dear Members of the Governing Board:

In June of 2007, the Tennessee legislature passed new and updated sales and use tax statutory changes to conform to the Streamlined Sales and Use Tax Agreement in Public Chapter 602. The statutory changes represent the most significant and wide spread changes ever made in Tennessee's sales and use tax laws. Public Chapter 602 also represents a significant move forward in compliance with the requirements of the Agreement to become a member state. A majority of the statutory changes will become effective January 1, 2008. The statutory changes that become effective January 1, 2008 will bring Tennessee into compliance with over 90% of the requirements in the Agreement. The balance of the statutory changes to bring Tennessee into full compliance with the Agreement will become effective July 1, 2009. Tennessee's current status as an associate member of the Governing Board will expire effective January 1, 2008.

On August 17, 2007, Tennessee filed a petition for membership to the Governing Board pursuant to Section 801(C) as amended by the Governing Board June 23, 2007. Documents for petition for membership are available on Tennessee's web site at [www.Tennessee.gov/revenue](http://www.Tennessee.gov/revenue).

Pursuant to Section 801(C) a state petitioning for membership after January 1, 2007 may be designated an associate member state if the statutory changes to bring that state into compliance with the Agreement are effective on the first day of a calendar quarter that is not more than twelve months before its proposed date of entry as a member state. A state may request an extension to eighteen months before its statutory changes become effective to bring them into compliance with the Agreement. This letter will serve as Tennessee's request to be designated an associate member state effective January 1, 2008 for a period of eighteen months ending on July 1, 2009 at which time statutory changes to

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bring Tennessee into compliance with the Agreement become effective and Tennessee could automatically be designated a member state.

The following information is being provided in support of Tennessee's request:

- Major modifications are required to Tennessee's Revenue Integrated Tax System (RITS) to achieve full compliance with the Streamlined Sales and Use Tax Agreement. These changes will require a minimum of eighteen months to complete and are necessary to revise the taxpayer accounting and registration functionality of RITS for the destination sourcing and single tax return requirements of the Agreement. Changes include: 1) the redesign of the sales and use tax returns and converting the telecommunications services tax return to sales and use tax; 2) creation of the new privilege tax return; 3) changes to data capture programs; 4) changes to math audit and debit and credit memo programs; 5) major changes to revenue apportionment and distribution programs; 6) changes to registration for consolidated filing; 7) conversion of current registration and taxpayer accounting information to the new consolidated accounts; and 8) modifications and development for electronic commerce functions.
- Much of the taxpayer education concerning the changes that will become effective July 1, 2009 to conform to the destination sourcing and single tax return requirements under the Agreement, as well as the new privilege tax return, can not begin until much of the programming and system changes in RITS have been completed. Tennessee taxpayers must then be given sufficient time to make the necessary changes in their software and accounting systems to accommodate the changes to the new and completely different way of collecting and reporting sales and use taxes in Tennessee.
- Effective July 1, 2006 Governor Phil Bredesen ordered the transfer of the Department of Safety's Title and Registration division to the Department of Revenue. Since that time significant information and technology resources of the Department of Revenue have been and continue to be dedicated to the TRUST project. The TRUST project is a new system that will replace the aging legacy system for Title and Registration and involves all county governments within Tennessee. The TRUST project is tentatively scheduled to go live in March 2008.
- Tennessee's decision to have certain Streamlined law changes become effective July 1, 2009 was based on the availability of information and technology resources in the Department of Revenue. The decision was not based on the provisions of Section 801(C) adopted by the Governing Board in June 2007.

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Tennessee appreciates the opportunity to make this request and asks that the Governing Board acknowledge Tennessee efforts to become a member state by approval of its request.

Sincerely,

A handwritten signature in black ink, appearing to read "Reagan Farr", written over a horizontal line.

Reagan Farr  
Commissioner

DRF:sh

c: Comptroller John Morgan  
Sherry Harrell, Policy Analyst