

falls. The one thing we do know is that more data is needed. ALEC's model bill, the *Electronic Commerce and New Economy Data Collection Act*, will give states the tools to have an informed debate on this issue for a change.

Of course, the most compelling justification given for changing the rules on remote taxation is the "level playing field" argument. It is unfair, tax supporters argue, that when a consumer makes a purchase in a local store, a sales tax is collected at the point of sale. If, however, a consumer goes online, he can mail-order the same product from an out-of-state business that won't collect the tax. Because use taxes are not enforced, the result is a de facto tax advantage for online shopping that, for expensive purchases, may even outweigh shipping charges.

That's not a theoretically ideal state of affairs. All things being equal, there is no reason to purposefully favor out-of-state over local sellers, and so the tax advantage makes for bad policy. Economists worry that such favoritism leads some consumers to make purchases based on tax savings rather than price—a loss of efficiency that may leave society poorer overall. Brick-and-mortar businesses argue that the tax advantage is simply unfair.

Both groups have a point. In a perfect world, tax policy would be absolutely neutral and, while we're musing about perfection, tax rates would only be high enough to fund essential government services. But in the real world, of course, all things *aren't* equal.

First of all, the sales tax is not a neutral tax, so extending it to remote sales won't necessarily lead to greater economic efficiency. Consider, for

example, the fact that few sales taxes in the United States cover services, even though service purchases account for about 60 percent of consumer spending. In addition, states purposefully exempt items like food and clothing from the sales tax base. The result is a tax that arbitrarily favors producers of certain goods—and all services—over others. At best, extending that biased system to online purchases merely trades one inefficiency for another.

Second, the ability of consumers to shop online fosters healthy tax competition among the states. Because sales taxes collect only a few pennies at a time, it is difficult for taxpayers to know how much they have paid over the course of a year. Consequently, it is easier for states to hike sales tax rates than alternatives such as income or property taxes. When sales taxes were first introduced during the Great Depression, rates were extremely low; today, they average over six percent and run as high as ten percent.

While e-commerce is a minuscule component of consumer spending, its mere existence serves to inhibit excessive taxation. Politicians fear that if they raise tax rates too much, consumers can take advantage of low tax rates elsewhere. Just like shoppers that drive from high- to low-tax states, the Internet will induce state and local governments to keep overall tax rates at a more reasonable level.

Third, requiring tax collection on mail-order sales wouldn't just flatten the playing field, it would tilt it in the other direction. Consider the fact that local businesses are forced to collect sales taxes only for a single jurisdiction: the one where they are located. Local

**Electronic commerce sales constituted only about 0.8 percent of aggregate retail sales in 2000, according to U.S. Department of Commerce data.**

stores don't ask where their customers live and then collect the tax for that jurisdiction. Thus, sales taxes are—rhetoric aside—actually based on where the seller, not the buyer, resides.

To truly level the playing field, states would have to either make local businesses collect background information on all customers (including out-of-state customers) and then remit taxes to the proper revenue agency or, alternatively, instruct Internet-based businesses to collect the local sales tax at the point of sale—an "origin-based" system—ignoring where their customers reside. Although either of those systems would remove the de facto tax advantage for online sellers, the former would be monstrously expensive and complex to administer. The later system is workable and constitutionally sensible, but most pro-tax state officials fear it because tax competition among the states would be strengthened. Unless they are ready to defend one of those options, proponents of expanding sales tax collection authority should stop lecturing about fairness.

In all likelihood, Internet sales will never be a serious drain on state revenues. But even if they eventually are, states would have options that would not upset the constitutional balance. One would be to apply sales taxes at the origin, as discussed above. Another would be to abandon the current sales tax system altogether and move toward a savings-exempt income tax (SEIT) that would tax consumption through the income tax code. Under a SEIT, all of an individual's savings would be exempt from tax leaving only the consumed income portion to be taxed. This would guarantee that 100

percent of individual consumption would be taxed, without all the holes and exemptions that riddle the current system.

One obvious benefit of the SEIT approach is that it obviates the need to track individual commercial transactions to the "destination of sale." In a world where goods and services increasingly cross borders, that is a significant advantage. In addition, a SEIT is economically neutral. No matter where a taxpayer buys a good or service, or who she buys it from, her consumption activity is taxed the same.

The point, of course, is that states have options. They should not be lobbying Congress to authorize a tax cartel, especially when it is far from clear that the Internet is eroding tax revenues. The Streamlined Sales Tax Project aims to reduce healthy tax competition and overturn sensible legal precedent, with no real gains in terms of fairness or efficiency. Thoughtful state and local legislators should not buy the bill of goods that their pro-tax colleagues are selling.

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# When "Streamline" Is a Euphemism for "Tax Hike"

*The Streamlined Sales Tax Project (SSTP) may not only raise taxes, but destroy competitive taxation between states.*

By Emily Sedgwick

Americans for Tax Reform opposes all efforts to increase taxes at the state and federal levels, and opposes the Streamlined Sales Tax Project (SSTP) because it increases the likelihood of tax increases. Although provisions of SSTP plausibly improve state tax system efficiency and reduce audits for businesses, SSTP may also reduce competition among local and state tax jurisdictions. In addition, various definitions adopted in the name of efficiency or simplification would increase taxes in practice. Until supporters of SSTP guarantee and demonstrate that all code changes will have a neutral tax effect, ATR cannot support a nationwide effort to "simplify" state tax codes.

A T R  
considers any vote in favor of SSTP that does not require revenue neutrality for

all tax code changes and their future implications a vote in favor of a tax increase. Taxpayers deserve to know for certain whether SSTP will increase their taxes, devastate their state's technology sector, run small businesses like eBay sellers out of business, or remain tax neutral and benign.

Forty-four states and the District of Columbia have joined the Multistate Tax Commission (MTC), which organizes conferences to formulate SSTP tax code definitions. In Indianapolis in April, a group of 150 state revenue department administrators, lawmakers and businesses discussed the tax implications of defining a "bundled transaction," and whether various changes would tax services that are currently untaxed. The general consensus was that they would not. But another discussion arose regarding a uniform definition of "television services" to include cable, satellite and dish providers – a

situation where an inclusive definition could easily hike taxes for one or more of those providers. And in North Carolina, business service definitions would impose a tax increase on postage in some cases.

Whether or not "simplified" definitions will raise taxes is important, and the answer is generally yes. States will still choose to tax or exempt every service and sale, but will codify each service and sale according to SSTP-approved guidelines. While states will reserve the right to levy different rates against similarly defined products and services, the pressure will build to increase taxes to the rates levied by higher-tax states. Businesses already

contribute \$378.9 billion in state and local taxes (2002), 41.3% of all tax collections, and

States that join SSTP compromise their sovereignty with regard to maintaining competitive tax code definitions of their own.

yet businesses are most at risk for tax increases if many SSTP-proposed definitions are adopted. Small businesses are at even greater risk, because they do not have the staff or resources to lobby for advantageous definitions during the MTC planning meetings. Furthermore, states that join SSTP and adopt its recommendations compromise their sovereignty with regard to maintaining competitive tax code definitions of their own. Tax rates are not the only competitive component of state taxation.

Furthermore, implementation of SSTP would preserve many complexities of calculating and collecting sales taxes and would force merchants to comply with thousands of different rates and exemptions. The creation of a harmonized sales tax code, to be applied to all Internet commerce, adds to the tax burden of the very "bricks and mortar" stores that supporters of SSTP are claiming to protect. To succeed in an information- (Continued, P.7)

(Continued from P.3) based economy, Main Street merchants have set up shops online and expanded their businesses to customers far beyond their immediate location. To implement a new sales tax collection system that requires merchants to master the nation's every tax jurisdiction adds to the already overwhelming tax burden of small businesses. Economic growth and business investment – not taxes – are what improve the economy and create new jobs.

Under the guise of tax simplification, SSTP supporters would override U.S. Supreme Court decisions reaffirming the Commerce Clause's explicit guarantee that states may not tax interstate commerce without congressional permission. SSTP creates a "stealth tax" that would force a participating state to extend its sales tax to currently untaxed products, services and sales conducted by residents of other states.

Thus far in the negotiating process, SSTP cannot demonstrate complete tax neutrality with regard to potential burden on taxpayers. Until it has, ATR considers a vote in favor of SSTP a vote to increase taxes.

November 19, 2002

## Internet Tax: The New OPEC for Politicians

by Veronique de Rugy

*Veronique de Rugy is a fiscal policy analyst with the Cato Institute.*

Fearful that they might be missing a chance to collect more taxes, bureaucrats from 31 states recently met in Chicago to create a new system for taxing Internet purchases. They claim they are trying to simplify their respective sales taxes. But state governments actually are banding together to create a tax cartel that would not only lead to higher taxes but also would be a flagrant violation of the Constitution.

Thanks to a Supreme Court decision (*Quill vs. North Dakota*), states can only collect sales tax on purchases made over the Internet if the retailer has a physical presence in that state. If the vendor lacks such a "nexus," which is typically the case for Internet stores, a book purchase from a local retailer, for example, ends up being subjected to the applicable state and local sales tax, while the same purchase made by a resident in Virginia through the Internet to a Washington-based company is effectively exempt. Many state governments technically oblige consumers to remit a "use" tax on out-of-state purchases, but these levies are so unpopular that they are seldom enforced.

There also is a federal moratorium that prevents states from coming up with new special and discriminatory taxes for e-commerce, but it will expire at the end of 2003. State tax officials are offering to homogenize their tax jurisdictions to gain permission from Congress to tax all purchases made over the Internet, and in particular to collect taxes from sales from companies located in other states.

The state politicians call this proposal the Streamlined Sales Tax Project. It should be called the "OPEC for politicians." Amazingly, some of the politicians claim that taxpayers would be better off after the cartel is created. Utah Gov. Mike Leavitt, a key leader in the states' effort, says, "it will dramatically improve the morass that currently exists." It is a fact that America's sales-and-use tax system, with 7,500 state and local taxing jurisdictions across the nation, is complex and cumbersome to businesses. But what really bothers state officials is that the arrangement makes it difficult for "remote" retailers, such as mail order companies and e-commerce companies, to calculate, collect, and remit sales taxes to different states and local government.

And this is where the Streamlined Sales Tax skim becomes clear. Leavitt's relentless criticism of the unfairness of the existing sales-tax regime is just a veil to mask government's endless craving for more taxes. This project is really about creating more sources of revenue for the states by allowing them to start taxing income earned outside of the borders of their state. If Leavitt's pro-tax forces have it their way, going back to our previous example, Virginia would be able to collect taxes from the Washington-based book retailer. Never mind, of course, that the company that is being taxed has no voice in the tax-and-spending decision made by Virginia and that the company never benefits the public services Virginia provides with those tax dollars.

Make no mistake: Under the cover of the SSTP, states and local governments are asking Congress to lift the restriction that forbids them to tax extraterritorial income earned by remote sellers. The extension to sales-and-use taxes to out-of-state sales, no matter how simplified and harmonized, represents a huge threat to taxpayers and economic prosperity. The states involved want to create a tax cartel to allow them to impose taxes on firms that do not have a physical presence in the state, which means those

companies would pay taxes to that state but would not consume public services. And that equals taxation without representation. Further, some states, such as California, would have the power to tax consumers who reside in other states, thus infringing on state sovereignty. Taxpayers would be the big losers because the new lack of competition between states would mean the end of any constraint to increase taxes.

It should go without saying that states, as sovereign entities, should have control over their tax policy. Tax harmonization and tax cartel are not the answer to the Internet tax debate. Taxpayers would be the big losers of this sordid game and freedom and economic growth would be permanently damaged. For the sake of American taxpayers the Streamlined Sales Tax Project should be defeated and tax competition should be protected.



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## WHY CONGRESS SHOULD NOT AUTHORIZE A STATE SALES TAX CARTEL

DANIEL J. MITCHELL, PH.D.

Fearful of competition, some politicians in high-tax states want to stop their residents from saving money by purchasing products where taxes are lower. Using the excuse that they want to “streamline” and “simplify” retail sales taxes so that there will be a “level playing field” between Main Street merchants and e-commerce, these state and local politicians are asking Congress for unprecedented power to impose taxes on transactions that take place outside their borders.

The issue is not whether to tax Internet sales. States already have that power. Instead, the debate is about whether Congress should pass a law that allows taxation without representation. Should there be a national law, for example, allowing Utah to compel a Colorado business to collect and remit Utah taxes if that business sells something to a Utah resident?

The U.S. Supreme Court already has ruled that states may not tax companies that have no presence (or “nexus”) inside their borders. State and local politicians want to overturn this decision by getting Congress to approve a state sales tax cartel and attach legislation authorizing the cartel to a bill extending the Internet tax moratorium.

Requests to establish this *destination-based* tax authority should be denied. Such a regime would create an anti-consumer sales tax cartel for the benefit of profligate governments. It also would undermine privacy by requiring the collection of data on individual purchases. And it would violate important constitutional principles by giving state and

local governments the power to impose their own taxes on businesses in other states.

Proponents of a destination-based sales tax regime who claim that it would level the playing field ignore a crucial fact: The current inequity exists only because state and local governments have chosen not to tax the sales of in-state companies on purchases sent to out-of-state buyers. The issue is not the Internet. The issue is reducing competition from low-tax jurisdictions.

**The Threat to Competition.** Both the National Governors’ Association (NGA) and the National Conference of State Legislatures (NCSL) support the sales tax cartel. In their view, people should not have the freedom to shop where taxes are lower. This activity, they argue, creates a “race to the bottom” because states would be forced to lower their tax rates to remain competitive. But governments should not be allowed to act like monopolists. The possibility that taxpayers might shift economic activity to a lower-tax jurisdiction is a useful form of fiscal discipline. Tax

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competition forces politicians to be more responsible, much as competition among banks, pet stores, and car companies results in lower prices and better service.

**⚠ Threat to Privacy.** In addition to being bad tax policy, the destination-based regime is a threat to privacy. The system envisioned by the NG<sup>o</sup> and NCSL would require merchants to verify the residence of every customer and then impose the state and local taxes that apply in that locale. For this system to work, however, state and local bureaucrats would have the right to inspect records of transactions. ⚠t best, this approach means that personal financial information and buying patterns would cease to be private. On a more ominous note, this type of system would dramatically increase opportunities for such crimes as identity theft and credit card fraud. Proponents assert that "trusted third parties" could act as intermediaries to guard against these problems, but cosmetic gestures will not deter hackers and others who misuse private information.

**A Dangerous Precedent.** Advocates of the state sales tax cartel may not realize their regime also could undermine America's interests in the international arena. High-tax European governments are upset that many of their consumers avoid their punitive value-added taxes (a form of national sales tax) by purchasing goods and services from U.S. companies. In an effort to weaken America's competitive advantage, these states want to compel U.S. companies to collect taxes on their behalf.

To its credit, the Bush Administration is resisting this effort to make U.S. firms subservient to foreign law, but the President's moral authority to defend American interests will evaporate if state and local politicians are able to impose domestically what European politicians seek to impose internationally. Simply stated, it is important to defend the principle that sales taxes should be imposed where a transaction occurs, not where a consumer lives.

**Real Tax Equity.** Because of the shipping and handling fees that accompany on-line and mail-order purchases, consumers rarely make out-of-state purchases to avoid paying sales tax. But if state and local lawmakers are truly concerned that local merchants are being disadvantaged, there is a solu-

tion that would allow tax competition, preserve consumer privacy, and respect constitutional principles: States could level the playing field by taxing all in-state sales at the same rate, regardless of whether the purchase is made in person, over the phone, or by using the Internet.

This *origin-based* or "territorial" approach is based on the common-sense notion that there should be a link between taxes and government services. ⚠ Texas-based business, for instance, should pay taxes to the Texas government. That business, after all, uses Texas roads and relies on Texas fire and police protection. Having that business pay taxes to another state, by contrast, would be a form of taxation without representation.

Another benefit of "territorial" taxation is that it can level the playing field without special congressional approval. States merely have to apply their sales taxes on a non-discriminatory basis. Indeed, because a more broadly based sales tax would generate additional tax revenue, legislators should take advantage of this opportunity by using the extra revenues to lower state income tax rates or reduce the overall sales tax rate. This type of tax reform would improve state economic performance by boosting wages, creating new jobs, and attracting business.

**Conclusion.** A destination-based sales tax cartel would be bad for taxpayers. It would damage competition and privacy, erode fiscal discipline, and lead to higher tax burdens. It would threaten personal privacy by allowing third parties to examine financial transactions and buying patterns. And it would harm the President's ability to defend America's economic interests when dealing with Europe's welfare states. Rather than authorize a state sales tax cartel, Congress should encourage state and local governments to work together to implement origin-based or territorial sales tax reforms that would ensure that all purchases are treated fairly.

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## Guest Comment

On NRO

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June 26, 2003, 10:00 a.m.

### Deceptive Deficit Tax

States use the Internet to clean up their spending messes.

By Sonia Arrison & William E. Simon Jr.

**A**pparently, some states think they're above the law. Recently, it was revealed that at least 18 states are collecting taxes on Internet-access charges even though the practice is banned under the national Internet-tax moratorium.

This is disturbing, especially when one considers that a coalition of state officials from across the country have been quietly advancing a plan that would create a de facto national Internet sales tax.

In a frenzy of activity aimed at closing huge budget deficits, many state officials, including a majority of governors with the National Governor's Association, want to force online sellers to charge taxes that aren't currently required.

Thirty-eight states want to force out-of-state businesses who sell to in-state customers to become their tax collectors. But since states don't currently have the authority to do such a thing, they have embarked on a "tax reform" scheme in an effort to convince Congress to give it to them. This plan is called the Streamlined Sales Tax Project (SSTP).

By harmonizing their tax policies through the SSTP, the states are hoping to convince Congress, which has the authority to regulate interstate trade, to write a law that allows states to force businesses to collect sales tax even if they don't have a physical presence in the state.

Such an action by Congress would allow state tax systems to apply nationwide, thereby creating de-facto a national sales tax on Internet transactions.

On its surface, the SSTP sounds like tax reform, but in reality it is a mechanism that would extract more money from American consumers at a time when they can least afford it. And supporters are selling the plan by relying on several important misperceptions.

For example, the pro-tax lobby is playing on the myth that the Internet isn't already taxed, citing the Internet-tax moratorium as proof. In fact, the moratorium applies only to discriminatory taxes such as taxes on Internet-access charges, not sales taxes. Or, at least that's what we all thought until this week.

States like Alabama, Florida, and Kentucky, however, have been skirting this restriction on their taxing power by arguing that DSL services fall into the category of "telecommunications," not Internet access. Not only is this deceptive, but it's disappointing, as access taxes only make it harder for low income people to afford the Internet.

But when it comes to Internet sales, tax *is* indeed collected. Businesses must collect taxes from consumers if the business has a physical presence in the state. If the business doesn't have a physical presence in the state, however, it isn't obligated to collect that state's taxes. Rather, the consumer is supposed to remit a use tax, which, not surprisingly, rarely happens.

And therein lies the rub. Politicians don't want to alienate the people who will be voting in the next election. Thus, we end up with the SSTP, which is being quietly pushed outside of the scrutiny of a political campaign.

Another misperception is the expectation that by collecting additional e-commerce sales taxes, states can erase the huge budget deficits that most of them face. But closer scrutiny reveals this simply is not the case.

In a recent study, the Direct Marketing Association points out that "in 2001, the states reported that approximately \$13 billion went uncollected due to their inability to force out-of-state retailers to act as their unpaid tax collectors. In fact, the total amount potentially uncollected was about \$1.9 billion." That figure won't come close to fixing state budget deficits around the country.

While budget deficits are real, the states' fiscal predicaments are the result of overspending, not uncollected Internet sales taxes. In this economy, the last thing anyone needs is another tax, be it a sneakily implemented one or a new national Internet sales tax.

— *Sonia Arrison is director of Technology Studies at the California-based Pacific Research Institute. William E. Simon Jr. is a former California Republican gubernatorial candidate.*

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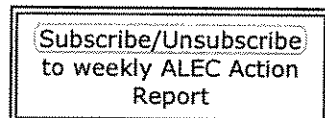
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## Testimony

**Chris Atkins**

ALEC Tax and Fiscal Policy Task Force Director  
Before the Iowa E-Commerce Task Force

October 4th, 2001  
Des Moines, Iowa

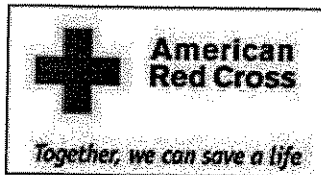
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Good afternoon Mr. Chairman and members of the task force. My name is Chris Atkins and I am Director of Tax and Fiscal Policy Task Force at the American Legislative Exchange Council in Washington, DC. ALEC is the nations' largest, bipartisan individual membership organization of state legislators. With more than 2400 legislative members nationwide, more than 1/3 of all state legislators are ALEC members. ALEC's mission is to advance the Jeffersonian principles of free markets, limited government, federalism and individual liberty among America's state legislators.

Thank you for inviting me to speak to the task force today about the important issue of Internet taxation. I will confine my remarks to the general and theoretical reasons we should avoid taxation of Internet commercial transactions. I think it is easy for you, as policy makers, to get mired in the details of legislation. So I want to attempt to bring you back to first principles, so to speak, and lay out three general reasons why I think you should avoid the urge to tax e-commerce. First, taxing e-commerce means ceding some of your state sovereignty and control over your tax code. Second, taxing e-commerce is inconsistent with both the spirit and the economic benefits of the Commerce Clause of the Federal Constitution. Third, the current state of e-commerce data and the way it is gathered does not yet support the widespread taxation of the Internet.

**The first danger in the e-commerce tax movement is primarily unrelated to economic considerations. This danger relates to state sovereignty.** States that join the Streamlined Sales Tax Project (SSTP) essentially agree to give up a portion of their sovereignty. They do this by allowing the governing body of the SSTP to determine not only the rates for sales and use taxes but also the definitions of taxable and non-taxable items. This could have some unintended and disastrous consequences for Iowa. Sales tax holidays, extremely popular with taxpayers, could be forbidden or severely restricted by the SSTP governing body. While getting rid of the holiday would be bad enough, the people are likely to be more upset when they learn that the decision was made not in Des Moines but in a board-room a thousand miles away. Local option sales taxes would also be problematic under the SSTP and could be eliminated. This would harm the solvency of local governments and make them more dependent on money from the state.

Another sovereignty concern is open access. Any state that yields its power to another institution must be concerned with protecting the voice, and access, of its own citizens. This is why ALEC developed the Interstate Compact Sunshine Act. This bill requires that any governing body of any interstate compact comply with the open access laws of the member state. For example, Title 1, subchapter 9, chapters 21 and 22 of the Iowa Code require all government meetings in Iowa be open to the public and that all government records be available to the public. In chapter 21 we read that Iowa law "seeks to assure, through a requirement of open meetings of governmental bodies, that the basis and rationale of governmental decisions, as well as those decisions themselves, are easily accessible to the people." This assurance is not present, however, with the governing body of the SSTP, which only requires that its



meetings be open to the public. No provision is made to ensure public access to records. I would urge you that, before you proceed to cede some of Iowa's power to the SSTP or any other institution, you must ensure compliance with the open access laws of Iowa. The public deserves no less.

▶ **The second danger in the taxation of e-commerce deals more with the national economy.** (As you know, the economic condition in the United States is currently not good. Unemployment is up. GDP is stagnant or falling. The financial markets have lost an incredible amount of value. In this type of economic environment, adding to the people's tax burden should be the last thing we consider.) Government cannot create economic activity, but it can foster an atmosphere more conducive to economic growth. If Iowa wants to do its part, it can keep the tax burden low and find ways to reduce the amount of money that government takes out of the economy. Beyond current economic conditions, Article I, Section 8 of the United States Constitution contains something called the Commerce Clause. This clause states simply that "The Congress shall have Power...To regulate Commerce with foreign Nations, and among the several States, and with the Indian Tribes." This language sounds innocuous enough but I submit to you that this is one of the most important precepts in the Constitution. These 21 words create a free-trade zone where no imports or duties can be levied on goods shipped between states in the union. Thus, all Americans, past and present, including every person in this room, benefit from the Commerce Clause. Therefore, you must think long and hard, and listen to contrary arguments, before you do anything that would upset this delicate balance.

Consistent with this spirit of deliberation, if you are advocating that the Internet should be taxed you should offer reasons why. Given the fact that Iowans already pay income taxes, sales taxes, estate taxes, property taxes, hotel taxes, motor fuels taxes, and a host of other taxes, I submit that Internet tax proponents bear a significant burden of proof in showing the need for any more taxes in Iowa.

Internet tax proponents' have two main arguments. The first is the so-called "loss" of revenue to Internet sales. Iowa officials estimate that the state "loses" approximately \$60-80 million a year due to untaxed Internet transactions. It is undeniable that the Supreme Court's decision in Quill forbids the state from collecting a certain amount of use tax revenue each year. But it is misleading to characterize this as "lost" revenue. This "lost" revenue is not used to build the state's budget each year, nor is it used as a dedicated source of funds for specific appropriations. Thus, the only way I can see that this revenue could be considered "lost" is if the states want to spend more money. But if the state wants more money, why not raise money using an already existing tax?

This leads us to the second main argument of Internet tax proponents. Even if the tax yields little revenue, they maintain that taxing the Internet "levels the playing field" between in-state and out of state business. It's only fair, they argue, that businesses both in state and out of state collect the same tax. This ameliorates, they claim, the inherent price advantage given to the out of state seller. The first problem with this argument is that it obviously flies in the face of the Commerce Clause and the fact that the United States is supposed to be a free-trade zone. "Leveling the playing field" is just another name for economic protectionism, something the Commerce Clause clearly forbids. Beyond Commerce Clause concerns, the "level playing field" argument has a misplaced focus. The use tax burden in Iowa is always borne by the Iowa consumer. As a matter of tax policy, we should therefore give paramount consideration to consumer concerns when we talk about Internet taxation. From the consumer perspective the use tax is extremely unfair. One of the major advantages of shopping via the Internet is that many Internet

businesses discount their products enough to make them competitive with brick and mortar businesses when shipping charges are included. This makes it convenient for people who want to purchase certain products but do not have the time to physically go shopping. I fail to understand why any state would want to take this advantage away from consumers. There is actually a high productivity component to Internet commerce, in that it frees citizens up to use their time in other fashions, such as work. As you know, productivity was the driving force behind the prosperity of the past decade. We should be mindful of this before we take steps to tax Internet commerce.

▶ **The third general reason we should be skeptical of Internet taxation is the reliability of e-commerce data.** It is paramount that legislators possess accurate and reliable e-commerce data. This is why ALEC developed a model bill called the Electronic Commerce and New Economy Data Collection Act. This bill would require state revenue departments to look at the whole picture when they collect e-commerce data. In addition to collecting accurate data on the number and gross sales of domiciled e-commerce vendors as well as the sales of out-of state e-commerce vendors to persons in the state, the bill would require the collection of data on the taxes already paid to the state by domiciled e-commerce vendors. This is to counter the notion that e-commerce is "untaxed." Any e-commerce vendors located in the state already pay property, income and sales taxes. State legislators should know how much e-commerce already benefits the public treasury before they move to tax it more. The Electronic Commerce and New Economy Data Collection Act would give them that information.

Today I have briefly presented you with several reasons why you should avoid taxing the Internet, from the unreliable nature of current e-commerce data, to questions about public access to SSTP meetings, to bigger questions about our national commerce and economy. I thank you for your time and humbly request that you ponder these considerations in the future when you deliberate about Internet taxation. Thank you.

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**THE AMERICAN LEGISLATIVE EXCHANGE COUNCIL**  
1129 20TH ST., NW \* SUITE 500 \* WASHINGTON, DC 20036  
202\*466\*3800 \* FAX 202\*466\*3801 \* E-MAIL: [INFO@ALEC.ORG](mailto:INFO@ALEC.ORG)

## Halverson, Vicky

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**From:** Gates-Hendrix, Sherrie  
**Sent:** Friday, November 07, 2003 11:28 AM  
**To:** Rep. LehmanM; Halverson, Vicky  
**Subject:** Streamlined Sales Tax -- Impact on Economic Development

The Senate Republican Caucus asked how Streamlined fosters economic development, so I've developed a few talking points for you in case you get similar questions.

Generally the focus of Streamlined is simplification rather than economic development, but I have been mentioning a few of these ideas to legislators when I meet with them.



Economic  
Development.doc

Sherrie

## **Streamlined Sales Tax -- Impact on Economic Development**

- Adoption of the Streamlined provisions will promote easier expansion into new markets or via the Internet because all states would use the uniform definitions and administrative procedures.
- The Streamlined provisions will simplify sales taxes for sellers, creating a more business-friendly economic climate in Wisconsin. A business-friendly economic climate would encourage investment in the state.
- Retailers located in Wisconsin currently are at a disadvantage with remote sellers who are not required to collect Wisconsin sales and use taxes on their sales to Wisconsin residents. To the extent that Wisconsin's adoption of the Streamlined provisions will increase voluntary compliance by remote sellers, the competitive disadvantage for Wisconsin retailers will be reduced.
- The Streamlined project is designed to be very nearly revenue neutral and is not be expected to have a significant effect on employment in Wisconsin. However, the net effect of the bill is a small tax reduction and this will promote investment.

rec'd. from Sherrie  
11/11/03

## **Streamlined Sales Tax – Senate Caucus Follow up Info**

### **Sales Tax Holidays**

The SST states are still talking about uniformity in administering sales tax holidays under the SST project, but the Agreement does authorize holidays. Current language in the SST Agreement states that only items that are defined by the Agreement can be exempted for sales tax holiday exemption periods (e.g. clothing, computer software). Recommendations for additional definitions include four categories of items. The categories are:

- School supplies – items commonly used by a student in a course of study
- School art supplies – items commonly used by a student in a course of study for artwork
- School instructional material – written material commonly used by a student in a course of study as a reference and to learn the subject being taught
- School computer supply – items commonly used by a student in a course of study in which a computer is used

The Agreement allows price thresholds for determining whether an item falls within the holiday exemption (i.e. clothing up to \$100). The Agreement also requires at least 60 days notice to retailers for any holiday.

### **Future Modifications to the Agreement and States Adopting those Modifications**

Modifications to the Agreement are currently made by the implementing states and will later be determined by the Governing Board when it is formed (estimated to be July 2004). At this point Wisconsin is involved in discussions for modifications. If Wisconsin doesn't adopt the Streamlined provisions (SB 267, AB 547) by the time the Governing Board is in place, Wisconsin will not have a vote on new provisions addressed by the Governing Board.

Any provisions of the SST Agreement – both current and future – must be adopted individually by participating states by statute or rule. If a state chooses not to adopt some of the required provisions of the Agreement, that state will likely not be found in complete compliance with the Agreement. This could have an effect on a state's future ability to require remote sellers to collect sales tax (if the state chooses to enact such a requirement).

### **Revenue Neutrality**

Senator Kanavas has indicated interest in an Americans for Tax Reform proposal to ensure that SST bills in states are revenue neutral. Wisconsin's SST bill does not require remote sellers to collect Wisconsin sales tax, so the net fiscal effect of SB 267 (AB 547) is an overall tax cut of \$5.37 million. This tax comes as a result of decisions made by the bill's authors in choosing how closely to conform our state to the SST Agreement definitions. Unless Wisconsin legislators enact separate legislation in the future to require remote sellers to collect our sales tax, the ongoing net fiscal effect of the current bills will be a tax cut for our citizens.

### **State Sovereignty**

Wisconsin can choose to be part of the Streamlined Sales Tax Project, but it can also choose to withdraw from the Project at any time. If Wisconsin wants to be part of the Project, the



Legislature will need to adopt the provisions of SB 267 (AB 547). As the Project adopts modifications to the governing Agreement (for example, definitions of telecommunications services) the Wisconsin Legislature would have to vote to adopt those modifications to remain as a Project member state.

### **Current Enforcement of Use Tax**

While currently only 1% of individual income tax payers report owing "use tax" on out of state purchases, approximately 80% of businesses pay those use taxes. The Department of Revenue does enforce use tax, concentrating its limited resources on compliance by businesses.

The tax owed by those in the Green Bay area who charge for football parking on their properties is a sales tax rather than a use tax. Use tax is a compliment to the sales tax, and is imposed on the purchaser of a product or service when the seller of the product/service is an out of state business that does not collect Wisconsin sales tax.

November 12, 2003

Speaker John Gard  
Wisconsin State Assembly  
Room 211 West  
State Capitol

Majority Leader Mary Panzer  
Wisconsin State Senate  
Room 211 South  
State Capitol

Dear Speaker Gard & Majority Leader Panzer:

I am writing today to urge you to allow Joint Finance Committee action on the Streamlined Sales Tax Proposals, Assembly Bill 547 and Senate Bill 267.

It is my feeling that those legislators who have expressed concerns about future responsibility and potential revenue enhancers are looking beyond the scope of this legislation, which is simply the second step of a four step process.

This legislation is solely about simplifying tax collection and uniformity with other states so that businesses and the public can better understand what's taxable and what's not. AB 547/SB 267 are full of administrative simplifications to our sales tax collection system – simplifications that businesses have been asking for.

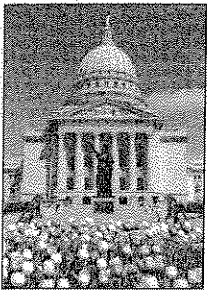
These changes can't occur without this legislation. I hope you will agree that the Joint Finance Committee must act so that these bills can come before the full Senate and Assembly for consideration.

Respectfully,

MICHAEL "Mickey" LEHMAN  
State Representative  
99th Assembly District

ML:vlh

cc: Rep. Dean Kaufert, JFC Co-Chair  
Sen. Alberta Darling, JFC Co-Chair  
Michael Morgan, Department of Revenue Secretary  
Sen. Ronald Brown



Michael (Mickey)  
**Lehman**

State Representative  
99th Assembly District

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Committee Chair: Ways and Means

November 12, 2003

Speaker John Gard  
Wisconsin State Assembly  
Room 211 West  
State Capitol

Majority Leader Mary Panzer  
Wisconsin State Senate  
Room 211 South  
State Capitol

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MICHAEL "Mickey" LEHMAN  
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99th Assembly District

ML:vlh

cc: Rep. Dean Kaufert, JFC Co-Chair  
Sen. Alberta Darling, JFC Co-Chair  
✓ Michael Morgan, Department of Revenue Secretary  
Sen. Ronald Brown

## Halverson, Vicky

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**From:** Gates-Hendrix, Sherrie  
**Sent:** Friday, November 21, 2003 12:12 PM  
**To:** Halverson, Vicky  
**Subject:** other states' legislators

Vicky -- this is the list NCSL provided of conservative Republican legislators who have been involved and supporting of streamlined:

Rauschenberger - Illinois  
Corbin - Kansas  
Fraser - Texas  
Amstutz - Ohio  
Borst - Indiana  
Clabough - Tennessee  
Steil - Pennsylvania  
Finan - Ohio (former legislator)

Mickey seemed interested in being part of our meeting on SST with the industry and other legislators. I'll call you about it. Still thinking the 2nd, although Diane's schedule looks busy that day. I haven't been able to find her this morning on it.

*file stream line*

**Halverson, Vicky**

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**From:** Gates-Hendrix, Sherrie  
**Sent:** Wednesday, December 03, 2003 2:09 PM  
**To:** Lehman, Michael; Halverson, Vicky  
**Subject:** ATR Rebutts "Lawmaker's Guide"

FYI. It's frustrating since many of Grover Norquist's statements are untruths, so we're not just arguing points of view but have to continually restate the facts.

<http://www.atr.org/pdffiles/110603brief-SSTP.pdf>

Of note, apparently Norquist has been hired by eBay to lobby against streamlined. Perhaps that calls into question his neutrality on an issue he's being paid to lobby against.



AMERICANS FOR TAX REFORM

# P O L I C Y   B R I E F

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1920 L STREET, N.W. - SUITE 200 - WASHINGTON, D.C. 20036 - 202-785-0266 - [HTTP://WWW.ATR.ORG](http://www.ATR.org)  
BY: MATTHEW CLARK FEDERAL AFFAIRS MANAGER

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## **“The Lawmakers’ Guide:”**

### **Ignoring Taxpayers**

Streamlined Sales Tax Project (SSTP) operatives frequently distribute copies of “The Lawmakers’ Guide,” subtitled “2003, The Year of Decision.” This booklet uses three years of manipulative rhetoric and misleading recommendations by the Multistate Tax Commission (MTC) to provide talking points and outline a plan to implement the SSTP.

Because the SSTP is the first and essential step to create a stealth tax hike that would extend a national state sales tax to out-of-state Internet and other remote purchases, costing consumers hundreds of millions of dollars, all pro-taxpayer lawmakers should oppose the creation of this tax-and-spend cartel.

Organizations such as the National Governors’ Association (NGA) and the National Council of State Legislatures (NCSL) support the creation of a Streamlined Sales and Use Tax Agreement (SSTP). Supporters of the plan claim that the agreement, which has been entered into by 34 states, is merely an effort to allow states to participate in national discussions about how to “simplify” and “streamline” their sales and use tax system.

However, every major free-market and pro-growth association opposes the SSTP. These groups include Americans for Tax Reform, the National Taxpayers Union, Citizens for a Sound Economy, Club for Growth, Citizens Against Government Waste, the Cato Institute, the Heritage Foundation, the American Enterprise Institute and dozens of state-based think tanks across the nation.

These groups oppose the adoption of the SSTP because the history of the movement does not support a commitment to tax neutrality, and because its present proponents cannot guarantee that the net impact on taxpayers in every state will be zero. Proponents of SSTP include state tax commissioners and their staffs, multi-state accounting firms, who stand to benefit from the compliance complexity SSTP induces, and tax-and-spend lawmakers desperate to ease the process of collecting taxes – so as to more easily increase taxes.

As a pledge signer you should oppose this tax harmonization scheme for the reasons cited below, and also because SSTP is not providing an honest analysis of the plan's impact on taxpayers.

Increasing taxes should not be easy. All efforts to reform tax collection must ensure that competition among states and localities is protected and encouraged. Legislators, especially pledge signers, must work to minimize the impact of taxation to the greatest extent possible. Simplifying or streamlining the process is a very laudable goal and should be done to limit the paperwork and bureaucratic nonsense that taxpayers face each year when filing their taxes. A lawmaker's first priority should be to create a method that benefits taxpayers first and accounting firms second, while promoting economic growth and improving the efficiency of commerce.

Behind the scenes, the Streamlined Sales Tax Project is not benign. The SSTP movement has printed a national park's worth of paper about its benign intentions, but none of its operatives will attest to the net taxpayer impact of SSTP, now and in the future.

At its quarterly meetings, held in various geographic locations across the country to allow as many budget-constrained tax commissioners to attend as possible, SSTP planning committees debate various tax changes while members of the audience work to agree in consensus. Taxpayers – and most lawmakers – would have a hard time understanding many of the minutia discussed at these meetings. These minutias are precisely the problem; many tax code changes could make tax increases easier to implement and exemptions more difficult.

For example, implementing a sales tax in a state like Oregon would be much easier if the code is readily available and previously agreed upon by every state, or a majority of states.

To clarify our position, ATR will refute four of the MTC's seven goals. These four goals cause taxpayers to suffer directly and/or afford taxpayers no protection from future harassment. ATR will quote directly from the SSTP text and rebut.

### **TAX NEUTRALITY**

#### **SSTP Tax-and-Spenders:**

“Legislatures will choose what is taxable or exempt in their states. However, participating states will agree to use the common definitions for key items in the tax base and will not deviate from these definitions. As states move from their current definitions to the SSTP definitions, a certain amount of impact on state revenues is inevitable. However, it is the intent of the Project to provide states with the ability to closely mirror their existing tax bases through common definitions.” (page ii, Lawmakers' Guide: 2003).

#### **Taxpayers rebut:**

A good example of how the SSTP will remove your autonomy to shape your own tax code and how the plan will harm taxpayers is provided by the changes Minnesota made to conform to the SSTP. Prior to adopting the SSTP, Minnesota imposed sales taxes only upon the price of each product purchased from a seller that had nexus in the state. The new SSTP definition of “sales tax” broadened Minnesota's sales tax to include shipping, handling, and postage.

Now, thanks to the SSTP, the people of Minnesota pay a new tax on goods purchased outside the state, but they also get the added bonus of paying a higher price for goods bought from in-state vendors.

In the second sentence the SSTP booklet uses the term "key items" to explain how the plan will simplify the tax code by ensuring that each state applies an equal sales tax to these items. However, SSTP supporters do not define or clarify what the taxable "key items" are. In fact SSTP supporters have changed or manipulated the plan in order to gain the support of politically powerful states, such as Texas and New York. Therefore, the stated goal that the plan will "simplify and streamline" the tax code is completely false.

In addition, the MTC admits that the possibility of "impact" will occur when states implement SSTP tax code recommendations. Exemptions provide no long-term relief for taxpayers; adopting an exemption is more difficult than implementing the code in its entirety. Any effort to "reform" the tax code in each state must begin with the policy that the code will offset any possible tax increase by a dollar-for-dollar tax reduction.

It is clear, from this example, that supporters of the SSTP tax cartel are not upfront or honest about the negative impact of extending sales taxes to include many currently untaxed online transactions.

#### **RATE SIMPLIFICATION**

##### **SSTP Tax-and-Spenders:**

"States will be allowed one state rate and a second state rate in limited circumstances (food and drugs). Each local jurisdiction will be allowed one local rate. A state or local government may not choose to tax telecommunications services, for example, at one rate and all other items of tangible personal property or taxable services at another rate. State and local governments will accept responsibility for notice of rate and boundary changes at restricted times" (page ii, Lawmakers' Guide 2003).

##### **Taxpayers rebut:**

The booklet does not explain that allowing each state and local government to have its own tax rate compounds the current problem of tax simplification.

The free market, free enterprise movement has a long record of supporting fundamental tax reform and competitive tax jurisdictions. Rate simplification towards one flat rate is a commendable goal. The SSTP does not accomplish this objective!

If enacted the SSTP would force each merchant in the U.S. to collect a national sales tax. This means that a vendor would be forced to monitor and calculate up to 7,500 different tax rates on any and all sales. Furthermore, merchants would be responsible for determining each customer's nine-digit zip code, since many zip codes cross local jurisdictions.

The SSTP does not achieve simplification. In fact, the plan adds a new tax and regulatory burden on every business in America.

#### **ADMINISTRATION of ALL STATE and LOCAL SALES and USE TAXES**

##### **SSTP Tax-and-Spenders:**



“Businesses will no longer file tax returns with each local government within which it conducts business in a state. Each state will provide a central point of administration for all state and local sales and use taxes and the distribution of the local taxes to the local governments. A state and its local governments will use common tax bases.”

**Taxpayers rebut:**

Several states have looked at reducing compliance costs to reduce local jurisdictions’ liability. Taxpayers’ concern is that this will reduce competition between local jurisdictions to attract businesses and homeowners, and increase the likelihood of a tax cartel in which counties, cities, and towns are subject to the special interests of a central tax collector.

Taxpayers do not benefit from centralized power, when the purpose of that power is to collect and redistribute their tax dollars. For example, in Maine, some localities sent more tax dollars to Augusta than were returned to them, causing massive taxpayer dissatisfaction *and eventual overturn of the law*.

**UNIFORM SOURCING RULES**

**SSTP Tax-and-Spenders:**

“The states will have uniform and simple rules how they will source transactions to state and local governments. The uniform rules will be destination/delivery-based and uniform for tangible personal property, digital property, and services.”

**Taxpayers rebut:**

A single entity responsible for all destination/delivery-based transactions and resulting tax compliance in each state will create more bureaucracies to consume more taxpayer dollars.

The same argument made against a single state tax collection agency can be made in opposing a central third-party tax collection agency. The central collection of all sales taxes again increases the likelihood of a tax cartel that will limit competition among states and ensures that individual states are subject to the special interests of a central tax-collecting agency.

Furthermore, defining source transactions to conform to a uniform definition will open a Pandora’s box for privacy watchdogs. Authorizing a central tax collection agency to integrate the new SSTP created tax collection software into the business mainframe of every merchant in America raises numerous questions about the protection of consumer privacy.

The central agency would have access to an individual’s home address, phone number, financial information, and other pieces of information that are highly sensitive and confidential.

**CONCLUSION:**

The SSTP was created to implement a tax harmonization scheme that would allow states the authority to implement a predetermined and already-designed system for taxing consumers.

Under the guise of tax simplification, SSTP supporters want to override a Supreme Court decision that prevents states from taxing interstate commerce without explicit congressional permission. Thus creating a "stealth tax" that extends the sales tax to currently untaxed products, services, and sales.

In addition, the plan forces state legislatures to cede important control over aspects of their state's sovereign tax system in deference to a national tax cartel. This is the first and essential step to implement a quiet tax hike and extend a national state sales tax to out-of-state Internet and other remote purchases, costing both buyers and sellers millions of dollars. In sum, the SSTP diminishes states from having the autonomy to shape their own tax policy, costs each state's economy jobs, and devastates their technology sector.

It is time for taxpayer advocates to speak out against expanded sales taxes on consumers, and for state legislators to regain and protect their ability to control their own tax structure and refute the notion that sales tax competition among states is counterproductive.

## Streamlined Sales Tax Bills

AB 547 -- SB 267

December 3, 2003

- **Update on Federal Legislation** – Diane Hardt

*both bill intro'd. in Congress. Hearings in Feb, Senate wrapped up. House - Sensenbrenner opposed. Hopeful that early next year, bills will be passed.*

- **Next Steps to Getting the Bill Passed**

- Hearing in Joint Finance Committee and favorable vote
- Vote by full Assembly
- Favorable vote of Senate Homeland Security Committee (not essential)
- Vote by full Senate

*E-Fairness Coalition  
National Retailers Fed.*

- **Legislators on Key Committees** (Joint Finance, Senate Homeland Security) - attached

- **Legislative Leadership**

Assembly: Rep. John Gard  
Assembly Speaker  
211 West Capitol  
266-3387

Senate: Sen. Mary Panzer  
Senate Majority Leader  
211 South Capitol  
266-7513

- **Legislators with Concerns**

Senate: Mary Lazich  
Tom Reynolds  
Bob Welch  
Ted Kanavas  
Scott Fitzgerald

Assembly: Steve Nass  
Becky Weber  
Debi Towns  
Jeff Wood

Frank Lasee  
Mike Huebsch (?)  
Dan Meyer (?)  
Scott Suder (?)

- **Possible Concerns**

- State Sovereignty (simple act of state legislature determines participation)
- Tax Increase (it's a tax cut in Wisconsin)
- Legislation should be made revenue neutral (can easily be done)
- Impeding Internet Commerce (survey says only 4% of consumers care)
- Businesses with no physical presence shouldn't have to collect because they get no benefits/services from our state (costs of collection will be reimbursed)
- Nutrition (mixed situation in Wisconsin – see attached)

- **Legislators from Other States Willing to Come to Wisconsin**

Rauschenberger – Illinois  
Corbin – Kansas  
Fraser – Texas  
Amstutz – Ohio

Borst - Indiana  
Clabough - Tennessee  
Steil - Pennsylvania  
Finan - Ohio (former legislator)

# Joint Committee on Finance

## Committee Members

<p><u>Senator Alberta Darling</u>, Senate Chair (R) Room 317 East, State Capitol Madison, WI 53702 (608) 266-5830</p>	<p><u>Representative Dean Kaufert</u>, Assembly Chair (R) Room 308 East, State Capitol Madison, WI 53702 (608) 266-5719</p>
<p><u>Senator Robert Welch</u> (R) Room 10 South, State Capitol Madison, WI 53702 (608) 266-0751</p>	<p><u>Representative Michael Huebsch</u> (R) Room 304 East, State Capitol Madison, WI 53702 (608) 266-0631</p>
<p><u>Senator Mary Lazich</u> (R) Room 127 South, State Capitol Madison, WI 53702 (608) 266-5400</p>	<p><u>Representative David Ward</u> (R) Room 324 East, State Capitol Madison, WI 53702 (608) 266-3790</p>
<p><u>Senator Ted Kanavas</u> (R) Room 20 South, State Capitol Madison, WI 53702 (608) 266-9174</p>	<p><u>Representative Dan Meyer</u> (R) Room 306 East, State Capitol Madison, WI 53702 (608) 266-7141</p>
<p><u>Senator Sheila Harsdorf</u> (R) Room 131 South, State Capitol Madison, WI 53702 (608) 266-7745</p>	<p><u>Representative Jeff Stone</u> (R) Room 320 East, State Capitol Madison, WI 53702 (608) 266-8590</p>
<p><u>Senator Scott Fitzgerald</u> (R) Room 316 South, State Capitol Madison, WI 53702 (608) 266-5660</p>	<p><u>Representative Kitty Rhoades</u> (R) Room 321 East, State Capitol Madison, WI 53702 (608) 266-1526</p>
<p><u>Senator Russell Decker</u> (D) Room 323 South, State Capitol Madison, WI 53702 (608) 266-2502</p>	<p><u>Representative Shirley Krug</u> (D) Room 212 North, State Capitol Madison, WI 53702 (608)266-5813</p>
<p><u>Senator Gwendolynne Moore</u> (D) Room 415 South, State Capitol Madison, WI 53702 (608) 266-5810</p>	<p><u>Representative Dan Schooff</u> (D) Room 220 North, State Capitol Madison, WI 53702 (608) 266-9967</p>

Committee Clerk:

**Committee on Homeland Security, Veterans and Military Affairs and Government Reform**

Senator Brown, *chairperson* – Senate sponsor of streamlined bill

Senator Zien – position unclear  
15 South Capitol  
266-7511

Senator Scott Fitzgerald – position unclear  
316 South Capitol  
266-5660

Senator Wirch – no major concerns with the bill  
108 South Capitol  
267-8979

Senator Breske – no major concerns with the bill  
310 South Capitol  
266-2509

## **Streamlined Sales Tax Treatment of Food**

### **Becoming Taxable**

Chocolate Chips and Baking Chocolate  
Ready-to-Drink Tea (Snapple, etc.)

### **Becoming Exempt**

Frozen Novelties  
Candy with Flour  
Packaged Ice  
Popcorn  
Fruit Drinks with 51-99% Juice  
Powdered Soft Drink or Fruit Drink Mix  
Non-alcoholic Beer  
Carbonated, Unsweetened Water  
Meals and Sandwiches Sold by Weight or Volume w/out Utensils

## Halverson, Vicky

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**From:** Gates-Hendrix, Sherrie  
**Sent:** Wednesday, December 17, 2003 12:21 PM  
**To:** Halverson, Vicky  
**Subject:** RE: Mickey's Meeting with Becky Weber

Thanks, Vicky. I'll talk to Vicki Gibbons about a few of these .. but here are some quick notes from me:

-----Original Message-----

**From:** Halverson, Vicky  
**Sent:** Wednesday, December 17, 2003 11:45 AM  
**To:** Gates-Hendrix, Sherrie  
**Subject:** Mickey's Meeting with Becky Weber

Mickey just dictated the following questions/concerns that came out of his discussion with Becky Weber:

1. This is more a statement than a question. She said that she's gotten mixed responses to concerns she's raised and feels that DOR is not giving a complete, unbiased representation of how our state will be affected by the SSTP.  
DOR certainly has an interest in the project, but I think our information is completely factual. We're always willing to provide any data we have and we've made a real effort to show the true impact. See the fiscal estimate, which goes item by item on products.
2. She wants to know if it's possible to pass this legislation and not be part of the coalition. I would say yes, although there wouldn't be any point to that. I think her real question should be is it possible to pass the legislation and become a participant in the Agreement but not enact a Wisconsin law to require remote sellers to collect Wisconsin sales tax. The answer to that is YES too.
3. She has concerns about costs to the state and businesses for software.  
I'll see what we have on this.
4. Re: Ebay, she wants to know what the potential effect would be on individuals sellers.  
Individual sellers using eBay would be required to collect sales tax if they are registered to collect sales already. But for other sellers who use eBay, they wouldn't be required to collect. eBay would be required to collect if the Wisconsin chose to require remote sellers to collect Wisconsin sales tax. This is not part of the current streamlined legislation, though. (SB 267, AB 547) Under Wisconsin law eBay is considered an auctioneer and as such is required to collect our sales tax if it has nexus. eBay does not have nexus in Wisconsin, so they do not collect for us now.
5. She believes that there are one or two states (Montana, Wyoming) that are looking at repealing their earlier passage of phase 2, and she mentioned that ALEC has sample legislation on how to do so for lawmakers from other states who may be interested.  
I asked Vicki about these states.  
  
Wyoming passed the streamlined legislation 2 legislation sessions ago -- they were one of the first. So they have been using the new law for over 2 years. Vicki was not aware of any problems in Wyoming or any movement to repeal. She indicated she'd be very surprised if they would repeal as it seems to be working for them.  
  
Montana is not involved in the streamlined project at this point. No one from that state attends meetings. So they have not passed the legislation. Vicki didn't know a lot about the sales tax situation in Montana. Let me know if you think I should ask her to research it.
6. How do small sellers get information on what they should be charging to various taxing jurisdictions?  
From DOR and from the streamlined governing board's national databases. This information will be widely available and provided in easy-to-use formats for all sellers.
7. What is the threshold dollar amount in sales for small businesses to be required to comply?  
The federal legislation has a \$5 million threshold

**Halverson, Vicky**

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**From:** Joan Hansen [jhansen@wmc.org]  
**Sent:** Tuesday, December 30, 2003 3:04 PM  
**To:** vicky.halverson@legis.state.wi.us  
**Subject:** Computer Software Decision by the TAC

Vicky, I sent this to Katie already. I have a brain block about your email address. I always write HalvORson. Sorry. Take care. Hope you had a nice Christmas. Joan

Katie and Vicky,

I have attached a recent and extremely compelling decision by the Tax Appeals Commission. It pertains to the exact software issue I testified on in the streamlined sales tax legislation. Had AB 547 been enacted, this case would be moot because the legislation contains the tax increase that DOR is attempting to gain through the audit process, but is clearly not law currently. This case makes it clear that DOR cannot legislate through the audit process, a problem our members are having in many areas of sales tax administration. As you can see by the numbers in this single case, the fiscal note is extraordinarily underestimated for AB 547. I would ask that you share this case with Senator Brown and Representative Lehman. Menasha Corporation won on every question and DOR lost. It is expected that DOR will appeal, but I suspect it is an uphill battle.

Thanks so much. Happy New Year. I included my testimony also.

Joan



January 6, 2004

Rep. Becky Weber  
Room 115 West  
State Capitol  
Madison, WI 53708

Dear Becky:

I appreciated having the opportunity to discuss the Streamlined Sales Tax issue with you recently. During the course of our discussion, you raised several questions and concerns about SSTP. I would like to try to respond to them here.

1. You indicated that you've gotten mixed responses to concerns you've raised about the SSTP and you feel that DOR is perhaps not giving a complete, unbiased representation of how our state will be affected. In response, I would say that yes, DOR certainly has an interest in the project. However, I feel that the information the Department has provided is factual. The fiscal estimate goes item by item in showing the fiscal effect of goods and services in Wisconsin. Some of the information provided by Americans for Tax Reform contains factual errors and differs from DOR information, most likely because ATR is not as familiar with the streamlined provisions as DOR is.

2. You asked whether it would be possible for Wisconsin to pass this legislation and not be part of the coalition. Our state is already part of the coalition based on legislation passed in 2001 Act 16, which allowed the Department to participate in the project. However, the agreement requires that we must certify compliance to be part of the Governing Board. It may be possible to choose not to certify compliance, although there would not be any benefit to our state in doing so. Perhaps a related question would be "is it possible to pass the legislation and become a participant in the Agreement, but not enact a Wisconsin law to require remote sellers to collect Wisconsin sales tax?" And the answer to that question is yes.

3. You expressed concerns about the costs to the state and businesses for software. The agreement provides for a study of retailer costs of compliance and for retailer compensation for those costs. The compliance cost study has not been completed and, therefore, the monetary allowance has not yet been negotiated. Under AB 547 and SB 267, in addition to the 0.5% retailer's discount under current law, sellers that use a certified automated system or proprietary system would receive monetary allowances

based on the compliance cost study and subsequent negotiations. The aim is to relieve retailer burdens with respect to tax collection.

4. With regard to Ebay, you wanted to know what the potential effect would be on individual sellers. Under current law, because E-bay is not registered in Wisconsin (has no WI nexus), tax liability falls to the seller if they are required to be registered in Wisconsin. This is because under WI law, Ebay is considered an auctioneer. If Ebay failed to collect, the purchaser would be subject to use tax. If Ebay were registered, the individual seller's liability to collect sales or use tax would only apply to items they sold by means other than an auctioneer, e.g. Ebay.

5. You mentioned that you thought there were a couple of states (possibly Montana and Wyoming) that are looking at repealing their earlier passage of phase 2, and that ALEC has sample legislation on how to do so for interested lawmakers from other states. Wyoming passed the streamlined legislation two sessions ago – one of the first to do so. They've been using the new law for over two years now. The law appears to be working well for them. Wisconsin DOR staff are not aware of any problems or any movement to repeal.

Montana currently does not impose a state sales or use tax. However, a bill introduced in 2003 (SB 470) would have created a general sales tax using many of the uniform definitions in the SSTP agreement. Montana is not involved in the streamlined project at this time, and no one from that state attends meetings.

6. You asked how small sellers would get information on what they should be charging to various taxing jurisdictions. Under current law, DOR provides a list of jurisdictions and the rates that apply in each of those jurisdictions – both online and in various publications. If a seller has a question of what county the purchaser is in, the seller must find that out from the purchaser or some seller's purchase software from companies that have developed rate packages by 5-digit zip code. These rate packages are not always correct because 5-digit zip codes cross county lines in Wisconsin. Under the streamlined provisions, the Department would be required to provide a database of 9-digit zip codes and the rate that applies to each and post that online.

7. You wanted to know what the threshold dollar amount in sales is for small business that would require them to comply. The "small business exception" in federal legislation that has been introduced because of SSTP provides that a remote seller may not be required to collect and remit tax on remote sales if it meets either of the following criteria:

- The seller and its affiliates collectively had gross remote taxable sales nationwide of less than \$5,000,000 in the calendar year preceding the date of such sale; or
- If the seller and its affiliates meet the \$5 million threshold, but the seller itself has less than \$100,000 in remote taxable sales nationally in the prior calendar year.

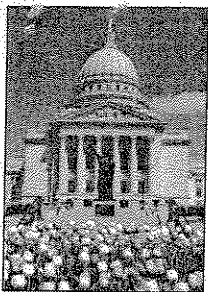
8. Finally, you wondered if DOR is aware of any states that may be considering repeal legislation. They are not aware of any. The Governor of Kansas, Kathleen Sebelius, has written to the SST steering committee and asked that states be given more flexibility regarding implementation of sourcing rules. Kansas passed the streamlined legislation, along with the destination-based sourcing rules. Prior Kansas law generally used origin-based sourcing rules, applying the local sales tax in effect at the retailer's business location. The Kansas DOR's approach to the changes has been to use a slow implementation plan, allowing six months before full compliance is required. Recent conversations that Diane Hardt has had with Kansas DOR officials indicate that there is no movement to repeal SST legislation.

I hope these responses adequately address the questions that you raised and that you find this information helpful. Don't hesitate to contact me if you have any further concerns with regard to the Streamlined Sales Tax Project.

Respectfully,

MICHAEL "Mickey" LEHMAN  
State Representative  
99th Assembly District

ML:vlh



Michael (Mickey)  
**Lehman**

State Representative  
99th Assembly District

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Committee Chair: Ways and Means

January 6, 2004

Rep. Becky Weber  
Room 115 West  
State Capitol  
Madison, WI 53708

Dear Becky:

I appreciated having the opportunity to discuss the Streamlined Sales Tax issue with you recently. During the course of our discussion, you raised several questions and concerns about SSTP. I would like to try to respond to them here.

1. You indicated that you've gotten mixed responses to concerns you've raised about the SSTP and you feel that DOR is perhaps not giving a complete, unbiased representation of how our state will be affected. In response, I would say that yes, DOR certainly has an interest in the project. However, I feel that the information the Department has provided is factual. The fiscal estimate goes item by item in showing the fiscal effect of goods and services in Wisconsin. Some of the information provided by Americans for Tax Reform contains factual errors and differs from DOR information, most likely because ATR is not as familiar with the streamlined provisions as DOR is.

2. You asked whether it would be possible for Wisconsin to pass this legislation and not be part of the coalition. Our state is already part of the coalition based on legislation passed in 2001 Act 16, which allowed the Department to participate in the project. However, the agreement requires that we must certify compliance to be part of the Governing Board. It may be possible to choose not to certify compliance, although there would not be any benefit to our state in doing so. Perhaps a related question would be "is it possible to pass the legislation and become a participant in the Agreement, but not enact a Wisconsin law to require remote sellers to collect Wisconsin sales tax?" And the answer to that question is yes.

3. You expressed concerns about the costs to the state and businesses for software. The agreement provides for a study of retailer costs of compliance and for retailer compensation for those costs. The compliance cost study has not been completed and, therefore, the monetary allowance has not yet been negotiated. Under AB 547 and SB 267, in addition to the 0.5% retailer's discount under current law, sellers that use a certified automated system or proprietary system would receive monetary allowances

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Respectfully,



MICHAEL "Mickey" LEHMAN  
State Representative  
99th Assembly District

ML:vlh

**Halverson, Vicky**

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*file*

**From:** Doug Johnson [dqj@supranet.net]  
**Sent:** Thursday, January 08, 2004 11:35 AM  
**To:** Rep. Mickey Lehman; Rep. Kaufert; Rep. John Gard; Rep. Mickey Foti; Sen. Ron Brown; Sen. Mary Panzer; Sen. Darling  
**Subject:** American Legislative Exchange Council (ALEX) Position on Sale Tax Streamlining

There has been some confusion about the position of ALEC on the Streamlined Sales Tax Project (SB 267/AB 547):

"We don't have an official position on SSTP. We do have a number of model bills containing what we believe is the best approach to the issue on a state by state level: codifying Quill in each state, eliminating the use tax, as well as the necessity for collection of data on e-commerce sales and use tax "losses" on a state by state basis.

Our primary concern about SSTP in Congress is the potential erosion of the physical presence standard for business activities taxes. If BAT nexus is not firmed up, I could see us having to take an official position on SSTP."

Hope this was helpful!

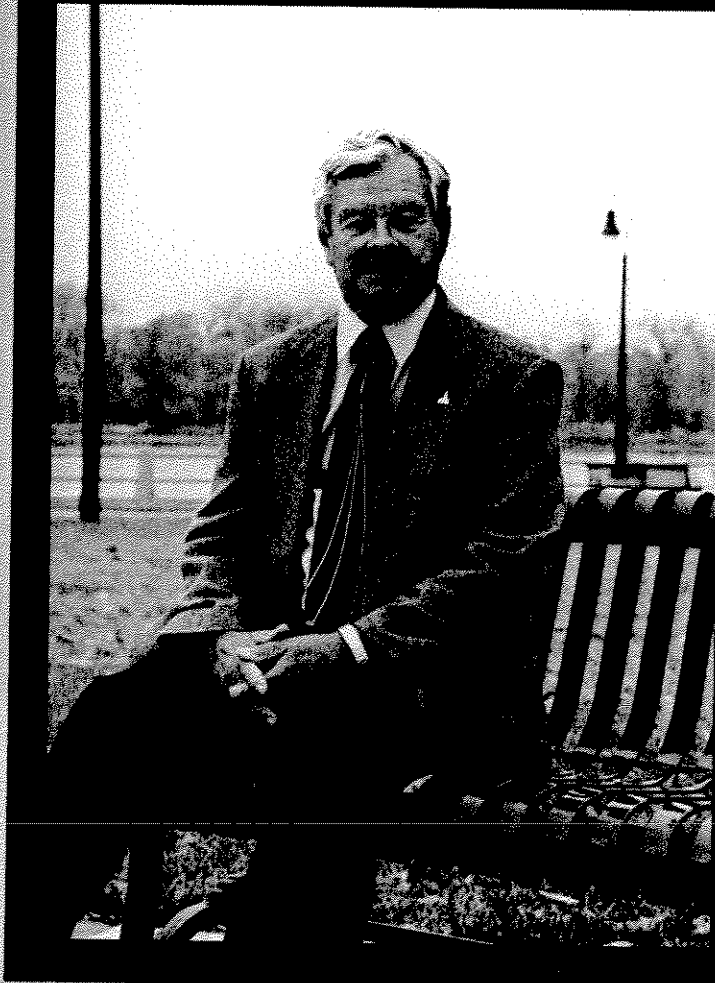
Sincerely,

Chris Atkins, Esq.  
Director of the Tax and Fiscal Policy Task Force  
American Legislative Exchange Council  
1129 20th Street, NW  
Fifth Floor  
Washington, DC 20036



# Wisconsin Counties

December 2003



WCA's New President  
La Crosse County Supervisor

## Jim Ehrsam

mandate watch





# NEWS

## STREAMLINED SALES TAX PROJECT UPDATE

—Jay Sverson, Iowa State Association of Counties, Fiscal Policy Analyst

At the National Association of Counties (NACo) annual conference in Milwaukee on July 15, 2003, Diane Hardt updated county officials on the progress being made with the Streamlined Sales Tax Project (SSTP).<sup>1</sup> The SSTP involves much more than simply collecting sales tax on remote sales, such as Internet and catalog sales. It is a comprehensive overhaul of sales tax systems across the country. It modernizes sales and use tax regulations, improves administrative efficiency, reduces the burden of tax collection, and encourages simplification and uniformity among all states. To better understand the project, it helps to know about some of the events surrounding its inception.

### History

The underlying need for what has become the SSTP is *Quill Corp. v. North Dakota*, a 1992 Supreme Court case that prohibited states from requiring remote sellers to collect sales or use tax from their customers. Remote sellers are defined as those businesses that do not have a 'physical presence' within a state in which they conduct business. Quill Corp. sells office equipment and supplies, and does so primarily through catalogs, magazine advertisements, and phone calls. In 1992, it sold about \$1 million worth of products to about 3,000 customers in North Dakota. Because it had no physical presence in the state, Quill did not collect sales or use tax from its North Dakota customers. It is reasonable to assume that very few consumers, if any, voluntarily paid the tax— as they were legally required

to do— to then North Dakota Tax Commissioner Heidi Heitkamp.

In 1987, North Dakota had changed its sales and use tax law to define 'retailer' as "every person who engages in regular or systematic solicitation of a consumer market in the state."<sup>2</sup> That meant that anyone who annually sends three or more advertisements or solicitations to North Dakota consumers would be considered a retailer and would be compelled to collect sales and use tax and remit it to the state. Basing its argument on that law change, the state sued to require Quill Corp. to pay taxes, penalties and interest on all sales made after July 1, 1987.

The trial court ruled against the state, following the "bright line" test established in *Bellas Hess*, a 1967 Supreme Court decision that first established the 'physical presence' requirement. The court accepted Quill's argument that because it lacked a 'physical presence' in North Dakota (it had no retail outlets, personnel or property in the state), the state "does not have the power to compel it to collect a use tax from its North Dakota customers." The State Supreme Court reversed the ruling, saying that "wholesale changes in both the economy and the law made it inappropriate to follow *Bellas Hess* today." In other words, because catalog and mail-order sales had become commonplace by 1992 (as is true with Internet sales today), the 'physical presence' test should no longer hold. The State Court ordered Quill to pay the taxes due.

The United States Supreme Court eventually reversed the State Supreme

Court, upholding *Bellas Hess*, but not without an important concession. Earlier decisions regarding interstate commerce rested on two constitutional clauses— the Due Process Clause and the Commerce Clause. "Due process centrally concerns the fundamental fairness of governmental activity." It asks "whether an individual's connections with a state are substantial enough to legitimate the state's exercise of power over him." In deciding that the connection between Quill Corp. and North Dakota was indeed substantial, *Quill* marked the first time that the court upheld a state's power to compel remote sellers to collect sales and use tax *under the Due Process Clause*.

The court, however, rejected that power under the Commerce Clause. While the Commerce Clause explicitly authorizes Congress to "regulate commerce with foreign nations, and among the several states," the Court interprets the clause to have a 'negative' or 'dormant' meaning as well. In addition to granting power to Congress, the clause "prohibits certain state actions that interfere with interstate commerce." Because the court deemed North Dakota's definition of 'retailer' to do just that, it struck down the law as unconstitutional. Quill Corp., and other retailers, was not required to collect a state tax unless it established a physical presence in the state. Not yet, anyway. However, the court's decision invited Congress to take advantage of the power it is granted by the Commerce Clause to "regulate commerce among the... states." Indeed, the court wrote that because taxing remote sellers no longer



violates the Due Process Clause, "Congress is now free to decide whether, when, and to what extent the states may burden interstate mail order concerns with a duty to collect taxes." Those words were written over 11 years ago, and the term "mail order" would now be more broadly defined to include Internet sales as well. Enter the Streamlined Sales Tax Project.

### Description

The SSTP has two components at the state level. The first is a relatively benign piece of legislation states are required to pass, the Uniform Sales and Use Tax Administration Act. The act allows the state to enter into an agreement with other states in an effort to modernize and simplify the sales tax system. This part of the project requires no modifications to a state's existing sales and use tax laws. Forty states and the District of Columbia have passed this type of legislation, allowing them to become participating states in the Streamlined Sales and Use Tax Agreement.<sup>3</sup>

The second component of the project is the agreement itself. Iowa is one of only 17 states that have enacted legislation substantially similar to the model agreement legislation proposed by the SSTP. This part of the project is more difficult to achieve than the first, because in some states it requires significant changes to existing sales and use tax laws. To be compliant with the agreement, a state's laws must be "substantially compliant" with each requirement of the agreement. The agreement has at least 18 broadly defined requirements, each of which contains

more narrow requirements; achieving "substantial compliance" is quite a chore in some states and will require at least minimal legislative changes in every state.

Because of the legislative changes it requires, the SSTP affects all businesses to some degree. Without question, however, it affects remote sellers to a greater extent than anyone else. Last year, a total of \$26 billion in potential tax revenue went uncollected because of remote sales. That number is expected to increase by 45% over the next few years. Federal enactment of SSTP legislation would require, or allow states to require, remote sellers to collect sales and use tax. This would be a financial boom to state and local governments, and would also level the playing field between online mega-retailers and smaller local businesses. But while the desire to collect sales and use tax on Internet, catalog and other remote purchases is certainly a motivating factor behind the SSTP, it is not *the* motivating factor. Of equal weight is the desire to simplify and modernize the sales tax systems in each state.

The SSTP imposes a number of standardizations that will make it easier for businesses to voluntarily collect sales and use tax on all purchases, regardless of their location or the location of their customer. (While the ultimate goal of the project is to require mandatory compliance in all 45 states that collect sales tax, voluntary compliance is necessary until a federal law implementing the SSTP takes effect.)

The most important standardizations created by the SSTP include:

- State level administration of all taxes,

even the local share;

- o Only the four so-called "home-rule" states (Alabama, Arizona, Colorado and Louisiana) are not doing this already. Those states allow local jurisdictions to set their own tax base, develop their own returns and filing forms, and audit their own taxes. The variety and sheer mass of administrative functions has proven very costly to businesses that operate in these states.

- Allowing only one state rate and one rate per local jurisdiction;

- o Originally, businesses wanted to require only one rate per state, and allow each state to pass on revenue to local governments as it saw fit. That proposal was abandoned because of the increasing reliance of local governments on sales tax revenue, and because of the available technology that allows businesses to deal with local rates relatively easily.

- Establishing a common state and local tax base by 2006;

- o Again, this problem is particularly prevalent in the home-rule states that allow local jurisdictions to set their own tax base. Multistate businesses call multiple tax bases the "single most difficult issue in sales tax administration." Accordingly, the project seeks to remove them by 2006, with a few exceptions.

- Eliminating caps and thresholds by 2006, except in the case of sales tax holidays;

- o Iowa's sales tax holiday involves the use of a threshold. Qualifying clothing sales of under \$100 are not taxable during the holiday; however, a tax is applied to the entire purchase amount for all goods over the \$100 threshold. Other states apply thresholds year-round. Caps can be in the form of rate caps or dollar caps, both of which are ceilings on the tax that can be charged against a particular sale.

- Standardized exemption auditing procedures;

- o This includes holding harmless sellers that accept exemption certificates, and instead ▶

auditing consumers who claim the exemption. The project will develop a uniform electronic exemption certificate so that it can be used for remote sales, in addition to uniform paper certificates used for local sales.

- Requiring destination-based sourcing on all sales;

- o Sourcing refers to determining for which state and local jurisdiction, if any, tax is to be collected. Destination-based sourcing means that sales tax is applied according to the rate of the jurisdiction in which the goods or services are actually exchanged (the seller's business location for over-the-counter transactions and the customer's shipping address for others). For industries that have unique situations, such as telecommunications services, direct mail, and florist services, individualized sourcing procedures are being developed.

- Creating and maintaining an updated central database;

- o The project will create a Web site at which businesses can find the sales tax rates in every jurisdiction in the country, and which will be updated as boundaries change. The database will keep track of the current rate in each nine-digit ZIP code area.

- Establishing uniform definitions of property classes;

- o Common definitions will mean that "prepared food" in Iowa means the same as it does in California. State legislatures would still be free to determine which classes of goods and services would be taxable and which would be exempt in each state. However, they would agree to use the uniform definitions adopted by the Project.

The push to standardize sales tax systems is the reason that the SSTP affects all businesses and not simply those that make remote sales. It is important to note that these standard rules are not merely the product of a brainstorming session by government tax experts. Throughout the process, and particularly in establishing uniform definitions of property classes, representatives from the private sector have been actively involved in crafting the model legislation for the SSTP.

Business and taxpayer groups will also have a continuing presence in the SSTP; they will form the membership of one of two advisory groups that will be created to advise the Governing Board of the Agreement on pertinent issues. (The other advisory group will consist of state and local government officials.) The Governing Board is comprised of up to four representatives from each participating state. Each state, no matter how many representatives it appoints, will have one vote. The Board will be responsible for approving new applicants to the Agreement, amending and interpreting the legislation as needed, and responding to definition requests and solving new issues as they are raised.

The SSTP has operated under a self-imposed guideline that the agreement will not go into effect until at least 10 states representing 20 percent of the population have enacted legislation to implement the Agreement. That goal has been achieved. As of July, 17 states have enacted conforming legislation and three others (Minnesota, Texas and Washington) are close to doing so. The expected effective date of the agreement is likely to be July 1, 2004. All participating states will go through an annual recertification process to ensure their continued compliance with the SSTP. This safeguard was imposed to prevent legislatures from tinkering with product definitions, which could lead to deviation from the standardized rules.

### Unresolved Issues

Even with all of the work that has been put into the agreement, there are many unresolved issues. As we come nearer to the effective date, the rush to solve these problems, as well as others that are sure to come up, will intensify. Some of the more prevalent issues as of yet unresolved are:

- Bundling— how the agreement will handle 2-for-

1 deals, packages that include a product with a service, or those that include one taxable product and one exempt product;

- Digital property— defining digital property, and determining how to tax it, as it becomes more and more widespread in our society;
- Central database— identifying a cost efficient way to create and maintain a rate/jurisdiction database that is accessible to all businesses;
- Audits— adopting uniform audit standards and procedures;
- Tax holidays— determining common guidelines and rules for tax holidays.

The various parties involved in the SSTP have little time to solve these issues, but seem confident that they will do so. Then the quest will begin to fit the final piece of the puzzle: lobbying federal lawmakers to enact the SSTP legislation.

Some people have the mistaken impression that another piece of federal legislation, the Internet Tax Freedom Act (ITFA), which expires November 2003 but may be renewed, runs contrary to the SSTP. In fact, the two deal with separate issues. The ITFA prohibits states from taxing Internet access, e.g., AOL's \$19.95 monthly access charge. It was imposed, in part, because the telephone service underlying the Internet access is already subject to tax. The ITFA's goal is to prevent multiple or discriminatory taxation of Internet access; it is not concerned with Internet commerce.

### Iowa's Status

Iowa solidified its conformation to the agreement with the passage of HF 683 during the 2003 legislative session. The legislation included both components required by the SSTP, in that it authorized Iowa's entrance into a sales and use tax agreement, and also conformed to the Streamlined Sales and Use Tax Agreement. The Iowa bill, with an effective date of July 1, 2004, states: "It is the intent of the general assembly that entering

into this Agreement will lead to simplification and modernization of the sales and use tax law and not to the imposition of new taxes or an increase or decrease in the existing number of exemptions, unless such a result is unavoidable under the terms of the agreement." Like all states, Iowa cannot force remote sellers to collect sales and use tax. It can only hope that by simplifying the process, retailers will voluntarily comply.

Iowa and 16 other states have already done their part to simplify and modernize sales and use tax laws. The list of conforming states will soon grow longer. Federal legislation is in the process of being finalized and floor and committee debate on the project can begin as early as winter. The door is now open for Congress to allow states to start collecting taxes on remote sales. Some major retailers, like The Gap and Wal-Mart, have already begun doing so voluntarily. It is good to see that cooperation between business and government, even on a limited scale. But until all businesses are taxed evenly and fairly, which can only result from federal legislation, the goal of the Streamlined Sales Tax Project will have not been reached.

*Source: The Lawmaker's Guide to the Streamlined Sales Tax Project. Contact: Diane Hardt, Wisconsin Department of Revenue*

*Notes:*

1 Ms. Hardt is Administrator of the Division of Income, Sales and Excise Taxes in the Wisconsin Department of Revenue and Co-Chair of the SSTP.

2 All quotations are from the U.S. Supreme Court's opinion in *Quill Corp. v. North Dakota*; some may be the Court quoting from other cases or documents.

3 45 states and the District of Columbia impose a sales tax at the state and/or local level.

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