01

DANE COUNTY

Kathleen M. Falk
County Executive

May 8, 2001

Senator Bob Jauch
Senate Co - Chairperson
Joint Committee on Information
Policy and Technology
PO Box 7882
Madison, WI 53707-7882

Representative Mark Pettis
Assembly Co – Chairperson
Joint Committee on Information
Policy and Technology
PO Box 8953
Madison, WI 53708

Dear Senator Jauch and Representative Pettis:

Re: Support for SB 152 and AB 317 (Uniform Sales and Use Tax Administration Act)

Thank you for introducing the legislation which creates the "Uniform Sales and Use Tax Administration Act". Both the Dane County Board and I support the goals of this legislation.

Revenues generated from the sales tax are important to the state and many counties. Including Internet sales within a new streamlined taxation system levels the field of taxation for E-commerce and Main Street businesses.

Thanks again to you and the members of your Committee for proposing this important legislation.

Sincerely yours,

Kathleen Falk
Dane County Executive

Cc: Members of the Joint Committee on Information Policy and Technology
Dane County Board of Supervisors
Adam Korbitz, Senate Joint Committee Staff
Don Nelson, Assembly Joint Committee Staff

Wisconsin Counties Association

MEMORANDUM

TO: The Honorable Joint Committee on Information Policy and Technology

FROM: Allison Kujawa, Legislative Associate

DATE: May 9, 2001

RE: Senate Bill 152 and Assembly Bill 317

The Wisconsin Counties Association (WCA) supports Senate Bill 152 (SB 152) and Assembly Bill (AB 317) which would attempt to streamline the sales tax in Wisconsin and across the United States. Without the simplification of the sales tax collection, WCA has serious concerns regarding the future of the sales tax as a viable revenue source for state and county government in Wisconsin.

Consumer purchasing of goods by way of the Internet, phone and mail order has literally brought the goods and services of the world to the homes of consumers. Americans are taking advantage of these convenient ways of shopping in record numbers. According to the U.S. Department of Commerce, Internet traffic alone is doubling every one hundred days. This tremendous shift in purchasing from traditional brick and mortar retailers to remote sales creates serious problems for state and local governments.

Wisconsin counties rely heavily on the optional sales tax to provide property tax relief to county taxpayers. To date, 54 Wisconsin counties have elected to impose a one-half percent sales tax, which reduces reliance on the property tax by $200 million per year.

Dane County's budget illustrates the direct importance of the county sales tax. According to the Wisconsin Department of Revenue, Dane County would have to raise property taxes by over 40 percent or make almost $36 million in cuts, mostly in law enforcement or human services, if the county lost the sales tax.

The sales tax comprises about one-third of the State of Wisconsin's General fund. Past history has indicated that when the state has experienced significant strains on its budget, the result has been a reduced commitment to county government funding. If sales tax collection is hampered, it is likely that all local governments in Wisconsin will experience reduced state aid.

100 River Place, Suite 101 ◆ Monona, Wisconsin 53716 ◆ 608/224–5330 ◆ 800/922–1993 ◆ Fax 608/224–5325

Mark M. Rogacki, Executive Director

Mark D. O'Connell, Chief of Staff
Craig M. Thompson, Legislative Director

Darla M. Hium, Deputy Directc
Lynda L. Bradstreet, Administrative Direct

The current system of state and local tax administration is complex and burdensome. Differences in tax law among the states, coupled with the extensive use of the tax by local governments in many states, impose a significant compliance burden on multistate sellers, a burden for which they are not compensated in many instances.

Various federal legislative proposals affecting Internet sales could significantly reduce state and local government ability to collect sales taxes. Substantial changes are necessary if the sales tax is to continue as an integral part of the state and local revenue system. Sales tax laws must be made significantly more uniform across the states, and the administration of the tax must be substantially overhauled and simplified.

WCA urges you to support SB 152 and AB 317 in an effort to cooperate with other states to adopt a simplified, more uniform sales tax structure. SB 152 and B 317 is the first step Wisconsin will have to take to prepare for the implementation of a nation-wide system for sales tax collection that also preserves state and local sovereignty.

If you have any questions, please do not hesitate to contact me at 1-608-224-5330.

GENERAL ELECTRIC COMPANY COMMENTS

ON SENATE BILL 152/ASSEMBLY BILL 317

PRESENTED TO THE JOINT COMMITTEE

ON INFORMATION POLICY & TECHNOLOGY

May 9, 2001

General Electric Company appreciates the opportunity to submit comments in support of Senate Bill 152 and Assembly Bill 317, creating the Uniform Sales and Use Tax Act ("Act"). GE has been closely involved in the Streamlined Sales Tax Project ("SSTP") and would like to commend Diane Hardt of the Wisconsin Department of Revenue for her leadership of the Project and her hard work in promoting this important effort.

GE also has a special interest in Wisconsin's legislative effort to simplify sales tax administration because its Medical Systems business is headquartered in the State and employs approximately 5,000 people statewide. GE sells goods throughout the United States and is impacted by the costs of attempting to comply with the varying administrative requirements of the over 7,000 U.S. jurisdictions imposing sales and use taxes. It also bears the costs on audit when, as is inevitable under the current system, mistakes are made.

For these reasons, GE supports the efforts of the National Conference of State Legislators ("NCSL"), National Governors Association ("NGA"), and the state tax administrators

that have worked so hard in developing simplification proposals. Administrative simplification will encourage remote vendors to voluntarily collect tax; reduce the costs of multistate sellers in collecting this tax on behalf of the states; reduce audit expenses; and reduce the costs to the state in auditing taxpayers and collecting unremitted taxes. Both the private and public sectors can be winners if this effort succeeds.

GE supports Wisconsin in taking the next step in attaining simplified sales tax administration through the enactment of the Act. The Act sets forth the basic principles that are necessary to create a system that is sufficiently uniform and simplified to truly benefit taxpayers and tax administrators. GE gives its unqualified support to these provisions.

By adopting the Act, Wisconsin will be able to continue to work with the other states enacting similar legislation to continue these important simplification efforts. This is important in order for Wisconsin to continue to play a role in the future development of simplification proposals. While GE believes that the future governance of the Project should be more fully developed, this issue should not be used as a reason to delay enactment of the provisions that form the core of the Project. GE urges the Wisconsin Legislature to continue to participate in the Project and to enact the administrative simplification standards as set forth in SB 152 and AB 317.

For more information, contact:

Scott Roberti, State Tax Policy Director

General Electric Company

(203) 373-3413

or

Suzanne Kelley, Manager

GE Government Relations

(262) 548-5035 – WI Office

John Hadjiparaskevas
External Tax Policy
Regional Director

412 Mt. Kemble Avenue, S222
Morristown, NJ 07960
(973) 644-8059

Statement in Support
State of Wisconsin
Senate Bill 152 and Assembly Bill 317
Joint Committee on Information Policy and Technology

May 9, 2001

Chairman Jauch, Chairman Pettis, members of the Joint Committee, my name is John Hadjiparaskevas and I am here today on behalf of AT&T to express our support for Senate Bill 152 and Assembly Bill 317, which create the Uniform Sales and Use Tax Administration Act. The Act authorizes the Department of Revenue to pursue uniformity measures with other states that will simplify and modernize sales and use tax administration and compliance.

AT&T has supported the efforts of the Streamlined Sales Tax Project ("SSTP"), the National Conference of State Legislatures ("NCSL"), and all participating States to simplify sales and use tax compliance and administrative burdens through increased uniformity and more efficient compliance processes. Accordingly, we have encouraged the SSTP and NCSL to work with the telecommunications industry on their respective simplification proposals. It is extremely important that as many states as possible participate in the process to provide input that will ensure that individual state preferences are heard and considered. **Senate Bill 152 and Assembly Bill 317 provide Wisconsin with this opportunity.**

Recent studies and reports have documented the excessive burdens of complying with state and local taxes imposed on telecommunications services.[1] AT&T files over 100,000 state

[1] See Committee on State Taxation, 50-State Study and Report on Telecommunications Taxation, Washington D.C., November 29, 2000 (www.statetax.org); and also see Cordes, Joseph J., THE TANGLED WEB OF TAXING

and local transaction tax returns a year, which equates to almost one return being filed every minute during an average work week.

The difficulty in complying with these taxes is compounded due to a lack of information from the taxing jurisdictions. Both the SSTP and NCSL proposals have included provisions, which we emphatically support, that will ensure that businesses have the information they need to properly meet their compliance obligations. Provisions that place certain restrictions on state and local governments and require uniformity in the administration of their tax laws will go a long way to alleviate the compliance burdens and potential tax exposures faced by sellers.

The current state and local tax structures are seriously in need of modernization, and we hope that you will support these efforts in the State of Wisconsin. Thank you once again for the opportunity to provide this statement in support of Senate Bill 152 and Assembly Bill 317.

TALK: Telecommunications Taxes in the New Millennium, Progress and Freedom Foundation (www.pff.org), September 2000.

JOINT COMMITTEE ON INFORMATION POLICY

MOTION

Date: 5/9/01

BILL: SB 152 + AB 317

MOTION: Passage

BY: Schneider

SECOND: Pettis

	AYE	NO	N/V
Senator Jauch	✓		
Senator Erpenbach	✓		
Senator Shibilski			
Senator Lazich		✓	
Senator Harsdorf	✓		
Representative Pettis	✓		
Representative Hoven	✓		
Representative Montgomery	✓		
Representative Schneider			
~~Representative Kreuser~~			

SB152

JOINT COMMITTEE ON INFORMATION POLICY

MOTION

Date:

BILL: _____

MOTION: To introduce LRB2842/3 as a Joint Committee bill

BY: Schneider

SECOND: Harsdorf

ROLL

	AYE	NO	N/V
Senator Jauch	✓		
Senator Erpenbach			
Senator Shibilski			
Senator Lazich		✓	
Senator Harsdorf	✓		
Representative Pettis	✓		
Representative Hoven			
Representative Montgomery	✓		
Representative Schneider	✓		
Representative Kreuser	✓		

6-1

JOINT COMMITTEE ON INFORMATION POLICY

COMMITTEE ROLL

Date:

	Pres.	Abs.	Exc.
Senator Jauch	✓		
Senator Erpenbach	✓		
Senator Shibilski			
Senator Rosenzweig	✓		
Senator Darling			
Representative Hutchison	✓		
Representative Montgomery	✓		
Representative Spillner	✓		
Representative Schneider	✓		
Representative Kreuser			

- Cut that more imp't

(1) 32 Stats - /39 - 6 obeying S&U. → enormously imp't & complicated

(2) Confusing, administrative burdensome tax system -
little regard on multi-state business

for past 16 months -
(3) NCSL Task Force - Task Force on State & Local Taxation of Telecommunications & Electronic Commerce -

(4) ~~Proposal cut~~ Recommendation of Federal Commission on Electronic Commerce -
Recognition of Consequences of obsolete, discriminatory or multiple taxes on this ... new technology
Reality - ~~...~~ mainstreet merchants -
put - unfair disadvantage to Electronic Commerce Vendors -

(5) Shrinking sales tax base - 2003 - lose 11 billion sales tax revenue because of electronic commerce -
Mass. lose 172 million -
→ loss of business, jobs - ~~...~~ create instability on traditionally been stable tax base -

(6) ~~S...~~ Address myth - ~~...~~ raise taxes -
→ level playing field -
→ fairness -
- Simple -
→ tax system works for the 21st century -

* Congress - establish nat'l policy - tie our hands - interfere with our sovereignty -

* Respect For SSTP. - Diane Hardt. Charles Collins -
venerable job.
→ modify antiquated system. ~~propose~~ d.
workable system
" * (impossible task to the possible -

* SSTP. Act + Agreement -
~~Show it~~ blue print for simplified future

STATES MUST ~~put~~ CREATE MULTI STATE

Streamline Sales Tax

Governance -

⇒ NCSL -

Existing streamlined project 6 - SSTP -

12 - NCSL -

Wyoming - Act + Agreement

Utah - NCSL Act modified - Sign

Kentucky SSTP Act - Amended - Governance

Introduced 22 states -

Defeated in Oklahoma - All no votes - Republicans -

South Dakota - Introduced SSTP - Jenkins - opposed

- Study Commission -

North Carolina - Hugo

Wis -

Miss

Denver, Colo – E-Commerce – Tobin Forecast –

Groups supportive –

" good neighbor vs alien in cyber space – "

" There is growing support – increased awareness –

working group –

Charles Collins / Diane Hoadley –

(should we do a Leg. Council committee)

– we need Education – get volunteer students –

we need Involvement –

(Too closed Process –)

–

Retailers present – Wal Mart.

Where are the retailers? Find them

Catalog sellers – were at the table –

CLASS WARFARE ISSUE

Time – WARNER vs – MAINSTREET

AOL vs (~~AOL~~ ROS) (rest of us)

(Internet Speed – old economy & new economy)

As Hoadley says

EQUALLY STUBBORN is STATE Sovereignty – (problem – need to Fed. act –)

What do we do next →

→ work together to make change happen —

Being outspent 5 or 10 to 1 $

Internet Speed -

(a) reduce internet activity by 30% tax

① small business credit

② people don't want to pay —

— What are we up against —

→ can get tax free ahead of an ability to ~~get~~ be successful -

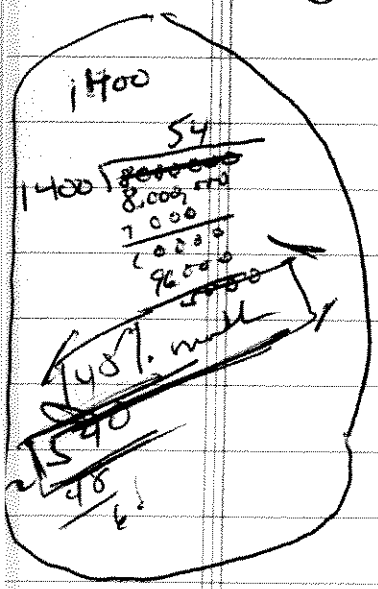
→ delay until it becomes politically unpopular -

Erosion of tax -

② - Business to Business - more $ more mil

find a way to buy an internet to avoid taxes -

③ Retailers will find a way to compete on both levels -



* able to simplify - all [illegible] -
→ * voluntary -
* don't have to participate -

← Consumer
Tax Simplification

- positive feedback - ** hoping for more discussion -

- QA -

(1) Kate - [illegible] -
tax revenue - underlines the issue -
anxious to hear level of support -

(tax increase) -
- Simplification -

uniform application -

pilot -

cost -

expenditure
administrative
process -
*

* food + clothing - differences - more discussion - *
- 2nd hearing -

COSTS →

Charts -

(Voluntary) *

Timing

- provided by business -
- audit benefits

① future business -
→ pilot →
vendors - have same customers -
- large + small retailers - great for us -
- Sept 29th.

② - never happened when States have worked together -

③ - 28th need it - [illegible]

④ Costs - WIS has discount for sellers - other States

⑤ model legislation - →

pilot - [illegible]

Wisconsin

transaction costs - →
exemption for WIS. 5% no more compensation -
instead of ½% discount -
manually process - don't expect more than 10
→ file [illegible]

- WME agent - we want to collect →

where does Congress go? E. Com - [illegible] will possibly influence - nat'l Sales Tax -

Jim Ounde.
Diane Hardt

- Lessons -
  - capture info about costs -
  - Evaluation of project -
  - development of agreement - specify with vendors -

① Technology - — expect 10 -
② Time
③ get some companies to step forward
④ sharing cooperation between other States -
⑤ share somewhat -

- European Union -

→ Model legislation - get business comments
  - lot of work - (5-8 States next year -)
    Texas →

- Wisconsin hang-ups -
  possible loss of exemptions - sales price - % exempt --
  (initial definitions - didn't exempt people -)
  → final - broad definition - might exempt some items -
  * issue of meals - deli's -

(uniform definitions - will be hard 2 pass)

- local / county -
  - find a Governor

* Wrong spin -

Bob Lochner, Sauk City Hardware
Sec. Cate Zeuske, DOR
Diane Hadt, DOR
Allison Kujawa, Wisconsin Counties Association

heritage foundation

E- freedom

no-max tax

— E-Commerce

→ Recognize important economic force of the Internet + Advanced Telecommunications ~~[illegible]~~ ~~[illegible]~~ states + nation —

→ Internet is powerful + compelling tool
- empowers individuals + expands horizons of personal choice + opportunities —

Important — ers. state & local tax revenues. ↓ exploit unfair advantage.

① More households own computers — + more families utilize ~~[illegible]~~ internet for personal transactions —

② DOT. Com [illegible] producing possibilities + perils —

~~For these~~
③ Quick / Easy / Cheaper.
④ For these — retailers sell same product — it is not fair —
⑤ popular — B2C — grow from 7.8 billion — 108 billion by 2003 — (1300% increase)

Tax equity — Fairness is

* Task Force State + Local Taxation of Telecommunications + E-Commerce —
* 2 years ago —) ~~concern~~ tech — fine comes unjust — ~~[illegible]~~ it is a state/local govt — — downtown merchants —

* ~~Gov Thompson~~ Shared Gov Thompson's concerns — — 18 months
→ ~~expressed~~ warning — states lose — 40% sales tax base to Internet Commerce

* Gov - recognize - 30% - existing state revenue -

Sales tax - ~~[illegible]~~

~~[illegible]~~

- ~~[illegible]~~ tax base - shrinking each year -

* Gov estimated - 100 million loss each year.

* Consultant Gov - working with NGA (?) - develop - simplified multi-state tax system - easy - to identify & collect -

** Nat'l Advisory Commission - Electronic Commerce -

** Congress - moratorium on internet access -

- divided -> by large businesses who want no tax on for on-line purchases - - states will [illegible] taxes growth of industry -

Fairness - recognize the growth of internet

① Lands End - collect

② internet [illegible]

DOT -

* Mythology - about taxes -

Internet Access -

-> sales tax for a purchaser -

Impact local gov'ts - local merchants -

*

- hurts local community

-> mail order loss - 10.80 billion - 2003

Revenue loss -> 565 million

E. Commerce -

Bob Lechner - mainstreet merchant - Doug Johns -
mtg. with merchants across the county -
hardware / sporting goods.
we pay taxes - collect 500,000 sales tax -
100 pay taxes - contribute to local community -
* 20,000 - 250,000 - sporting goods equipment -
- Family buying all x-mas presents on internet -
- Sales hurt before Christmas -
- Internet + catalog sales - level playing field -
they shd
govt shld create competitive difference -
x eliminate - sales tax -
tearing at fabric of small business - community -
out of state - local contributions -
helping start up business at expense of existing business -

Esther - USE - create ethical statute for fairly - -
lose business / jobs / employees -
→ Online - will do it - It isn't same -
we provide service →
("Extension of our business - to meet competition")
Convenience / Compensation
- I think that sales will skyrocket"
-

Schroeder -
shipping - can be cost effective -

25.00
6
12.00
36.20
15.00

Schmalen → But to eliminate tax –
– how do you fund the govt –
"not easy solution."

– Complicated for merchants / →

Kate Zevske – Diane Hardt – D.O.R.
– not tax authority problem – a collection problem –
Use tax ½ goods + services –
45/50 have a sales + use tax –
– (Use tax) Explanation – / 1969 /
– Don't understand the law – very little participation. –
Very complex –
→ catalogs + mail order –
– North Dakota – Quill decision
173 million for business –
(1 million for individuals)

Congress – access charge → elimination of grandfather clause
– 7 million / year. loss
–
Burden to citizens –
– digitized vs – tangible –
– computer games – downloaded –
– phone calls – not taxable –

~103-109 milli - 1999

Where are we going?

- INTEL -

not insurmountable - software is available -

- burdensome - to collect.

how do we make it less complex - ?

1) structural + legal implications.

2) model legis by Jan 2001 -

3) large corporations - WAL-MART / REACTORS - nat'l groups

wish an input - save business against (taxes -)

technology exists - J.C Penny / Wal Mart.

(simplification - common definitions - as well

as exemptions) common form / common due dates -

privacy -

④ voluntary - incentives (discount for collection -)

amnesty -

prepare by 2000 -

* will you be able handle new system?

not doing: It isn't tax free it is tax avoidance

* what happens with local tax rates -

What is the presumption: tax

- Why not repeal this tax?

less govt / less taxes -

* don't need money -

International partners -

* Schneider access - to info to collect - will ~~be~~ govt
  - have access -
  - develop software - certify accuracy -

Holub - impact on cataloguing -

Schneider - What is incentive for business + cooperate?

Allison Kujawa -

① Serious concerns -

E-Commerce-

henry -

Kate + Diane Hamb - D.O. Remmo -

1) ed. on E-Commerce

2) misconcepti on internet tax -

myths -

3) E-Commerce - 9-14 million loss - current

95 million - mail order -

Wis. usage -

→ 165 million

- WalMart - only subsidiary to avoid tax -
  - travel servs -
  - book subs -
  - landscape -

Fed. Advisory Commission - divided -

September - public comment -

Streamline Sales tax -

802-229-4900 - x109 -

- Scott Mackey -

@ World like to get agreement on ACT -

Diane - meeting with members a steering committee -

(Bill - mtg with Ray & Harley 3 - Joint Tax Administrators)

Get info ↓ Keep tracking ..

Scott - need to be at same table -

- 202 - 624 - 8680

Bill Pano -

- Karl Tvrberry - - Interview with Steve - helpful -

- will send copy -

Tax people - + gov what does it mean on Federal level -

Harley Duncan - Ray Sheppathen -

② Same agreement on ACT - SSPA - can't be done rapidly -

Angela - work some offset - heard well -

time is of the essence -

- each state for themself →

Can we work it out -

** Charles - wrote memo - last night -

Angela - will try to make it work - can't dig in -

→ an Act - general concepts -

① governance - easy to accomplish -

② debt / definitions → reference - in Act -

6 - 6798

Diane Harot -

→ mtg. Pound - Ray Shepae

Charls - Diane -

① moving ahead - 4 ~~Steps~~ - Stats -

Neb / No Car / Minn / Wyoming.

Utah / WI. / Michigan - / Iowa.

- 2 different acts →

ⓐ governance - possible -

ⓑ Act - problematic areas -

| Section 6 - agreement requirements -

⇒ must achieve -

→ must establish / confirm -

Fof - → 261 - 6240.

1/31/01 SSTP - Diane Hardt
Diane Hardt - Jim Amador

4 sponsors -

① didn't report to NCSL - complaint

② not their product / project - arrogant -

③ NGA up in arms - no ticket to hijack product.

④ members furious -

⑤ Rauschenberger problem - I'll can't simplify

→ Frank Shafroth

- strong feeling that govt organizations need to be together.
(to announce Duke)

⑥ Special Interests govt + legislators. →
- candy -

⑦ NGA - criticize - put us in position to vote in level of detail.

Ⓐ Nashville - mtg. disorganized - invited NEF -
Governance - compensation - bad debt -
"because we scratch, you don't have to itch" Raus.

① identity

② work as - leg. / exec / rev.

③ modify ACT

④ Minn / No Carolina (legislation) / Utah
Wis / Mich / Texas -
Ohio / Ind / Oklahoma / Nebraska / Iowa - / South Carolina -
→ Washington -

* willing to work on act -
- Rounding - Ohio - loss [20 million -]
- Radio Definitions /

Bill Pond 07/31/2001 -

-303-894-3115

→ Ray

far apart - hard feelings - alienated -

Suggested modifications of ACT →

① wait a couple of days - vent - talking again today -

② anti Exec - anti bureaucrat - will be together -

→ Angela Marson - Jerry Johnson - in agreement -

→ need for (May)

(Maryland - Minnesota)

[illegible]

Minn - hearing - groups. is dead.

- Scott Kelly →→

① Next Hearing:

Diane - presentation:

① IMRA - Int'l Mass retail Assoc. Wal Mart.

② Telecommunications. - letter.

③ NGA - letter.

ⓐ Doug Johnson — who is he appeal -

ⓑ Chris Tackett - — WMC - land dispute

ⓒ Conversion stars - — Lands End -

ⓓ Liquor - distr.

- What does it mean to me -

ⓔ local govts. (Kathy Fuchs)

ⓕ general electric -

~~ⓖ~~ Susan Hatfield -

ⓘ nonimpeach.

Compensation → groups.

ⓐ ~~drapes~~ cloth diapers

ⓑ groceries - deli.

ⓒ prepackaged tea + coffee - can of NESTEA (with sweetener)

Private Sector - Dennis -

① Commerce Net - Sourcing requirements are very controversial -
Don't set agenda in stone - further you
can set agenda in stone better off -

② Jan McMan - Nat'l Automatic
Vendors - objection - 12/22 letter & agenda
→ our industry opposes -
→ Existing Exemptions need to be upheld -

③ Committee on
State Taxation - supporters of process -
many pieces are of great benefit →
→ simplifications are key drivers

④ Maureen - Nat'l Retail Federation -
- compliment streamlining & retail will not
& compensation & bad debt & privacy concerns -
Kiss Ass - 1 wish NCSL would drive the issue

⑤ - STP - 5 states -
⑥ 5 - 7 states - ~~add~~ - threshold -
7/1/2003 - all have rules -
⑦ Texas - 10 states - or 3 years - whichever (or -
- 5 state min
~~①~~ ⑧ In states / 10 states - Don't ~~sign~~ agenda -

⑨ Bad Debt - *** - Jan 24th - silent/undefined
⑩ Dennis - whose in charge - relationship between S.S.T.P.
They make errors we don't need - Should not
be independent contractors -
Reasonably NCSL's role

⑪ Nat'l Confectioners Assoc. - Candy should not be treated w/ other foods -

Capitalizing - have separate agent - State's with tax cards -
* North Carolina - county taxation of candy -

Pitney Bowes - provider in pilot - we are a vendor -
(a) Commercial Reality - [struck through] detailed in compliance -
(b) Technological Issues -

Annabelle Cary - Wireless Industry.
Concerned by option 2/3 -
* Vendor Comp. / must be included in ultimate -
→

Tracy - Grocery -
Definition of food - put aside - broader defn of food -
don't like subst.
Larry Good - Electronics -
Streamlined group - don't have to train
to prime time - their work -
Semi-proving problems -

Bordcock Home Furnishing - very small player -
→ real taxpayers are small -
don't want multiple regs -

AT&T - think it is a good process.
Encouraged by good cooperation -
(would like to have as large as States possible
- to keep a good small group)

SAVANNAH -

STEVE R. - STEERING GROUP -

COMING TO CRITICAL POINT -

NEIL OSTON - STREAMLINING GROUP - CHANGES -

REVIEW OF DEC. MEETING -

PHONE - 18/22 - CHANGES REFLECTED MEETING.

FORWARDED PROPOSALS.

① CAPS + THRESHOLDS - ELIMINATE - will limit maximum caps - thresholds.

② added language - wireless tele. industry

③ 400 mobile homes -

ⓐ governance

ⓑ bad debt

ⓒ compensation & allowance -

→ (Base -

ⓐ governance

ⓑ bad debt

ⓒ vendor compensation -

Addendum

① passage out - Agreement. would still get a vote -

② States would have to accept -

zero based rate -

- Act → preamble → ⓐ pledge

Section 10 - Agreement. ① take the oath -

① Vendor Compensation → burdensome → look in any
Very important - comp be fair + just.
** difficult to resolve - study true cost of collection

② Governance - 1st 5 states. form alliance -
ⓐ have authority to review - could modify agreement.
* group similar - make-up -
④ designate selected group.
* # of states is small -
⑤ how large should governing body be

③ Base - streamlined group calls for single rate -

⑥ Assign BAD DEBT -
most states deductions or BAD DEBT -
You don't collect - you don't have to pay sales tax -

UNIFORM DEFINITIONS

1 Worrying our position conflicts with the. Position.

Discussion -

They report the governors -> if we did have disagreement - who prevails ->
Who sponsors bills - who takes the heat of they fail??

Phil -> catching flak about finality -
Dick Finan - Governance - so key -

GOVERNANCE - Whats our group?
Some states will pass Acts -

① ② raise trigger 5 - 10 states.

~~(John - ...~~
Joan - Bray Missouri.

Derryl McLaren - Iowa -

① -> governance -

OPTION - 1
→ long discussion on procedure
by manipulation

(a) - how we implement - (3) 2 year process-
(b) → consensus of agreement (4) flex. [illegible]
(5) revenue-model - [illegible] - Don't [illegible] us -

(1) We must act within 2 years.
(2) Start the process - now -
(3) longer we wait - more [illegible] [illegible]
(4) ~~act~~ ~~[illegible]~~ [illegible] - meaningless -
(5) - [illegible] threshold - meaningful
- Governance

[illegible] [Voluntary]

~~[illegible]~~

(a) convergence
(b) borderless system -
(c) change governance structure -
(d) Explicit statutory [illegible]

→ [illegible] vote - (1)
First Act -
Agreement -
(2) [illegible] - .

U.S. Cayman - moratorium -

Goal.

< lobbying by people who don't give a damn about goal - tax policy - *

→ (1) number - winter -

(3) > 8 a 3 years - 10 too high -

(1) 18 months -
(2) 5-7 months -
(3) -

6/14/00 JCIP

Internet + Sales tax
$395 mil by 2003? + Doug Johnson
Bob Lochner, Sauk City Hardware
Midwest Hardware Assoc

represent 6,000 members in state
2nd generation hardware business
Collects 0.5 mil sales tax/year
Father helped found Tom's hospital, he
serves on board now.
Xmas sales ~~$~~ about one week 64 holiday.

Hutch: Is it competing on sales tax? Sales tax
Schneider: should we just eliminate sales tax?
Johnson: issue is Collection, not imposition.
"tear @ fabric of small business."
Bob: also terms a fabric of community
local businesses give back to community.

Sec. Zeske + Diane Hardt

NCSC →

$173 mil from businesses in use taxes.

$1 mil from individual income tax forms

$7 mil in internet access tax

[103-109 million lost in 1999 in unrep use taxes]

AT+T (Leonhardi)
State Bar
DOJ - AG
Gov's office (Wunsch)
Blaska (?) ≤
Dick Jones, MJS / WPR
Haas / Milam
McClenahan

Jan 2000 goal for model legislation.

Simplification:

- common definitions
- database of exemptions
- tax-exempt entities - xes
- common forms, payment methods + due dates
- privacy concerns "personal info on purchases not to be collected by tax authorities.
- voluntary to begin with, with incentives

Questions

↳ text to be based on destination.

~~Montgomery~~

25,000 out of 2,500,000 ≥ 1/100 1%

Allison Kujawa - WCA

53 County -
Significantly ↑ prop taxes

[Scott Mackey] - [info]

ShawPittman

PRIMER ON STATE SALES TAX FOR RETAIL SALES MADE OVER THE INTERNET

Jerald A. Jacobs
Karen L. Cipriani

Shaw Pittman
Washington, D.C.

All retailers are subject to sales tax when they sell goods in states that have a sales tax law. Forty-five states and the District of Columbia currently charge sales tax on products and services purchased within the state or purchased out-of-state for use inside the state. While state laws vary, generally a state will impose sales tax on sellers that are considered to have maintained a place of business or engaged in business in the taxing state. "Sales tax" generally refers to a tax imposed on the seller; "use tax" refers to a tax imposed directly on the consumer for the privilege of storing or consuming products in the state. While these taxes are distinguishable, for purposes of this primer they are used interchangeably.

The ability of some states to impose sales tax on Internet-based transactions has been hampered by the Internet Tax Freedom Act ("ITFA"), enacted as part of the omnibus appropriations bill for FY 1999.[1] The ITFA was designed to prevent further taxation of Internet-based sales while Congress and the states take the time to develop a comprehensive policy, and creates a three-year moratorium on the creation and imposition of state taxes that have the effect of discriminating against electronic commerce.

Specifically, the ITFA prohibits state or local governments for three years (until October 21, 2001) from imposing either (1) taxes on Internet access, unless such taxes were generally imposed and actually enforced before October 1, 1998, or (2) "multiple or discriminatory taxes on electronic commerce."[2] For example, a discriminatory tax under the act would include a state tax on retail sales that is not imposed on goods acquired

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[1] Pub. Law No. 105-277, 112 Stat. 2681-725, 1998 (to be codified at 47 U.S.C. 151 et seq.).

[2] Pub. Law No. 105-277, Title XI, Sec. 1101(a). The ITFA defines "electronic commerce" as "any transaction conducted over the Internet or through Internet access, comprising the sale, lease, license, offer, or delivery of property, goods, services, or information, whether or not for consideration, and includes the provision of Internet access." Id. at Title XI, Sec. 1104(3).

through more traditional means. In addition, the law bars any state from considering an Internet service provider to be the "agent" of an out-of-state vendor solely as a result of displaying the vendor's web site information over the Internet or processing orders over the Internet.[3] In many states, then, the ITFA will bar the state from imposing taxes on sales made over the Internet where the retailer has no other connection to the state.

Nonetheless, the three-year moratorium on state taxation of Internet sales does have limits. The ITFA specifically prohibits a state from imposing a tax when the sole basis for finding an out-of-state vendor subject to tax is the ability to access the vendor's web site. However, the ITFA provides that where a tax has already been "generally imposed and actually enforced" by a state prior to October 1, 1998, that state will be exempt from this prohibition against taxing an out-of-state vendor solely on the basis of its web site.[4] States with pre-existing statutes will remain free to tax retailers under the terms of those statutes. While the language of the statute is unclear, it is possible that a state would be required to demonstrate that it had previously taken steps to enforce its pre-existing tax laws against Internet sellers in order for those laws to be upheld under the moratorium. In addition, existing state statutes that tax general Internet access may still be applied to Internet sales. Individual state laws must be examined to determine the applicability of the ITFA to sales of goods over the Internet under that state's sales tax practices.

I. OVERVIEW OF STATE SALES TAX LAWS

To be valid and effective, a statute imposing a tax on the sales of out-of-state retailers must meet certain constitutional tests. Specifically, state tax laws must satisfy the requirements of both the Due Process Clause of the Fourteenth Amendment and the Commerce Clause. In other words, the state must demonstrate that an out-of-state retailer has sufficient economic contacts to the state to justify extending jurisdiction over that retailer ("Due Process nexus"), and there must be sufficient contacts between the retailer and the state, usually evidenced by physical presence in the state, to justify the imposition of tax on the seller ("Commerce Clause nexus").

The 1992 United States Supreme Court case Quill Corp. v. North Dakota[5] currently provides the basis for analysis of any state sales or use tax law. Quill involved North Dakota's attempt to require a Delaware mail-order company that sold office equipment and supplies to collect and pay a use tax on all goods purchased for use within North Dakota. While the company used catalogs, flyers, and telephone calls to solicit business in North Dakota, it had no outlets, warehouses, employees, or sales representatives in the state. The court found that states have authority to exercise jurisdiction over out-of-state vendors consistent with the Due Process Clause if certain minimum contacts have been made in the

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3 Id. at Title XI, Sec. 1104(B)(i).

4 Id. at Title XI, Sec. 1104(B)(i).

5 504 U.S. 298 (1992).

state. In other words, if a retailer were to "purposefully direct" its activities towards the state (for example, by advertising or making sales), then the seller may subject itself to jurisdiction in the state.

However, the court found that even if a state may have the *authority* to tax under the Due Process Clause, the actual *imposition* of the tax may nevertheless be unconstitutional under the Commerce Clause if it impermissibly burdens interstate commerce and the ability of vendors to conduct business in and among the several states. The court clarified that in order to require a vendor to collect and remit sales or use tax, a state must demonstrate that the vendor's activities have a "substantial nexus" with the taxing state.[6] Under Quill, a company must have a physical presence in the state in order for a nexus to exist under the Commerce Clause which triggers the obligation to collect sales and use. While a physical presence is not necessary to establish minimum contacts under the Due Process Clause, physical presence is required to establish a nexus for purposes of the Commerce Clause.[7] In this case the court found that the out-of-state vendor only had a *de minimis* physical presence in the state (it held title to several computer disks in the state), despite making almost $1,000,000 in annual sales to 3,000 customers in the state; therefore, North Dakota could not impose sale tax obligations on the vendor. In particular, the Quill court reiterated its holding in a 1967 case, National Bellas Hess v. Illinois Dept. of Revenue, that vendors whose only connection to a state is through common carrier or U.S. mail are free from state-imposed duties to collect sales and use tax under the Due Process Clause.[8]

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[6] See Complete Auto Transit Inc. v. Brady, 430 U.S. 274 at 279 (1977) (State sales tax will survive Commerce Clause scrutiny when it (1) is applied to an activity with a substantial nexus to the taxing State, (2) is fairly apportioned, (3) does not discriminate against interstate commerce, and (4) is fairly related to services provided by the State).

[7] Certain lower court cases since Quill have rejected the substantial nexus" test and look instead to the vendor's presence in the state. Under this analysis, a vendor need only have Amore than a 'slightest presence' in the state, which Amay be manifested by the presence in the taxing state of the vendor's property or the conduct of economic activities in the taxing state performed by the vendor's personnel or on its behalf. Orvis Co. v. Tax Appeals Tribunal, 654 N.E.2d 954, 961 (N.Y. 1995) (citations omitted) (finding that Vermont corporation that sold outdoor equipment to New York residents through mail order catalog and periodically sent representatives to New York had a sufficient physical presence in New York to justify the imposition of sales tax). See also Brown's Furniture, Inc. v. Wagner, 665 N.E.2d 795 (Ill. 1996) (finding that only more than a "slightest" presence is necessary for a vendor to be subject to sales tax, which presence was found due to a company's extensive advertising and regular furniture deliveries in the taxing state).

[8] National Bellas Hess v. Dep't of Revenue of State of Illinois, 386 US. 753 (1967) (finding that a vendor was not required to pay use tax when it did not have property or representatives in Illinois and its only contact with the taxing state was through its mail order catalog). But see Koch Fuels, Inc. v. Clark, 676 A.2d 330, 334 (R.I. 1996) (finding

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II. APPLICATION TO INTERNET RETAILERS

Many courts and commentators have extended this analysis to equate mail order catalog sales with Internet sales. The United States Supreme Court has not addressed the issue of whether Internet sales can subject a vendor to jurisdiction in a state and, if a substantial nexus exists, to state sales tax. However, it is likely that the Quill requirements for constitutional sales tax statutes will be applied to an analysis of whether sales tax must be collected and remitted on retail sales made over the Internet. Lower court cases since Quill have been split as to whether a company's maintenance of an Internet presence alone may subject that company to jurisdiction in a particular state under the Due Process Clause.[9] However, where a vendor's activities involve more than maintenance of a passive web site, as is the case with retailers that offer products and process orders over the Internet, it becomes more likely that courts will find that a state may properly subject the retailer to jurisdiction in accordance with the Due Process Clause because the retailer has directed its business activities towards state residents.[10]

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that oil shipment by common carrier nonetheless created sufficient nexus when vendor had complete control over and ownership of product during shipment, contract was exclusive, cargo was unique, and sales were consummated in state).

9 See, e.g., CompuServe, Inc. v. Patterson, 89 F.3d 1257 at 1263-1266 (6th Cir. 1996) (finding that continuing transmissions to a network service over the Internet pursuant to software agreement was sufficient to provide State with jurisdiction over out-of-state company); Inset Systems, Inc. v. Instruction Set, Inc., 937 F. Supp. 161 (D.Conn. 1996) (finding that solicitation of business through toll-free number and web site accessible within State allowed for jurisdiction over out-of-state company for purposes of trademark infringement suit). But see Cybersell, Inc. v. Cybersell, Inc., 130 F.3d 414 (9th Cir. 1997) (finding that more than existence of a passive web site accessible in State was required before company could be subject to jurisdiction for trademark infringement suit); McDonough v. Fallon McElligott, Inc., No. 95-4037, 1996 U.S. Dist. LEXIS 15139 (S.D.Cal. August 6, 1996) (finding maintenance of web site by itself did not amount to minimum contacts allowing for exercise of personal jurisdiction over out-of-state advertising agency); Bensusan Restaurant Corp. v. King, 937 F. Supp. 295 (S.D.N.Y. 1996) (finding that State did not have jurisdiction over company whose sole contact with the State was a passive web site that provided information about the company's jazz club).

10 See Zippo Manufacturing Co. v. Zippo Dot Com, Inc., 952 F. Supp. 1119 at 1124 (W.D. Pa. 1997) (in finding that jurisdiction could be extended to an out-of-state Internet news service that had no offices or employees in the state but had subscribers in state, the court suggested that "the likelihood that personal jurisdiction can be constitutionally exercised is directly proportionate to the nature and quality of commercial activity that an entity conducts over the Internet.").

In order to require an out-of-state Internet retailer to pay sales tax, however, the state must be able to demonstrate that the retailer has a physical presence in the taxing state and that there is a "substantial nexus" between the retailer's activities and the state under the Commerce Clause. It is unlikely that a nexus or a physical presence will be found solely by virtue of the retailer's maintenance of a web site. However, it is more likely that a substantial nexus would be found in many or most states if, in addition to offering products through its web site, the Internet retailer also engaged in one or more other activities. Obviously, the more of these and similar activities that the Internet retailer engages in, the more likely it will be that a substantial nexus is found. Some examples include:

- Maintenance of a retail facility, warehouse, plant, or other facility in the state.[11] An Internet vendor may also have one or more retail stores in the taxing state, or own a fulfillment center in the state that warehouses products.

- Maintenance of more than a *de minimis* amount of property in the state.[12] The Internet retailer may have a distribution warehouse, or even property unrelated to the sale of its products, in the taxing state.

- Delivery of goods within the state via means other than common carrier.[13] The Internet retailer may ship goods via its own transportation system or a contract carrier (as

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[11] See National Geographic Soc. v. California Bd. of Equalization, 430 U.S. 551 (1977) (finding that although National Geographic's headquarters and mail order business were operated out of the District of Columbia, the company's maintenance of two offices in California to solicit advertising for its magazine was enough to create a sufficient nexus and require National Geographic to collect sales tax in California); Nelson v. Montgomery Ward & Co., 312 U.S. 373 (1941) (finding that sales tax could be imposed on company based on ownership of retail stores in State). See also Quill, 504 U.S. at 315 ("whether or not a State may compel a vendor to collect a sales or use tax may turn on the presence in the taxing States of a small sales force, plant, or office."); Bellas Hess, 386 U.S. at 758 (drawing distinction between "mail order sellers with retail outlets, solicitors, or property within a State, and those who do no more than communicate in the State by mail or common carrier as part of a general interstate business.").

[12] See Quill 504 U.S. at 315, n. 8 (mail order catalog company which owned title to a few computer disks in the state did not meet substantial nexus requirement); Cally Curtis Co. v. Groppo, 572 A.2d 302 (Conn. 1990) (finding that limited amount of training video sales, rentals and preview offers in the State did not constitute a substantial nexus to the State).

[13] See General Motors Corp. v. Washington, 377 U.S. 436 (finding that State could tax gross proceeds of sales on auto parts shipped by parent corporation to its in-state divisions pursuant to purchase orders); Amway Corp. v. Director of Revenue, 794 S.W.2d 666 (Mo. 1990) (finding State could tax out-of-state vendor where the vendor sold "distributorships" or franchises to individual distributors residing in the State, and sold

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distinguished from a common carrier), or the Internet retailer may offer the customer the opportunity to put goods "on hold" at related stores, or even deliver the goods locally from its store, warehouse, distribution center, or the like

- Holding intangible property in the state.[14] The Internet retailer may own trademarks and trade names and license them to an affiliated or non-affiliated business that makes sales in the state. It should be noted that the law is not settled in this regard and mere ownership of intangible property may not be enough to establish nexus in many states.

- Hiring employees or independent contractors to solicit sales in the state or otherwise having agents or representatives in the state.[15] The Internet retailer may have employees or contract representatives that make sales calls in the state.

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products to in-state distributors which the distributors then resold to customers or other distributors); Citizens and S. Systems, Inc. v. South Carolina Tax Comm'n, 311 S.E.2d 717 (S.C. 1984) (finding that software program transferred over Internet was delivery of tangible property that could be subject to sales and use tax). But see SFA Folio Collections, Inc. v. Tracy, 652 N.E.2d 693 (Ohio 1995) (finding that allowing occasional returns of mail order merchandise at in-state retail stores of affiliate did not create substantial nexus so as to require company to collect sales tax); Hearst Corp. v. ARI Goldberger, No. 96 Civ. 3620, 1997 U.S. Dist. LEXIS 2065 (S.D.N.Y. February 26, 1997) (finding the State could not exercise jurisdiction over a company that maintained a web site accessible in New York but had not sold any products or services to New York residents).

[14] See Geoffrey, Inc. v. South Carolina Tax Comm'n., 437 S.E.2d 13 (S.C. 1993); American Dairy Queen Corp. v. Taxation & Revenue Dep't, 605 P.2d 251 (N.M. Ct. App. 1979) (finding that company could be taxed on gross receipts when its trade name, trademark, and related intangible property were used by franchise operators in New Mexico in exchange for a license fee).

[15] See, e.g., Standards Pressed Steel Co. v. Washington Dep't of Revenue, 419 U.S. 560 (1975) (finding that Pennsylvania company's employment of one salesman to maintain regular contact with largest customer in Washington justified imposition of sales tax on sales in Washington); Scripto, Inc. v. Carson, 362 U.S. 207 (1960) (finding that Georgia company's use of independent contractors to systematically and continuously solicit product orders in Florida justified imposition of tax on sales in Florida); Tyler Pipe Industries, Inc. v. Washington State Dep't of Revenue, 483 U.S. 232 (1987) (finding that Washington State could impose a business tax on an out-of-state manufacturer that sold goods in Washington State and had a sales representative located in the State); Orvis, 654 N.E.2d at 961 (finding that sales personnel's direct solicitation of retailers through visits to the State sufficed as a nexus to impose tax).

- Advertising its Internet sales capability in retail stores.[16] The retailer may have posters, order forms, or other materials available in the related retail stores that assist customers in dealing with the Internet retailer, or the store may have a computer terminal kiosk which facilitates customers' direct access to the Internet sales operation.

The courts have been split as to whether the activities of one corporation may justify imposing sales tax on an affiliated corporation. For example, suppose affiliated companies operate one or more retail stores as well as an Internet web site, but the retail chain and the Internet web site are owned by separately incorporated entities. Perhaps the Internet corporation has no property, fulfillment center, or other presence in the state, but the parent retail corporation has one or more stores in the state. In certain states, a nexus will be found based on the fact that the Internet retailer is affiliated with another corporation that has a physical presence in the state.[17] In other states, courts will recognize that the retail seller and the Internet seller are separate legal entities, and will not find that the retail stores' operations in the state amount to a physical presence for the Internet company.[18] In analyzing this issue, courts may use either an "agency theory"[19] (under

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[16] See Nelson v. Montgomery Ward & Co., 312 U.S. 373 (1941) (finding that an out-of-state mail order vendor was required to collect use tax where its in-state retail stores advertised the ability to purchase products through the company's mail order service).

[17] See Mobil Oil Corp. v. Comm'r of Taxes, 445 U.S. 425, 440 (1980) (finding that affiliated companies' underlying business activities, as opposed to the form of investment, will be the primary consideration in establishing nexus for purposes of state income tax); General Motors Corp. v. Washington, 377 U.S. 436, 447 (1964) (looking at the "bundle of corporate activity," of both the parent and its divisions, in finding a tax on gross proceeds valid as imposed on an out-of-state vendor); Western Acceptance Co. v. Department of Revenue, 472 So.2d 497 (Fla. Dist.Ct.App. 1985) (finding State could impose tax on out-of-state vendor because it was essentially doing business in State through its parent corporation).

[18] See SFA Folio Collections, Inc. v. Tracy, 652 N.E.2d 693 (Ohio 1995) (finding that state could not impose tax on mail order company based on affiliate's maintenance of retail stores in state and recognizing that the parent and subsidiary were separate and distinct legal entities); Bloomingdale's by Mail, Ltd. v. Pennsylvania Dep't of Rev., 567 A.2d 773 (Pa. Commw. 1989) (finding that there was no agency relationship between mail order catalog company and parent corporation that operated retail stores in the state, and the state could not impose tax on mail order company).

[19] See, e.g., Bellomo v. Pennsylvania Life Co., 488 F. Supp. 744 (S.D.N.Y. 1980) (finding jurisdiction over out-of-state vendor for breach of contract because subsidiaries were agents of parent corporation). Note that several tax cases have arisen based on scholastic book club sales. In these cases, a teacher will take book orders and collect money from students and forward them to the out-of-state book club; the book club then ships the books into the state for the teacher to distribute. The book club generally will have no other property, employees, or retail stores in the state. Courts have varied as to

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which the retail corporation acts as an agent of the Internet corporation in the state) or an "alter ego" theory[20] (under which the retail corporation and Internet corporation would essentially be considered part of the same entity). In either event, a court would likely consider such factors as whether the two corporations shared directors or officers, whether one entity exercised control over the other, whether one entity owned all or most of the stock of the other, or whether the companies held themselves out to the public as the same entity. In this regard, joint advertising of both the retail stores and the Internet web site, whether via mass media, in the retail store, or on the Internet site, could be a significant factor.

III. CONCLUSION

Internet retailers must pay serious attention to state sales and use tax obligations. The law differs from one state to the next. The law is evolving and could be subject in some cases to a three-year federal moratorium. Further, the applicability of the law depends upon many complex factors. In general, a completely passive Internet retailer selling goods to customers in other states probably does not currently have an obligation to collect and pay sales taxes in those other states due to the lack of a substantial nexus. But one or more additional ties to the other states -- such as owning a retail store, warehouse or fulfillment center, employing persons to work in the state, actively servicing the customers' needs in the state, advertising, or conducting similar activity -- may well subject that Internet retailer to sales tax obligations in those other states.

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whether under this scenario the retailer can be taxed because the teacher is essentially acting as the seller's agent in the state. Compare Scholastic Book Clubs, Inc. v. State Bd. of Equalization, 207 Cal.App. 3d 734 (Cal. Ct. App. 1989) (finding agency relationship and imposing tax on retailer); with Pledger v. Troll Book Clubs, Inc., 871 S.W.2d 389, 316 Ark. 195 (1994) (finding that teachers were not agents of retailer and finding that use tax could not be imposed).

[20] See, e.g., CIT Financial Services Consumer Discount Co. v. Director, Division of Taxation, 4 N.J. Tax 568 (N.J. Tax Ct. 1982) (finding tax could be imposed on Pennsylvania consumer loan company that worked with two sister corporations in New Jersey, particularly through a computer processing system operated by a common parent; the interaction and structure of the corporations convinced the court that a *de facto* merger had occurred such that the loan company could be subject to tax in New Jersey).