



Government Finance Officers Association

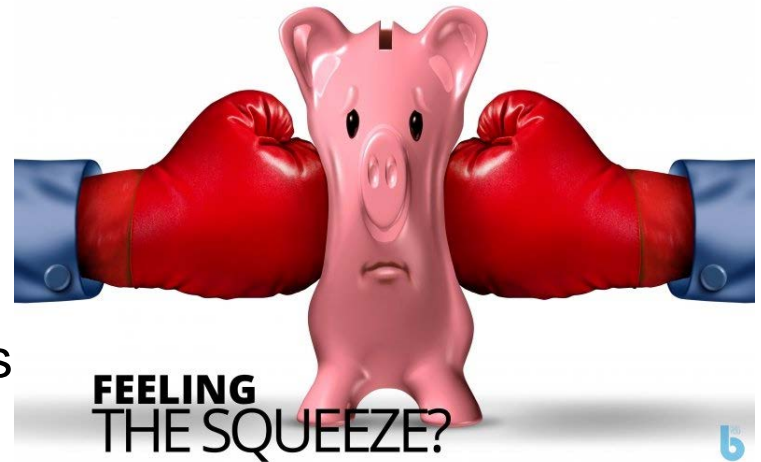
***South Dakota v. Wayfair:* What's Next for Internet Sales Tax?**



**Mike Bailey, Finance Consultant
Municipal Research and Services Center
GFOA delegate to the Streamlined Sales Tax Project**

Our Number One: Combatting Preemption

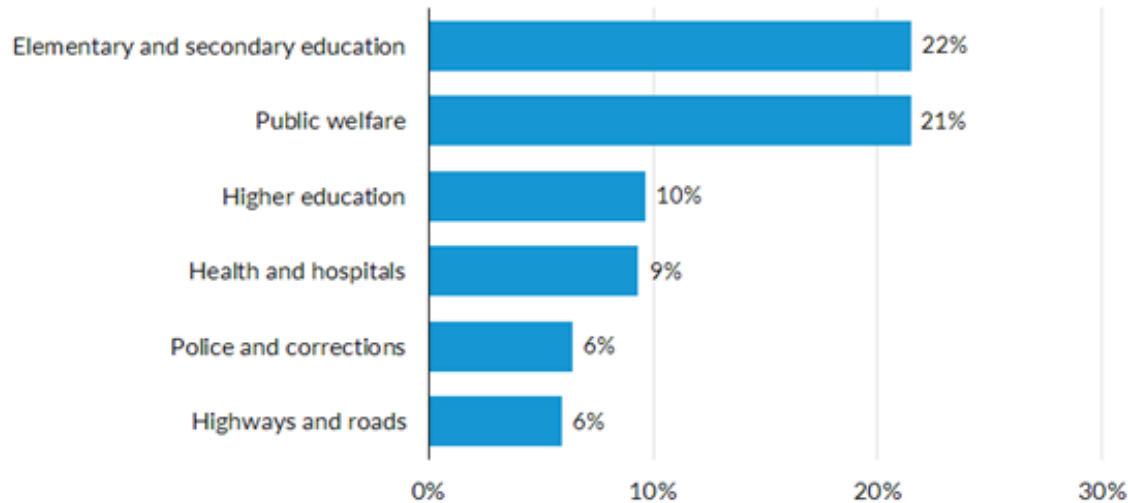
- Preemption of State and local government taxing authority
 - Wireless industry
 - Rental car industry
 - Online travel companies
 - Etc.....
- Reduces State and local tax revenues
 - Education
 - Health care
 - Public safety
 - Etc.....



Revenue Pays for Essential Public Services

State and Local General Spending

By functional category, fiscal year 2015



Source: US Bureau of the Census, Survey of State and Local Government Finance, 2015.

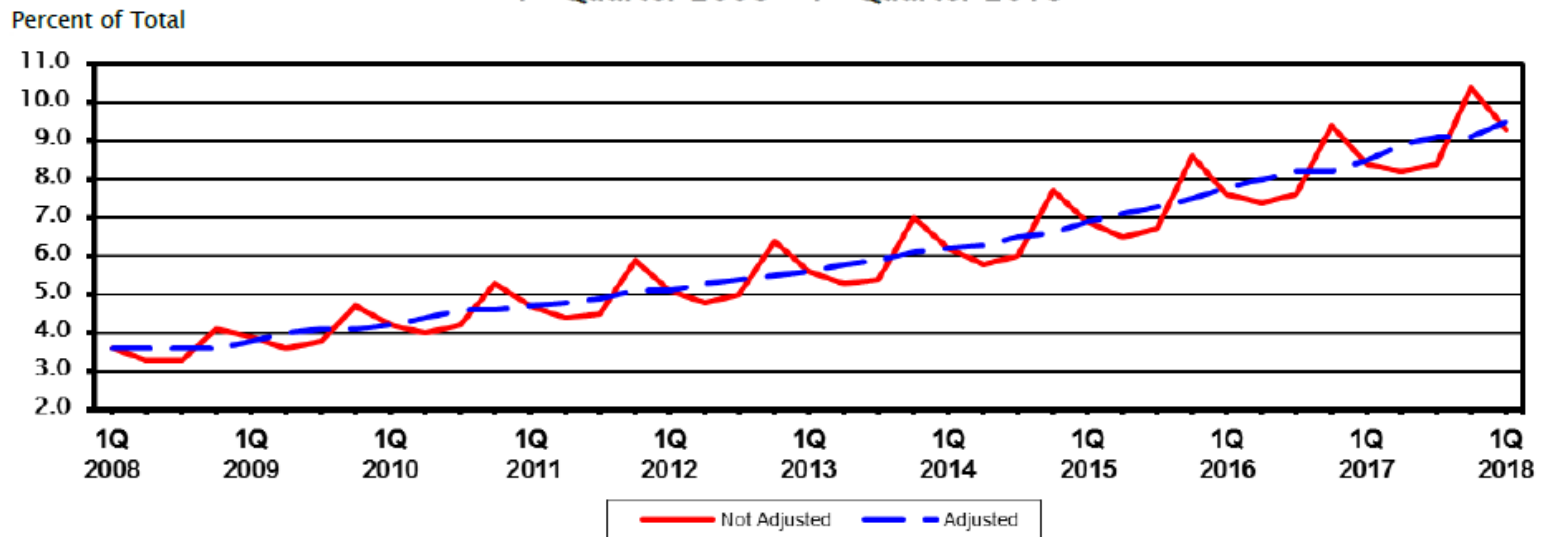
Note: Excludes spending on government-run liquor stores, utilities, and insurance trusts. Medicaid spending is divided between the public welfare and health and hospitals functional categories, with the majority allocated to the former.

URBAN INSTITUTE



Unmistakable Retail Behavior

Estimated Quarterly U.S. Retail E-commerce Sales as a Percent of Total Quarterly Retail Sales:
1st Quarter 2008 – 1st Quarter 2018



Estimated to be 15% of 2018 holiday sales

Inside the Beltway

It's just not possible to simplify – too complex...

Origin versus destination?
Rates or base?

We should probably save them from themselves...



This is a NEW Tax!

This would make things hard on small businesses.

Because there's little uniformity, we shouldn't intervene.

Bye Physical Presence, Hello Substantial Nexus



Streamline Sales and Use Tax Agreement

This system standardizes taxes to reduce administrative and compliance costs (per Justice Kennedy and Concurring justices):

It requires a single, state level tax administration, uniform definitions of products and services, simplified tax rate structures, and other uniform rules. It also provides sellers access to sales tax administration software paid for by the State. Sellers who choose to use such software are immune from audit liability.



State/Local Government Reactions

Making this work for everyone

- Centralized collection w/consistent basis & definitions means
 - State wide cooperation among the parties to create / maintain a single “simplified” system
- Renewing / strengthening the partnership
 - Collection – at state level with distribution to local taxing entities
 - Reporting – a single system with confidential data sharing for analysis
 - Tax base – a single, statewide tax base developed with local government input
 - Audits – state level audits for both state and local government



What We Know

Many states had previously passed legislation providing for remote collection.

As a result, most began remote collection on October 1, 2018

Many others delayed implementation of remote collection until January 1, 2019

Others are updating legislation to enable remote collection

Most (that we've heard about) are working to adhere to the simplifications and standardizations cited in the *Wayfair* opinion



Learning From Our Past

- Chairman Goodlatte held a House Judiciary Committee meeting on July 24, 2018
- Concerns expressed about the need to regulate state and local collection of remote sales taxes.



- There is concern regarding a moratorium on applying Wayfair
- Example: Internet Tax Freedom Act, ITFA

Where Do We Go From Here

Fair for states, local governments and retailers.

- Proceed – but cautiously
- Discussions with your legislators should include
 - Methods for the collection and remittance of local option sales taxes
 - Destination-based sourcing of remote sales taxes
 - Single point of administration for sales tax collection systems within each state
 - Centralized database for all rates and jurisdictions within a state





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