



Arizona Local Sales Taxes and Federal Sales Tax Proposals: What Do We Do Now?

A Presentation by
Jim Eads, Director, Public Affairs, Ryan



**ARIZONA TAX RESEARCH
ASSOCIATION**

2011 Outlook Conference

November 18, 2011



Sales and Use Tax Basics

- 45 states plus DC impose sales and use taxes
- Over 7,000 local jurisdictions impose sales and use taxes...administered by the state except in Alabama, Colorado, Louisiana and**Arizona**
- Retailers required to collect and remit sales tax to states where retailer has physical presence
- Use tax is owed by consumer when retailer does not collect the sales tax



What Are the Numbers?

- State and local governments will fail to collect **\$6.9 billion** in sales tax in 2009 from electronic commerce only
- Projected loss for state and local governments is **\$23.3 billion**, including **\$11.4 billion** from remote electronic commerce, **\$6.8 billion** from business-to-consumer catalog sales, and **\$5 billion** from business-to-business catalog sales by 2012

State and Local Government Sales Tax Revenue Losses from Electronic Commerce, April 2009, Report by Professors Bill Fox, Don Bruce and LeAnn Luna, University of Tennessee



History re Streamlined Sales Tax Effort

1967: Supreme Court decision in *National Bellas Hess v. Dept. of Revenue, Illinois*

1992: Supreme Court decision in *Quill Corp. v. North Dakota*
“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 use taxes.”

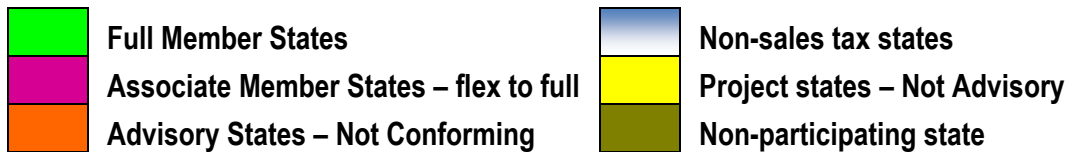
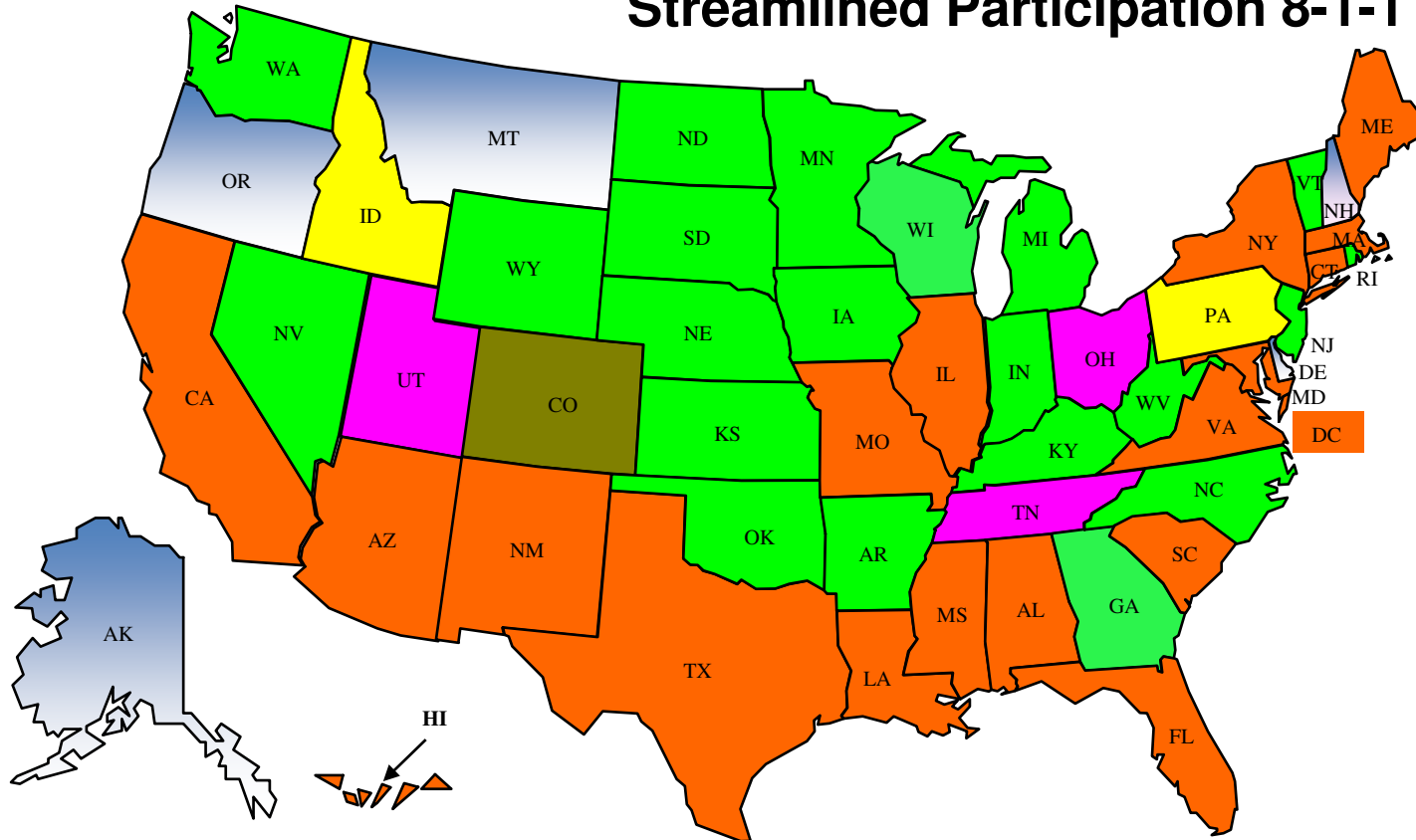
1999: National Governors Association and National Conference of State Legislatures requested development of a system that is less complex, addresses disparity of treatment for merchants and addresses loss of revenue

2002: SSUTA process approved by representatives of the states

2005 : SSUTA became effective October 1



Streamlined Participation 8-1-11



21 Full members
3 Associate members



Congress Responds: 3 Proposals and 2 Roadblocks

- **Main Street Fairness Act (H.R. 2701 - S. 1452)**
- **Marketplace Equity Act (H.R. 3179)**
- **Marketplace Fairness Act (S. 1832)**

- **S. Res. 309**
- **H. Res. 95**



Main Street Fairness Act (H.R. 2701/S. 1452)

- Senate Sponsors: Sens. Durbin (D-IL); Johnson (D-SD); Reed (D-RI)
House Sponsors: Conyers (D-MI); Capuano (D-MA); Jackson (D-IL);
Johnson (D-GA); Shuler (D-NC); Smith (D-WA); Welch (D-VT)
- Collection Authority under Streamlined Sales Tax Agreement membership
- 18 Minimum Simplifications including: State level administration of sales and use tax collections, Uniformity in the state and local tax bases, Uniformity of major tax base definitions., Central, electronic registration system for all member states, Simplification of state and local tax rates, Uniform sourcing rules for all taxable transactions.



Marketplace Equity Act (H.R. 3179)

- Sponsors: Reps. Womack (R-AR); Speier (D-CA), Diaz-Balart (R-FL);Duncan (R-TN); Maloney (D,-NY); McCollum (D-MN); Miller (D-NC); Poe (R-TX); Ross (R-FL); Welch (D-VT)
- Collection authority under *Streamlined Sales Tax Agreement (SSTA)* **or not.**
- States not using SSTA must meet certain minimum simplification standards including: establish a small seller exception, create a single return and remittance point, taxability and exemptions must be identical to those granted to non-remote sellers and uniform throughout the state and establishes a uniform rate



Marketplace Fairness Act

- Sponsors: Sens. Enzi (R-WY); Durbin (D-IL); and Alexander (R-TN). Co-sponsors: Sens. Johnson, (D-S.D); Boozman (R-AR); Reed (D-RI); Blunt (R-MO); Whitehouse (D-RI); Corker (R-TN); and Pryor (D-AR)
- Collection authority under *Streamlined Sales Tax Agreement* **or** “*Alternative Collection Authority*”
- States using Alternative Collection Authority must meet certain minimum simplification standards including: single return, uniform base, applies only to interstate sales



What Should Arizona Do?

- Simplify, Simplify, Simplify
- All of the proposals require simplification
- Making tax compliance easier increases efficiency
- Taxpayers can justify non-compliance when it is complicated



Questions? Follow-up

Jim Eads
Director, Public Affairs
Ryan
512.567.3761
jim.eads@ryan.com