

Special Report

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MODERNIZING STATE TAX SYSTEMS **An Update On The Streamlined Sales Tax Project**

SSTP Multistate Agreement Ratified By Implementing States:
Ten States Can Activate Agreement By Conforming State Tax Laws To It

The Eighth in a series of Special Reports on Modernizing Florida's Tax System
By
The Center for a Competitive Florida

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In a meeting in Chicago on November 12, 2002, lawmakers and tax officials from 30 "Implementing States"—including Florida—ratified the Streamlined Sales and Use Tax Agreement, which represents a proposal to simplify their tax laws and enter into a voluntary pact to collect sales and use taxes online.

This voluntary multistate program will take effect when at least 10 states, representing 20 per cent of the U. S. population, (i) have amended their sales and use laws to be in substantial compliance with the agreement, (ii) have petitioned for membership, certifying substantial compliance, and (iii) have been admitted by three-fourths vote of the other petitioning states.

Once the states have simplified their sales and use tax systems, it will be appropriate for those states which participate in this multistate pact to ask the Congress to recognize and reward that effort, principally by authorizing the participating states to require remote vendors to collect and remit the state's use tax. Last year, such a measure, S512, was co-sponsored by Senator Graham but died without passage. There appear two reasons it didn't pass. First, the Streamlined Sales Tax was something that the states were talking about but had not perfected. Secondly, a very aggressive business lobby was able to have measures—reflected in last year's H.R. 2526—introduced which would "up the ante" for Congressional support of the Streamlined Sales Tax Project, by creating tighter federal controls on state nexus rules affecting corporate income tax and other "business activity taxes."

"Improving taxpayer value, citizen understanding and government accountability."

For a while it appeared that the ITFA moratorium on Internet transactions was being held hostage in this debate, and might not be extended; but eventually it was extended for two years, without linkage either to the use tax issue or the business activity tax issue.

There is little doubt that the states have a serious battle ahead of them in Congress, both in (i) securing congressional support for the authority to tax remote sales and in (ii) resisting proposals to vastly weaken the reach of state income taxation with measures similar to last year's HR. 2526.

However, Congressional assistance with the “remote vendor” issue will be moot, if 10 or more large states don't pass sales and use tax legislation to activate the Streamlined Sales and Use Tax Agreement. This is literally the ticket that Florida—and all states—has to buy in order to be “players” in that federal debate.

Florida TaxWatch very eagerly supported Florida's entrance into the Streamlined Sales Tax Project (See our *Special Report, Florida Joins The Streamlined Sales Tax Project* at www.floridatwatch.org). Now that the Implementing States have agreed on the terms of the Agreement, we urge that the Florida Legislature address its most serious attentions to passing implementing legislation, thus qualifying Florida to be one of the first 10 states to join the pact.

This action will make Florida one of the ten states that activate this important pact and move it forward. The 10 states that activate this pact will be the major players in working with Congress for the federal assistance the states need so badly to repair the gaping hole in their sales and use tax collections nationwide.

TaxWatch congratulates the Florida Legislature and its representatives who have represented Florida so well in settling on the terms of this important multistate agreement. We urge the legislature in the strongest terms to move forward **in this session** to implement conforming sales and use tax law to carry the ball further down the field.

ABOUT THE AUTHOR

Richard H. Hunt is a tax attorney practicing in Miami, Florida. A graduate of Yale University (B.A.), University of Florida College of Law (J.D.), and New York University Graduate School of Law (LL.M. [Taxation]), he concentrates his law practice in the field of state and local taxation. Also, as an Adjunct Professor of Law, he teaches the subject of State and Local Taxation in the Graduate Tax Program at the University of Miami School of Law.

A member of Florida TaxWatch's first Executive Committee and its founding corporate secretary in 1979, Mr. Hunt contributes this paper as a member of its Board of Trustees working in close cooperation with the research staff.

Mr. Hunt is active as a member of the State and Local Tax Committees of the Tax Sections of the Florida Bar and the American Bar Association. He is a member of the National Tax Association, the International Association of Assessing Officers, and other organizations of tax professionals. He is a frequent lecturer and contributor of articles on subjects related to taxation. He has testified before Florida legislative committees as an expert on matters of state and local taxation.

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About Florida TaxWatch

Florida TaxWatch is the only statewide organization entirely devoted to protecting and promoting the political and economic freedoms of Floridians as well as the economic prosperity of our state. Since its inception in 1979, Florida TaxWatch has become widely recognized as the watchdog of citizens' hard-earned tax dollars. The nationally distributed *City and State* magazine (now *Governing* magazine) published a poll of the nation's statewide taxpayer research centers. Based on this poll, the publication cited Florida TaxWatch as one of the six most influential and respected government watchdogs and taxpayer research institutes in the nation.

In recent years, news stories about Florida TaxWatch have run in all Florida newspapers, *The Wall Street Journal*, *The New York Times* and *The Washington Post*. In addition, Florida TaxWatch has been featured on the prestigious *MacNeil/Lehrer Newshour*.

Florida TaxWatch is a private, non-profit, non-partisan research institute supported by voluntary, tax-deductible membership contributions and philanthropic foundation grants. Membership is open to any organization or individual interested in helping to make Florida competitive, healthy and economically prosperous by supporting a credible research effort that promotes constructive taxpayer improvements. Members, through their loyal support, help Florida TaxWatch to bring about a more effective, responsive government that is accountable to the citizens it serves.

Florida TaxWatch is supported by all types of taxpayers -- homeowners, small businesses, corporations, professional firms, labor unions, associations, individuals and philanthropic foundations -- representing a wide spectrum of Florida's citizens.

Florida TaxWatch's empirically sound research products recommend productivity enhancements and explain statewide impact of economic and tax and spend policies and practices. Without lobbying, Florida TaxWatch has worked diligently and effectively to build government efficiency and promote responsible, cost-effective improvements that add value and benefit taxpayers. This diligence has yielded impressive results: through the years, three-fourths of TaxWatch's cost-saving recommendations have been implemented, saving taxpayers over \$6.2 billion (according to an independent assessment by Florida State University). That translates to approximately \$1,067 in added value for every Florida family.

With your help, we will continue our diligence to make certain your tax investments are fair and beneficial to you, the taxpaying customer who supports Florida's government. Florida TaxWatch is ever present to ensure that taxes are equitable, not excessive, that their public benefits and costs are weighed, and that government agencies are more responsive and productive in the use of your hard-earned tax dollars.

The Florida TaxWatch Board of Trustees is responsible for the general direction and oversight of the research institute and safeguarding the independence of the organization's work. In his capacity as chief executive officer, the president is responsible for formulating and coordinating policies, projects, publications and selecting the professional staff. As an independent research institute and taxpayer watchdog, the research findings, conclusions and recommendations of Florida TaxWatch do not necessarily reflect the view of its members, staff or distinguished Board of Trustees.



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