



Issues

[State News Roundup](#)
[Earlier Stories](#)
[My Stateline](#)

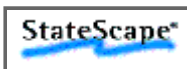
- [Anti-Terrorism](#)
- [Campaign Finance](#)
- [Crime and Courts](#)
- [Economy and Business](#)
- [Education](#)
- [Election Reform](#)
- [Environment and Energy](#)
- [Healthcare](#)
- [Land Use and Growth](#)
- [Transportation](#)
- [Politics](#)
- [State of the State Speeches](#)
- [Taxes/Budget](#)
- [Welfare and Social Policy](#)



States



Quick Search



Click here for a list of
[2003 State of the](#)

[Home](#) > [Issues](#) > [Taxes/Budget](#) >

States Seek Accord on Simplified Sales Tax

By Patrick J. Walsh, Special to Stateline.org

December 30, 2002

Lawmakers and tax officials in 30 states enter the New Year seeking legislation for the first major overhaul of the nation's complex sales tax structure in decades.

Initially spurred by the need to create a uniform method for Internet and brick-and-mortar retailers to collect sales tax on out-of-state transactions, the National Governors' Association's Streamlined Sales Tax Project (SSTP) has taken on new urgency because of the fiscal difficulties currently faced by many states.

"States need to protect their revenue sources in order to protect their sovereignty, not just an Internet sales tax. This is a very significant initiative that addresses the inter-state and global nature of commerce" said R. Bruce Johnson, a Utah commissioner and national co-chair of the Streamlined Sales Tax Implementation Project.

"Simplification is the right thing to do, because we have created a tremendous market for multi-state retailers," he said.

The nation's existing sales tax system encompasses some 7,500 tax jurisdictions. Some states levy often imposed at both state and local levels in 45 states. Alaska, Delaware, Montana, New Hampshire and Oregon do not have a sales tax.

"States need to protect their revenue sources in order to protect their sovereignty."

Utah official R. Bruce Johnson

Multi-state efforts to streamline the current system began with a 1992 U.S. Supreme Court decision that forbids states from forcing retailers to collect sales taxes unless they have a physical presence in the state where the purchase is made. The Court ruling reduced the complexity of collecting taxes across thousands of jurisdictions presents a heavy burden for online retailers, but left the door open for states to seek mandatory rules on online sales taxes if they first simplify the existing sales tax structure.

State Addresses

"The whole nature of retailing in the U.S. has fundamentally changed, and the systems we have now were drafted for a horse and buggy age," said Frank Johnson, director of state/federal relations for the National Governors Association. "We need to craft a sales and use tax system for the twenty first century."

Representatives of 30 states approved the SSTP proposal for a streamline meeting in Chicago in November, setting the stage for a series of debates in state legislatures throughout 2003. At least 10 states representing 20 percent of the population will have to amend their existing laws to meet the project's set threshold for implementing the program on a voluntary basis in the partic

With the voluntary system in place, the states would then be likely to petition Congress to make the changes mandatory.

"I hope we'll reach the threshold by January 1, 2004," said Johnson. "The states will ask Congress to require any vendor selling into one of the [participating] states to collect sales tax on behalf of that state."

Besides the Supreme Court rulings and a previous reluctance on the part of states to legislate sales taxes, the SSTP pact is also likely to face opposition from state and local officials in many states.

"The intent of a streamlined tax is to supersede county, city and local taxes," said D. Black, an attorney with Parr Waddoups Brown Gee & Loveless (Salt Lake City) who has conducted substantial research in the area of Internet taxation. "To obtain jurisdiction to apply taxes, numerous questions will undoubtedly arise regarding the interpretation and effect of those taxes. Each state court would have its own interpretation and effect of that state's laws. Those interpretations will all vary substantially from state to state."

Depending upon the current tax environment in each locality, the effects of the implemented SSTP will impact municipalities and taxpayers along a continuum from windfall to economic devastation, Black said.

Recognizing that the streamlined system could pose severe limitations on the implementing states have left some room for compromise.

"We have retained the right of local governments to impose sales taxes at the local level but we have put limits on them," said Johnson, noting that the SSTP proposal that a local jurisdiction could only tax the same items that are taxable by the state, maintain the same exemptions, and must allow the state to collect its tax at the collection point -- thereby allowing a retailer to make a single return.

"Many states are being asked to make very significant changes, but the states do have the political will to change the system if they didn't think there were large amounts of revenue out there to collect," Johnson said.

 EMAIL THIS STORY



Issues to Watch

- Taxes/Budget