



Sales & Use Tax Simplification Task Force  
**Simplification Efforts**  
**in Home Rule Jurisdiction States**

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Legislative Council Staff  
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# Overview of Simplification Efforts

- Along with Colorado, Arizona, Alabama, and Louisiana have significant local sales tax administration.
- Simplification efforts have been undertaken.
- Efforts to collect sales tax from remote sellers have begun in a couple of states.
- **However**, each state has very different tax bases and needs.



# Arizona



**Number of Taxing Jurisdictions:** 131

**State vs. Local Tax Administration:** State

*Prior to implementation of HB 2111, 18 of 91 cities administered their own taxes.*

**State & Local Tax Base:** Each municipality determines its tax base and posts changes to the Model City Tax Code (MCTC) maintained by the Arizona Department of Revenue (ADOR). A tax rate table is updated and posted monthly.



# Arizona



## **Transaction Privilege Tax**

Commonly referred to as a sales tax. Actually, a tax on a vendor for the privilege of doing business in the state. Various business activities are subject to transaction privilege tax (TPT) and must be licensed. Tax rates vary depending on the type of business activity, the city, and the county.

There is a tax rate table and address look-up tool on line so businesses can stay up-to-date on tax changes.



# Arizona



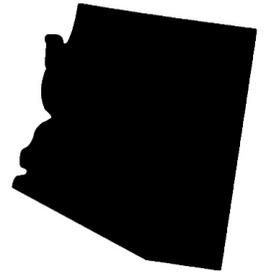
## **Model City Tax Code**

1. Provide greater degree of uniformity; and
2. Retain the right of individual cities and towns to determine taxable items and exemptions.

Same Definitions: List of common definitions included in MCTC.



# Arizona

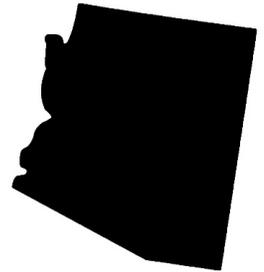


## Simplification Task Force

- Established through executive order on May 11, 2012.
- Members were tax and finance experts representing municipalities, businesses, and the state. Nine voting members. Three non-voting advisory members, including two legislators and a representative of ADOR.
- Charge: to identify reforms that would simplify Arizona's sales tax code, reduce taxpayer frustration, and improve compliance.



# Arizona

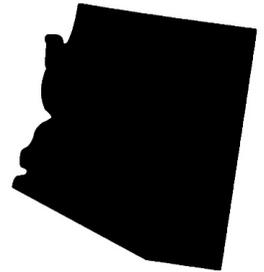


## **Simplification Task Force (Cont.)**

- The task force met 17 times between July and December 2012.
  
- Key recommendations:
  - Administer TPT statewide.
  - Standardize the tax base, definitions, and interpretations of taxable transactions.
  - Increase online licensing and returns.
  - Allow single audits, especially for multi-jurisdictional taxpayers.



# Arizona



## Simplification Task Force (Cont.)

- Key Outcomes: HB 2111 was signed into law in 2013.
  - Since 2017, ADOR is sole collection and reporting agency for municipal and state TPT;
  - Taxpayers file and pay on one form for all jurisdictions; and
  - Single audit program (and set of audit procedures) used by all taxing agencies. Multi-jurisdictional audits are conducted by the ADOR.



# Arizona



## **Increased Funding for Arizona Municipalities Under Arizona Department of Revenue's Transaction Privilege Tax 2017 Distribution**

It was a successful 2017 for 91 Arizona municipalities under the Arizona Department of Revenue's (ADOR) transaction privilege tax (TPT) program.

In 2017, more than \$2.7 billion in municipal TPT was collected and distributed to the participating cities and towns for local programs and services by ADOR.

The 14 cities that joined the TPT's single point of administration and collection of business taxes in 2017 received in excess of \$1.9 billion, a 6.3 percent increase from expectations at the start of last year.



Source: ADOR Press Release February 2018

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# Alabama



**Number of Taxing Jurisdictions: 801**

**State vs. Local Tax Administration:** State – a taxpayer can file and pay all non-state administered taxes in a state-run online system, but the taxpayer has to register with each local jurisdiction and any amendments must be handled locally.

**State & Local Tax Base & Definitions:** State and local are mostly the same.



There are two sales tax holidays that the locals can opt into.

# Alabama



## **Alabama Streamlined Sales & Use Tax Commission**

- Established in 2011
- Members: 10, including representatives from municipal and county governments, Alabama Department of Revenue (AL DOR), and retail and business community.
- Charge: develop a single entity collection and distribution point, a system to notify taxpayers of changes in taxes or rates, audits, a database of all state and local rates, and any other systems, programs, or policies to comply with the Streamlined Sales & Use Tax Agreement.



# Alabama



## **Alabama Streamlined Sales & Use Tax Commission (Cont.)**

- Recommendations: Align Alabama's sales tax statutes with Streamlined agreement (standard definitions, certain tax rates (state and local levels), identical state and local bases, centralized database of rates, etc.).
- Outcomes:
  - ONE SPOT legislation: single point of collection for state, state-administered, and locally-administered taxes.
  - Recommendations go to legislature after federal legislation for remote sales tax collection is implemented.



# Alabama



## Economic Nexus

- Established in 2016.
- Deemed remote sellers who make sales in the state to have substantial economic presence with over \$250k in sales/year.
- Sellers must either collect tax or register with the Simplified Seller Use Tax Remittance Act – flat 8% rate with centralized administration.
- Has been on the books since 2016, but AL DOR will just start enforcing it on 10/1/2018.
  - Newegg sued AL DOR when it tried to enforce in 2016.



# Alabama



## **Simplified Sellers Use Tax**

- Established in 2016.
- Flat 8% use tax on remote sellers or reporting requirement.
  - Distribution split evenly between state and counties/municipalities.
  - Sellers can keep 2% of taxes collected for participating; will be capped at \$400k.
  - Can grandfather themselves in by registering and remitting 6 mos. before federal legislation enacted.
  - Collections since program inception around \$133 million; from October 2017 to present, collections total about \$72 million.



# Alabama



## **Simplified Sellers Use Tax (Cont.)**

- 2017 amendment: sellers can remain in program unless a physical presence nexus is established.
- 2018 update: requires marketplace facilitators to collect and remit use tax or to report the sales to the AL DOR and the customer by January 1, 2019.



# Louisiana



**Number of Taxing Jurisdictions: 370**

**State vs. Local Tax Administration:** State and local

- 56 local sales tax collectors; prior to 1992 there were 368
- Parish E-File: electronically file state and parish or city sales and use tax in one location – with some exceptions.

**Definitions:** State and local definitions vary.



# Louisiana



**State & Local Tax Base:** LA legislature establishes base, but may allow locals to choose to exempt or not; ex: groceries, Rx, manufacturing machinery.

**Sales Tax Holidays:** Prior to July 1, 2018, there were three sales tax holidays, two of which applied to state and locals and one only to the state.

**Handing of Audits:** State and local audits; working on a Multi-Parish Audit Program.



# Louisiana



Three separate committees for simplification and/or remote collections:

1. Sales Tax Streamlining & Modernization Commission (legislative)
2. Louisiana Uniform Local Sales Tax Board (local collectors)
3. Louisiana Sales and Use Tax Commission for Remote Sellers (Louisiana Department of Revenue [LADOR])



# Louisiana



## **Sales Tax Streamlining & Modernization Commission**

- Members: 20, including legislators, local government representatives, and business community members.
- Charge: study and make recommendations on streamlining sales and use tax (audits, exemptions, rates, etc.).
- Recommendations: legislation that established subcommittee on multi-parish sales and use tax audits.
- Outcomes: ?
  - The commission was extended for a year to complete a report by 3/15/19 and will end on 7/1/19.



# Louisiana



## **Louisiana Sales and Use Tax Commission for Remote Sellers**

- Established: 2018
- Members: 8, including four LA DOR representatives and four local tax administrators.
- Charge: simply sales tax collection for remote sellers.
  - Will collect 8.45% on all remote transactions: 4.45% goes to the state and 4% to locals.
  - Collection should begin January 1, 2019.
  - Single point of collection, rates, electronic filing and remittance system. Software for rate calculation, remit to local tax collectors, maintain rate tables and taxability matrix.



# Louisiana



## **Louisiana Uniform Local Sales Tax Board**

- Established: 2018
- Members: 8; all local collectors.
- Charge: provide uniformity and efficiency for local collection and administration.
  - Adopt uniform forms and procedures for collection.
  - Promulgate rules for uniform voluntary disclosure agreement program .
  - Standardized forms for refunds.
  - Coordinated multi-parish audit process.
  - Enter joint service agreements with local collectors.



# Louisiana



## Other Recent Legislation

- HB 17 – Economic Nexus
  - Requires out-of-state vendors to collect and remit sales and use tax.
  - Sets the de minimus level of 200 transactions or \$100,000 in sales.
  - Contingent upon favorable ruling for SD in the Wayfair case.



# Questions?

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