HCS HB 2302 -- STREAMLINED SALES AND USE TAX AGREEMENT

SPONSOR: Sutherland

COMMITTEE ACTION: Voted "do pass" by the Committee on Ways and Means by a vote of 9 to 2.

This substitute requires the Department of Revenue to establish the necessary rules to implement the compliance provisions of the multistate Streamlined Sales and Use Tax Agreement. The substitute specifies that:

(1) When a political subdivision changes the rate of tax, the rate change must take effect on the first day of the second calendar quarter after the Director of the Department of Revenue receives notice of the change;

(2) When a city annexes or detaches property, the city clerk must forward a certified copy of the ordinance to the department director within 10 days. The tax rate in the added or abolished territory must be effective on the first day of the second calendar quarter after the department director receives notice of the boundary change;

(3) When a city changes the rate of tax, the change to the tax rate will take place on the first day of the second calendar quarter after the department director receives notice of the rate change;

(4) If a political subdivision repeals an existing tax, the repeal must become effective December 31 of the calendar year in which the abolishment of the tax was approved. The political subdivision must notify the department director prior to the effective date of the repeal; and

(5) When an entity remits the tax authorized under Section 67.1959, RSMo, it will no longer receive a reduction in its sales tax liability for transactions with businesses that also collect a local tourism tax.

The substitute requires:

(1) The department director to perform all functions regarding the administration, collection, enforcement, and operation of all sales taxes;

(2) The department to provide electronic databases for tax jurisdiction boundary changes, tax rates, and a taxability matrix detailing taxable property and services;

(3) All state and local sales taxes to have the same base which means that exemptions at the state and local level must be identical;

(4) A seller to be allowed a deduction from taxable sales for bad debts attributable to taxable sales that are uncollectable;

(5) The definitions for "delivery charges," "food," "lease or rental," "purchase price," "sales price," "tangible personal property" and other definitions to be adopted as defined in the streamlined agreement;

(6) The department to be able to require any seller to electronically file and remit sales and use taxes;

(7) The on-line registration for out-of-state sellers to be simplified and no bond to be required;

(8) No caps or thresholds to exist on the collection of sales or use taxes;

(9) Out-of-state sellers to be offered uniform, simplified electronic filing;

(10) Amnesty to be available to certain out-of-state sellers with uncollected or unpaid sales or use tax if the seller was not registered in Missouri in the prior 12-month period before the effective date of the streamlined agreement; and

(11) A monetary allowance of up to 2% of the amount of remittance to sellers and certified services providers for collecting and remitting the state and local sales taxes.

The substitute becomes effective January 1, 2012.

FISCAL NOTE: Estimated Effect on General Revenue Fund of an income of $0 in FY 2011, a cost of $144,156 to an income of More than $100,000 in FY 2012, and a cost of $133,102 to an income of More than $100,000 in FY 2013. Estimated Income on Other State Funds of $0 in FY 2011, More than $100,000 in FY 2012, and More than $100,000 in FY 2013.

PROPONENTS: Supporters say that the bill makes sales and use tax laws in different states similar to help ease compliance with the laws. Today most shopping is done online or with a catalog rather than at a local merchant. All purchases through the Internet or by phone are subject to a sales tax or a use tax. The use tax is voluntary and is not currently collected. The current law puts local merchants at a loss. The bill will even the playing field. The agreement is voluntary so that businesses can choose whether to participate. An estimated $400 million in revenue is not collected because the sales are remote sales to Missourians. It will bring in an estimated $15 to $20 million in general revenue immediately because of the 1,200 retail companies that have already signed onto the agreement in other states. Twenty-three participating states have agreed on similar rules, and several other states are considering it. If passed federally, all retailers will be required to collect the tax, and Missouri could collect about $430 million annually. The bill will increase state revenues, allow more adequate funding for vital services such as education, and ensure that the sales tax is fair to in-state businesses. The fair tax and the bill are complementary and could reduce the rate needed for the fair tax.

Testifying for the bill were Representative Sutherland; Honorable Christopher Rants, Iowa House of Representatives; Missouri Retailers Association; Missouri National Education Association; and Missouri Budget Project.

OPPONENTS: There was no opposition voiced to the committee.