MULTISTATE TAX COMMISSION

Working together since 1967 to preserve federalism and tax fairness

To:	Uniformity Sales and Use Tax Subcommittee
From:	Roxanne Bland, Counsel
Date:	July 13, 2009
Subject:	Telecommunications Transaction Tax Centralized Administration Project

At the March 2009 meeting, Mr. Scott Peterson, Executive Director of the Streamlined Sales Tax Governing Board, advised the subcommittee that the SST Governing Board Executive Committee had directed him to coordinate with the Commission on this project. Mr. Peterson explained that the Main Street Fairness Act, which is expected to be proposed soon in Congress, will contain a provision requiring a state to simplify its telecommunications tax laws before vendors could be required to collect the state's use tax. It is expected that work would begin on the reform effort immediately if the bill passes. The subcommittee engaged Mr. Peterson in an extensive discussion of the ramifications that the expected legislation and the Board's directive might have for the project. After discussion, the subcommittee decided to seek further guidance from the MTC Executive Committee regarding the potential interaction between the subcommittee and the SST.

The MTC Executive Committee met on May 7, 2009, and addressed the Uniformity Committee's request for guidance on how to proceed with this project, in light of potential SST involvement. The Executive Committee directed the Uniformity Committee to continue its work on the project. The Executive Committee believes the overlapping membership between MTC and SST brings value to both groups, and though the subcommittee will not be able to take on the entire telecommunications reform effort required by the proposed federal legislation, to the extent it can contribute to the process, it should do so. The Committee also stressed that every effort should be made to secure participation by local government organizations on this project. MTC staff has invited SST staff as well as local government representatives to participate in our process.

Attached to this memorandum for the subcommittee's review and discussion is a policy checklist for Proposal II, the centralized administration model that could apply in states where there is local authority to impose tax, but requires administration at the state level.[1]

[1] Proposal I could apply in states where tax imposition and administration are solely at the state level. Proposal III could apply in states where authority to tax as well as centralized administration is at the local level.

TELECOMMUNICATIONS TRANSACTION TAX ADMINISTRATION PROJECT—PROPOSAL II, LOCAL IMPOSITION, STATE ADMINISTRATION

DRAFT 7/26/09—FOR DISCUSSION PURPOSES ONLY

MTC Sales and Use Tax Subcommittee

1. Tax Collection Responsibility

   a. Revenue Agency, IL, UT, VA

2. Administration

   a. Create new administrative procedures?
   b. Employ existing procedures?
      i. Collection procedures for transaction-based taxes generally? (UT)

3. Segregation of Funds; Depository

   a. Establish separate account for taxes collected:
      i. Interest-bearing?
         1. Who is entitled to interest?
      ii. Non-interest bearing?

   b. Account Oversight and Maintenance

      i. State revenue agency?
      ii. Other agency (Treasury, Secretary of State)?
         1. Assumes revenue agency responsible for allocation to local jurisdictions (see below)

4. Distribution of funds to local jurisdictions

   a. Allocation
      i. Formula? VA, FL
      ii. Actual Collections? IL
   b. Remittance schedule? (monthly appears most common)
      i. Assume remittance via EFT?

5. Reimbursement of Administrative Costs

   a. Actual expenditures?
   b. Percentage of collections? KY
   c. Frequency? (monthly appears most common)