

**New Ideas to Address Sales Tax Audit Challenges**

**Sales Tax Collection Goals**

<b>Businesses</b>	<b>States</b>
To collect and remit the proper amount of tax as required	To have the proper amount of tax remitted to the state as timely as possible

**Challenges Faced by Businesses Required to Collect and Remit Sales Tax**

- **Complexity**
  - Taxability
  - Certificate validation
- As a “**pass-through tax**” business want to ensure they are properly collecting
  - No incentive to take aggressive or risky positions but also need to be mindful of potential civil actions that could arise from collection errors
- Audits by design “**look back**” making it difficult to achieve the goals of sales tax collection
- Other Audit Challenges:
  - **Quality** of the Information
  - **Adversarial** in nature
  - **Interest**

**New Ideas to Address Some of These Challenges**

- **Periodic Validation of Exemption Information**
  - Partnership between a state and the business to assist with the validation of exemption certificates (resale and exempt-organization)
  - Process to ensure business is honoring only “valid” exemptions
    - Business proactively takes action to update/fix certificate information and/or “kicks out” bad actors
  - Will save significant time and resources on audit for both the state and the business
  - Encourage individual states to establish programs/criteria to facilitate these programs/partnerships
- **Establish/Enhance Managed Audit Procedures**
  - Allow businesses to volunteer to work/collaborate with MTC/state on a forward-looking basis
    - Mitigates the adversarial relationship as business and agency work together with the common goal of ensuring current/prospective collection is correct
    - Alleviate quality of information issues and reduce interest exposure, while also freeing up agency resources going forward
  - Allow businesses to use AI to perform managed audit
- **Updating Notice Procedures**