



## **Enact the Streamlined Sales Tax to Strengthen State Services and Level the Playing Field for Missouri Retailers**

### **Why Streamlined is Important:**

Missouri tax laws have failed to keep pace with a changing economy, reducing the state's ability to invest in the well-being of its citizens. In particular, Missouri and other states that rely on sales and use taxes to fund public services have been losing revenue as a result of a failure to capture taxes that are owed for online retail purchases through remote sellers. A University of Missouri study estimated that Missouri missed out on \$358.3 million in state and local sales tax revenue in 2014. In addition to eroding Missouri's ability to invest in critical public services like education, health care and safe roads, the failure to compel remote online retailers to capture sales and use tax also creates a competitive disadvantage for Missouri's bricks-and-mortar retailers who are required to capture sales tax.

### **How it Works:**

The Streamlined Sales Tax Agreement was developed through the cooperative effort of 44 states, the District of Columbia, local governments and the business community to simplify sales and use tax collection and administration by retailers and states. The intent is to minimize costs and administrative burdens on online and mail-order retailers that collect sales and use tax from customers living in multiple states. It levels the playing field so that local "brick-and-mortar" stores and remote sellers operate under the same rules.

The legislation helps the states simplify their sales tax laws to make it easier for online retailers to collect and remit state and local sales and use taxes. Once a state has enacted the legislation, it becomes a member of the national Streamlined Sales Tax Governing Board. The Governing Board then notifies all retailers that are registered with the Board that they must begin collecting taxes on purchases made by residents of that state.

To simplify compliance, the national Streamlined Sales Tax Governing Board has certified seven service providers that interface with the shopping carts of online retailers. Through an automated structure, the service providers are able to calculate appropriate state and local taxes without creating a new burden for online retail companies. The service providers are paid for this service by keeping a small portion of the taxes that they collect.

**Senator Wayne Wallingford (R-District 27) has sponsored Senate Bill 795 for the 2016 Legislative Session. The legislation would enact Streamlined for Missouri.**

### **Which States Have Enacted Streamlined:**

Of the 45 states that levy sales tax, 24 states, including many of Missouri's neighbors, have enacted Streamlined, including: Arkansas, Georgia, Indiana, Iowa, Kansas, Kentucky, Michigan, Minnesota, Nebraska, Nevada, New Jersey, North Carolina, North Dakota, Ohio, Oklahoma,

Rhode Island, South Dakota, Tennessee, Utah, Vermont, Washington, West Virginia, Wisconsin, and Wyoming.

These states are already capturing previously uncollected sales and use tax for online retail purchases. Based on the experience of these states, Missouri could expect to capture \$15-\$20 million in currently uncollected state general revenue sales and use taxes within the first full year of implementation. These taxes result from the voluntary compliance of companies that register with the Streamlined Governing Board.

### **Doesn't Streamlined Require Federal Legislation?**

Yes. To make the collection of state and local sales and use taxes compulsory for all remote sellers, the U.S. Congress will also need to act. In fact, the U.S. Congress is considering companion legislation that would require retailers to fully comply with the state legislation. At that time, Missouri would capture hundreds of millions per year in currently uncollected sales tax. Both the state and federal legislation maintain strong bipartisan support.

But, in order for Missouri to benefit once Congress acts, it must also pass the state legislation. Both state action and federal action are required.

### **Streamlined is Not a New Tax, but a New Collections Mechanism for an Existing Tax**

Streamlined is not a new tax, but a collections mechanism for an existing tax. The same products that are subject to sales and use tax today would be subject to the tax after streamlined is enacted. The measure simply creates an easy way for remote sellers to calculate and collect the taxes that are due on their products.

In fact, Missouri already has a use tax that requires Missourians to calculate and remit sales taxes on purchases made through remote sellers. But, most Missourians don't know about this requirement and sales and use taxes go uncollected. In 2011 only 168 Missourians remitted \$205,087 in use tax payments to the state. The use tax puts all of the responsibility for remitting sales tax on the consumer. The Streamlined would move the responsibility for use tax collections for remote sales to retailers, just like sales tax collections responsibility falls upon local "brick-and-mortar" retailers.

### **Estimating the State and Local Revenue Impact**

If both the state and federal legislation had been in place in 2014, the University of Missouri analysis estimates that Missouri would have captured an additional \$358 million in state and local sales and use tax revenue. Combined, the average rate for state and local sales and use taxes in Missouri is 7.805 percent, which includes a 3 percent state general revenue sales tax, 1.225 percent in earmarked state sales taxes, and an average local tax of 3.58 percent. Based on the portions of the total that each comprise, in 2014, collections would have resulted in the following increased revenues:

- State General Revenue: \$137.6 million;
- State Education (Proposition C): \$45.868 million;
- State Conservation: \$5.73 million
- State Parks/Soil: \$4.586
- Localities: \$164.207 million