

States Pushing For Web Sales-Tax Collection

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Under the umbrella of the Streamlined Sales Tax Project, 18 states are preparing to nudge online retailers toward uniform collection of sales taxes for items purchased over the Web.

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Momentum is building for level sales taxes on Internet retail purchases, as 18 states prepare to nudge online retailers to collect taxes on items purchased over the Web.

In the wake of a meeting of the Streamlined Sales Tax Project (SSTP) in Chicago last week, tax representatives from states participating in the effort have been encouraging retailers to collect sales taxes.

"This is still all-voluntary," said Dick Eppleman of tax software supplier Vertex. "There is still no mandate to collect taxes on remote sales whether they are for the Internet or for catalog sales. But it's a big step along a long road."

Some 40 states have been meeting since 2000 in an effort to hammer out an agreement to create some semblance of uniformity in the collection of sales taxes on remote sales, particularly sales across state lines. The decision of 12 states to create a uniform approach to the collection of taxes is considered something of a breakthrough.

The states comprising the leadership of the SSTP, which are working towards sales tax uniformity, are: Indiana, Iowa, Kansas, Kentucky, Michigan, Minnesota, North Carolina, Nebraska, Oklahoma, South Dakota and West Virginia with New Jersey in the process of joining that group. Associate members close to participating are Arkansas, North Dakota, Ohio, Tennessee, Utah and Wyoming.

Eppleman, who is director of government markets at sales tax supplier Vertex, pointed out that some states don't tax at all and in the states that do tax, the systems vary widely from state to state. The first step, now underway with the SSTP measure, is aimed at simplifying sales tax collections across the nation.

Several members of Congress, usually those who've previously served in state governments, have indicated they will support federal legislation on remote sales tax collection, if enough states indicate they can combine to create a respectable measure of uniformity and agreement on sales taxes. With 12 states planning to carry out the voluntary taxation program beginning October 1, a threshold of about 20 percent of the nation's population could come under tax uniformity.

"Obviously there will be benefits to the states, long term," noted Eppleman. While figures vary, some studies have revealed that state and local governments are losing more than \$15 billion annually in lost taxes on Internet sales. Much of the loss can be traced back to a U.S. Supreme Court decision 13 years ago, which approved a moratorium on remote sales tax collections across state lines. A reversal of that decision would pave the way for sales taxes to be collected purchases shipped across state lines.

Eppleman said a recent California court decision ordering bookseller Borders to pay back taxes on some online sales has not prompted much change in tax collecting on online sales so far. The California Court ordered Borders to pay back taxes to the state, because customers who purchased book from Borders.com returned books in the company's bricks-and-mortar locations.

