Estimating the Revenue Impacts of Adopting the Streamlined Sales Tax Agreement

Robert Cox
Kentucky Governor’s Office for Economic Analysis

Key Features

- Does not change state laws
- Leaves states some flexibility
  - Issue of compliance
  - Governing Board must decide issues of compliance and interpretation
- Not all issues have been resolved
How Will Adopting the SST Affect Revenues?

- Administration of sales tax
  - Restrictions on when rates and base may change
  - Requires single state rate, with an exception

- Sourcing Rules

- Limits on Exemptions

How Will Adopting the SST Affect Revenues?

- Other Administrative Changes
  - Uniform Rules for Remittances of Funds
  - Bad Debts

- Restrictions on Sales Tax Holidays

- Caps and Thresholds

- Rounding Rule

- Definitional Issues
Definitional Issues

- Creates List of Defined Items
- States Must Use Definitions When Available
  - Administrative Definitions
  - Product Definitions

Monetary Allowances

- Agreement provides retailers, CSPs with monetary allowance for collecting tax

- Rate or amount of allowance has not been determined
  - Study has been commissioned
  - Will become controversial once it is prepared
What’s a Revenue Estimator To Do?

- Be on Good Terms With Sales Tax Administrators
- Become Familiar With Sales Tax Laws and Administrative Regulations

Impacts in Kentucky

- General Business License Fees
  - We charge $10 registration fee
- Uniform Sourcing Rule
  - Affects printing and equipment rentals
- Pre-paid Calling Cards
  - Tax paid at time of phone call
Impacts on Kentucky

- Definitions – tangible personal property
  - Custom software
- Sales Price
  - Treatment of shipping and handling
- Food
  - Bottled water & ice, Sports drinks

Impacts on Kentucky

- Prescription Drugs
  - Provided by physicians and hospitals
- Durable Medical Equipment
  - May be limited to home use only
While changes are likely to affect tax administration significantly, some states might see only minor revenue impacts.

Revenue estimators deal in a world of errors. Chances are that your economic forecast will affect the sales tax estimate more than the law change.

Estimating the Revenue Impacts of Adopting the Streamlined Sales Tax Agreement

Robert Cox
Kentucky Governor’s Office for Economic Analysis