

Estimating the Revenue Impacts of Adopting the Streamlined Sales Tax Agreement

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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

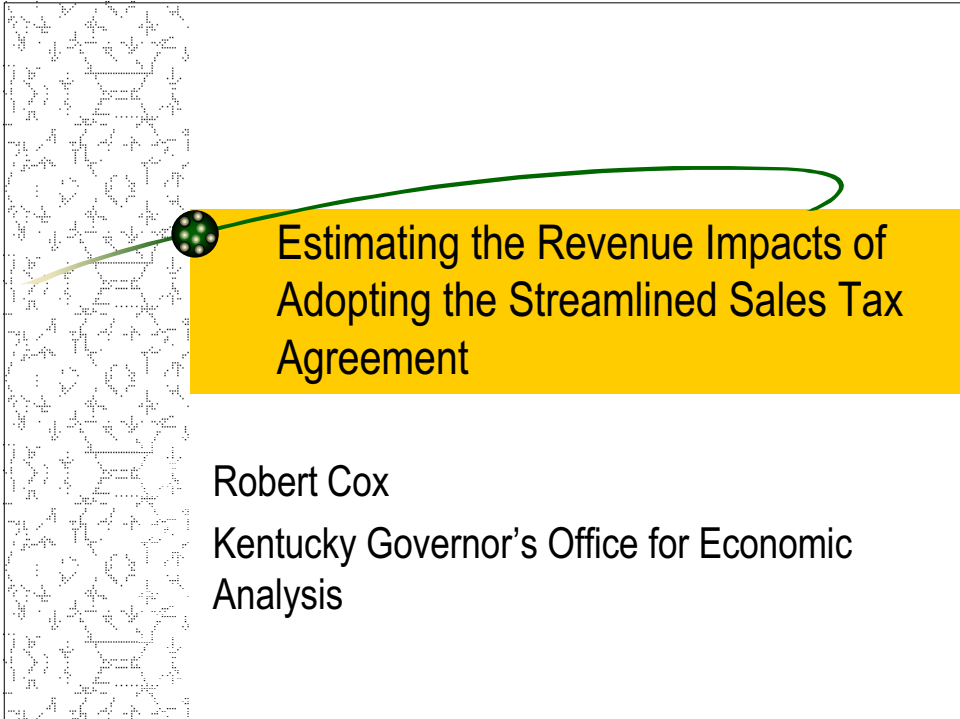
Impacts on Kentucky

- ✦ Prescription Drugs
 - Provided by physicians and hospitals
- ✦ Durable Medical Equipment
 - May be limited to home use only



Perspective

- ✦ 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.



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