The Case For Consumer-Focused Use Tax Enforcement and Experimentation

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Outline of Presentation

• Background

• Why focus on consumer compliance?

• How can we promote consumer compliance?
Use Tax History

National Bellas Hess

Quill

S.D. v. Wayfair
Why should states take action?

• Aren’t the feds handling it?
  – *South Dakota v. Wayfair*
  – Marketplace Fairness Act
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• Is it worth it?
  – Economic
  – Rule of Law
  – Psychological
  – Lessons for compliance generally
How do you promote voluntary compliance with an unenforceable tax?
Models of Tax Compliance

• Deterrence
• Social Norms
• Legitimacy
  • Trust
  • Procedural Justice
  • Retributive Justice
• Behavioral Economics
Ideas

• Increase knowledge
  – Information reporting
  – Letters/other advertising
  – Focus on tax return preparers
Ideas, cont.

• Deterring Non Compliance
  – Audits (indirect audit effect)
  – Inquiry letters for zero reporters
  – Decrease costs of compliance
  – Penalties / collateral sanctions
  – Return preparer penalties?
Ideas, cont.

• Non-Deterrence Approaches
  – Give voice
  – Behavioral Use Tax
    • Withholding
    • Tax form design
Information

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- Papers found at:
  - Taxing Honesty
  - Testing the Models of Use-Tax Compliance: The Use-Tax Experiment