

The Streamlined Sales Tax Project: Coming to a State Near You!

By Richard A. Vallari CPA, CMI

In the next few issues of The Silver State CPA, I will be providing insight as to what The Streamlined Sales Tax Project is and how pending federal legislation may affect your practice and clients. Currently, there are 23 member states affiliated with the Project, including Nevada and Utah. In simplest terms, the purpose of the Streamlined Sales Tax Project is to simplify sales and use tax collection. Once this goal is achieved, Congress may be enticed to require remote sellers to collect and remit sales and use tax.

As election season approaches, politicians often talk about closing tax loopholes. One such item is collecting tax on Internet sales from remote sellers. However, there is often confusion among the general populace as to what this means. For example, people have often mistaken the Internet Tax Freedom Act (1998) to mean all Internet activity is excluded from all forms of taxation, including sales and use tax. A common situation often encountered with clients is their belief that the purchase of a tangible item that would be subject to sales tax if purchased from a local vendor is exempt from any tax if purchased from a remote seller through the Internet. Unfortunately, many people do not realize that the medium used to purchase the item does determine its' ability to be taxed.

The Internet moratorium enacted in 1998 is a separate issue from the authority to collect sales taxes from remote sellers (mail order or Internet retailers with no physical presence in the state), which was eliminated under the U.S. Supreme Court's interpretation of the Commerce Clause of the U.S. Constitution in *Quill Corp v. North Dakota*, 504 U.S. (1992). Although The Internet Tax Freedom Act was set to expire in 2001, it has been extended and revised several times and will expire in November 2014. (This Act is now known as the Internet Tax Freedom Non-Discrimination Act). Like its predecessors, the current act bars federal, state and local governments from imposing Internet only taxes, like those on E-mail. (Next time you get one of those chain e-mails warning you that your e-mail will be taxed, you will not need to suffer any anxiety, at least not until December 2014!)

As the Internet grew it became a trusted and convenient method to purchase goods; states' realized that millions of dollars in sales taxes were not being charged to online purchases nor was use tax remitted by consumers. The general public is often unaware that they have a responsibility to remit use tax on out of state, untaxed purchases. Many states have official forms for consumers to remit use taxes. However, even for those who are aware of their use tax obligation, the administrative burden and lack of government enforcement often makes this obligation easy for the consumer to overlook.

During the past decade, in an attempt to increase the amount of use tax collected from online commerce, many states incorporated a self-assessment provision on their personal income tax return forms. While some monies may actually be reported, state governments realize this measure will only cover a small percentage of what they believe is falling through the cracks. In an attempt to permanently correct this situation, The Streamlined Sales Tax Project was created.

Next month I will discuss two Supreme Court cases that address sales tax nexus, and how The Streamlined Sales Tax Project will interact with these cases.



Rich is the founder of Southwest Sales Tax Solutions, LLC. He has over 20 years of experience handling sales and use tax issues. His company specializes in sales and use tax audit representation and consulting. Rich is licensed CPA, a member of the Nevada Society of CPA's and the American Institute of Certified Public Accountants. Rich is also a member of the Institute for Professionals in Taxation, earning his designation as a Certified Member of the Institute in Sales Tax (CMI). Rich may be contacted at (702) 233-0049 or at rval-lari@cox.net.