



Testimony of Diane L. Yetter

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On the Issue of

Providing Small Business Relief from Remote Sales Tax Collection

**Before the United States Senate Finance Subcommittee on Fiscal
Responsibility and Economic Growth**

September 25, 2024

Providing Small Business Relief from Remote Sales Tax Collection

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Subcommittee on Fiscal Responsibility and Economic Growth

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Thank you, Chair Hassan, Senator Grassley, and Senator Wyden for the opportunity to join you today. I am Diane Yetter, the president and founder of The Sales Tax Institute and Yetter Tax. We provide sales tax education, resources, and consulting services to clients in almost every industry and size around the world. My entire professional career of almost 40 years has been spent in the sales tax field. I've worked in state government as an auditor, in a corporation managing sales and use tax, in public accounting advising clients about their sales tax obligations, and, for the last 28 years, as a woman-owned small business providing sales tax consulting and education services. In addition to being a licensed Certified Public Accountant, I have served on many committees and task forces working to simplify sales tax collection obligations for businesses, which includes being an active board member of the Business Advisory Council of the Streamlined Sales Tax Governing Board. A significant focus over my career has been sales tax technology solutions. My testimony is not on behalf of any client or association but reflects my own professional judgement.

I have long been a proponent of rules that result in equitable collection responsibilities of sales tax by sellers. True equity requires greater simplification and uniformity amongst the states with sales taxes. The states need to provide clear requirements and guidance, which will foster compliance, reduce burdens on all sellers (whether local or remote), and promote reasonable enforcement. It is inherent in our sub-national sales tax structure that the rules will vary by state; however, states should make every effort to reduce unnecessary complexity and variations of law that impose avoidable burdens on sellers. One obligation of being a business owner is complying with a variety of tax and regulatory requirements including payroll, income tax, insurance, licensing, and others. The costs related to collection of sales tax are not dissimilar to these other costs but can be a significant cost of being in business.

In my testimony today, I will address three key points:

1. The determination of the correct tax to collect from customers shouldn't be a guessing game for the seller. The states need to make the taxability rules, as well as rates and boundaries clear, accessible, understandable and fair.
2. The determination of undue burden shouldn't be limited to only "remote sellers." No seller, even those with retail operations in a state, should incur undue burden to act as the collection agent on behalf of the states.
3. Congress, Streamlined Sales Tax Governing Board and states can take action to further reduce burdens on businesses.

The Determination of the Correct Tax to Collect Shouldn't be a Guessing Game for the Seller. The States Need to Make the Taxability Rules as well as Rates and Boundaries Clear, Accessible, Understandable and Fair.

Economic Nexus is an Acceptable Responsibility for Sellers

As discussed in my prior testimony to the Senate Finance Committee on June 14, 2022, on Examining the Impact of *South Dakota v. Wayfair* on Small Businesses and Remote Sales, the collection of sales and use tax by out-of-state sellers (remote sellers) is not a new requirement and is certainly not a new tax that was created through the *South Dakota v. Wayfair* decision. However, there was a significant lack of understanding by both sellers and consumers about the application of the tax. The passage of economic nexus in every state has provided relief to sales tax compliant businesses (*i.e.*, level playing field) and eliminated the competitive disadvantage for these sellers, the economic nexus rules enacted as a result of the *Wayfair* decision have made things harder for some businesses, particularly those with limited physical presence in multiple states and even more so on those businesses located in one of the four states without a general state sales tax (Delaware, Montana, New Hampshire, and Oregon). These businesses may have never had to understand or comply with any sales tax calculation and compliance or may have only dealt with sales tax in their home state.

Uniform Definitions Across States Reduces Burden

An inherent challenge in state sales tax is that the tax is administered at the state level which allows each state to make decisions about what their tax base will include, as well as the rate that applies to each item. I support states' rights to make these decisions. However, in my opinion, the most significant burden facing sellers is understanding how different states define or classify any specific item and finding the taxability rule. Uniformity doesn't mean every state has to tax or exempt everything the same way.

Uniform definitions provide a reasonable approach for taxpayers and states to classify products and services to facilitate the tax determination. When a seller can't determine consistently how its product or service is classified across the states, how can they be expected to tax or exempt it correctly across the multiple states where it makes sales? A simple example is a Twix bar. Is this candy, groceries, or prepared food? Illinois will classify this as food subject to the reduced food rate because it includes flour as an ingredient. However, California taxes candy and does not have a flour ingredient exception. Texas classifies Twix as candy under their definition of "a preparation of sugar, honey or other natural or artificial sweeteners" and doesn't make an exception for flour. The Streamlined Sales Tax states will consider the Twix bar as a grocery item as under their uniform definitions, if an item includes flour, it will be classified as grocery food and not candy. Each Streamlined state still has the option to tax or exempt grocery food and candy.

The states not only lack uniform definitions, but they generally do not have taxability information easily accessible and understandable for sellers. It is often a guessing game or a hunt and peck approach across a state web site to find the applicable rules that apply to a specific seller. State statutes are often only found on a legislative website, while department rules and bulletins are on the revenue agency site.

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Court cases may or may not be easily accessed and are often only available through legal research subscription sources. Taxpayers in their frustration often reach out to the revenue agency for support, only to be given incorrect or incomplete information which they are not able to rely on in an audit.

The Streamlined Sales Tax Agreement is a good starting model for uniformity of definitions and publication of taxability rules. The Agreement includes a list of terms including products that require each member state to conform their state definition to that stipulated in the agreement. Each member is then required to include the taxability rules for these defined terms in the Streamlined Sales Tax Taxability Matrix at least annually and they are required to update based on any taxability changes on a timely basis. Taxpayers that rely on this published guidance are relieved of incorrect taxation as long as they follow the taxability as published.

However, not every type of product or service is a defined term within the Streamlined Sales Tax Agreement. The Streamlined Sales Tax Governing Board should solicit input from the business community for additional product categories that could benefit from a uniform definition and expand its library of definitions and taxability. There may be categories where uniform definitions may be difficult to create. For these items, the states should at least provide citations for the statutes and rules to provide guidance to sellers.

Not only do taxpayers need to understand taxability rules but also administrative policies and compliance rules. This information is even more difficult to find within the state revenue resources. Streamlined Sales Tax has made efforts to address many of these questions with their Disclosed Practices which all member states are required to complete at least annually. They have been receptive to business requests to add additional clarification and guidance particularly related to economic nexus and exemption rules in the last year.

Jurisdiction Boundaries and Tax Authorities Should Be Clear

In my professional opinion, the second hardest challenge for sellers is determining the correct jurisdiction and the associated sales tax rate that applies to any given transaction. In some states, this is very simple as the state imposes only a single rate for the entire state. However, the majority of the states authorize sub-state authorities including counties, cities and special purpose districts to impose a sales tax. Not only do sellers have to monitor rate changes, they also must monitor the creation of new taxing authorities. The number of new authorities or new taxes imposed in existing cities, counties and special districts has exploded. According to Vertex, Inc, since 2019, there have been 1,235 new taxes or authorities and 2,073 changes (increases and decreases). (Source: <https://www.vertexinc.com/sites/default/files/2024-07/mm-2024-midyear-rates-rules-report.pdf>)

Most states do provide rate files that are available to taxpayers to download from their websites, however, there is no consistent file layout that is used across the states. In order for a taxpayer to use these rate and boundary files as an alternative to a paid service, they must access and download the files from a minimum of 47 locations with up to 47 different file formats on a monthly basis. These must then be formatted to the taxpayer's computer system. The Streamlined Sales Tax states are required to provide rate and boundary files that can be downloaded from the Streamlined Sales Tax website.

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Although there is a consistent file format for these states, the files still differ due to the different structure of the state tax authorities.

The Determination of Undue Burden Shouldn't be Limited to Only "Remote Sellers."

Over the last six years since the *South Dakota v Wayfair* decision and the enactment of economic nexus by all the states, the focus has been on "remote sellers" which is typically defined as a seller without any physical nexus in the state. In reality, there are fewer true remote sellers and efforts should be expanded to reduce the burden of sales tax compliance on all sellers.

Elimination of Physical Nexus Standards

Many sellers have some sort of physical nexus in a state. This might be a significant presence such as a physical location (store, office, manufacturing plant, etc.) or something minimal such as a one-day visit by an independent contractor to solicit a sale. Some of the most common physical presence we see in the companies we work with is inventory or remote employees. The inventory for smaller e-commerce sellers consists of inventory located at an Amazon warehouse that the seller doesn't even control and may not have knowledge it is even in the state. Most of the states consider these minimal physical presence activities to create physical nexus which excludes them from the economic nexus thresholds requiring them to register in the state and collect sales tax on what could be minimal direct sales.

A few states have taken administrative positions that inventory that a seller doesn't control will not create physical nexus including Arkansas, Illinois, Iowa, Kansas, Nebraska, Nevada, Oklahoma and Texas. These states took these positions after enactment of their Marketplace Facilitator Collection requirements. Arizona and New York have broader fulfillment exemptions that have been in effect since before the enactment of economic nexus laws. Pennsylvania had been aggressively pursuing nexus against these small Amazon sellers and lost a challenge in its courts.

The applicability of physical nexus through these remote activities (inventory and remote workers) has exploded since 2020 and has resulted in more sellers being required to register when their sales are below the economic nexus thresholds. This results in a significant compliance burden on these small sellers that fall outside the definition of "remote seller". Not only are these sellers required to register and collect tax with very low sales into a jurisdiction, but states have pursued assessments going back to the date the physical activities commenced resulting in significant past liabilities.

Economic Nexus Thresholds

As I discussed in my 2022 Testimony, there are four factors that must be evaluated to determine if a seller exceeds economic nexus. I will address two of the factors in this testimony. Most of the focus is on the first factor - what is the threshold. This varies across the states from \$100,000 or 200 transactions in 19 states of which 13 are Streamlined Sales Tax states, to the highest in New York of \$500,000 and 100 transactions. There has been an effort to eliminate the 200-transaction count from the threshold test and I'm happy to report that since my last testimony five states have done that. South Dakota led the effort in July 2023 with Louisiana in August 2023. In 2024, Indiana, North Carolina and Wyoming all eliminated the transaction test. This reduces the administrative burden not only for

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sellers but also for states as minimal tax returns are not required to be filed by the seller or processed by the states. It is my hope that the remaining states will take action to remove the transaction threshold. The Streamlined Sales Tax Governing Board adopted a Best Practice Recommendation that all states eliminate the transaction threshold.

The second test is what type of sales are included in the threshold. There are two components – the nature of the sale and whether the state uses “Gross”, “Retail” or “Taxable” sales. Most of the states (29 states) use the Gross sales test which requires them to count all sales whether they are taxable or not. In addition to knowing the nature of the sale test, sellers also may be required to include sales made through Marketplaces for which they don’t even have an obligation to collect the tax as the marketplace is responsible for that effort. Only 19 states exclude these sales from the determination of whether economic nexus is exceeded. By including not only exempt sales but also marketplace sales in the threshold calculation, sellers making minimal taxable sales (*e.g.*, wholesalers) are required to register to collect tax on these sales if their total sales (but not taxable sales) exceed the threshold. This adds to the burden of these sellers.

For specific information regarding these various rules, visit

<https://www.salestaxinstitute.com/resources/economic-nexus-state-guide>

Many of the states have provided guidance for taxpayers. However, it is not in a consistent format or central location making it challenging for sellers to find, let alone interpret, the rules and how they apply to their businesses. It is important to recognize the efforts of the Streamlined Sales Tax Governing Board and their commitment to provide guidance that is clear, in a common format, and available in a single location for their member states. Continued updates to the Remote Seller Disclosed Practice component of their Taxability Matrix (Disclosed Practice #8) requires the member states to respond to a variety of questions critical to the economic nexus determination for remote sellers, marketplace sellers, and marketplace facilitators. New questions have been added based on the experiences of members of the business community and questions asked of states. This documentation not only helps clarify the rules for sellers, it also reduces the burden on states to reply to sellers questions.

<https://www.streamlinedsalestax.org/Shared-Pages/State-taxability-matrix>

Managing Retroactive Exposure

Although many companies have recognized the obligation to collect tax under economic or physical nexus standards over the last six years, there are still many more domestic as well as foreign sellers who are not yet compliant. In addition, many sellers that registered without conducting an evaluation of any prior period exposure could be facing business ending assessments from states or requirements for resolution during an investment or sale of their business.

Whether the exposure is based on economic nexus alone or if physical nexus was established at some point in the past, the liability can be a risk of business continuity. Our firm is still seeing exposure liability exceeding \$1 million across all the states for sellers. These businesses have to make a decision about coming into compliance including resolving the past liability or registering to collect tax prospectively and hope that they don’t hear from the states. More sellers opt to only collect

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prospectively recognizing the potential risk. Part of the reason these sellers are not pursuing settlement opportunities is the lookback period offered by the states requires substantial payments, which if the sellers attempted to comply in all states would put them out of business.

Since 2020, our firm has not seen an onslaught of audits by the states; however, there are a few states that have aggressively pursued sellers that have registered after their economic nexus laws were effective. We have assisted our clients in managing eleven audits related to economic nexus activities. The audits have not been widespread across the states. These audits were from Arkansas, Arizona, Illinois, New York, Ohio, Texas and Wisconsin. I have expected more audit activity and am aware of states pursuing audits against remote sellers.

Cost of Compliance

Compliance with tax is an obligation of operating a business. However, there should not be an undue burden to comply. For some smaller businesses, the cost to comply with the sales tax laws exceeds the amount of tax collected. For sellers that participate in the Streamlined Sales Tax Certified Service Provider (CSP) program, their costs can be reduced through the free software and compliance costs funded by the states. However, this only applies if the seller qualifies as a “Compensated Seller”. To qualify a seller must have less than \$50,000 of property and less than \$50,000 of payroll in the state among other requirements. This was intended to exclude states where the seller maintains facilities. However, this has resulted in sellers losing benefits in states where they only have inventory.

We analyzed the software and compliance costs for three clients for which we support their sales tax function. All three of these companies participate in a CSP program and have some states where they qualify as a Compensated Seller. In looking only at their sales tax software and return preparation costs, their costs range from about \$17,000 a year for an e-commerce marketplace seller to \$37,200 a year for a company that licenses software and sells related hardware to \$143,500 a year for a true e-commerce business that sells physical and digital products direct with minimal marketplace sales. Excluding the free CSP services, the compensation received by these businesses from other states represents from .49% to .972% of the tax collected (\$1,884 to \$12,318 for a twelve-month period). What is not included in these amounts are the internal costs incurred by the seller as well as fees paid for professional services for the original implementation and set up of the system, registration as a seller in each state and management of the ongoing sales tax function. Every seller requires at least some level of internal resources to manage the sales tax process in addition to any part of the function that it outsources.

There are Actions the Congress, Streamlined Sales Tax Governing Board and States Can Take to Further Reduce Burdens on Businesses.

By far the single greatest effort towards reducing burdens on small business and remote sellers is the creation and operation of the Streamlined project. Started in 2000, its vision of providing uniformity and consistency across member states has been admirable and should be applauded. Its structure has preserved state sovereignty for setting tax rates and taxability rules within a structure of uniform definitions. Its focus has been more on traditional consumer types of categories (food, clothing, medicine, school supplies) as well as general definitions and tax base. A key requirement for

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membership is centralized administration of the sales tax at the state level. All members are required to annually update taxability information that is published in a central location at the Streamlined Sales Tax website. Liability protection is provided to sellers that rely on state published rates, boundaries, and taxability. There is also support and input from the business community through the Business Advisory Counsel. Representatives from companies large and small as well as from the practitioner community help the organization address new issues as they arise.

The advancement and growth of technology solutions focusing on sales and use tax was fueled by the Streamlined organization. When I started my career in sales tax, there were only two sales tax technology vendors. Today, the list is long and wide covering not just sales tax calculation but also compliance (return preparation), exemption certificate management, rate, and boundary solutions. Pricing for technology has also adapted and become much more affordable. However, there are only five technology providers participating as Certified Service Providers (CSPs). Only one new vendor has been added since the early days of the program. This limits options for sellers to receive the free software required of CSPs approved by Streamlined Sales Tax. The Streamlined organization should proactively solicit additional firms to participate as CSP participants to expand options available to sellers. In fact, this would help raise the participation of sellers who use the Streamlined Registration system but not a CSP. Currently only 32% of SST registered sellers use one of the five CSP providers. These participating firms are required to offer calculation and compliance services at no charge to qualifying remote sellers. For a typical remote seller, this can result in about a 40 percent reduction in service costs for those registered in all states.

Even with all these efforts, there is more that can be done to reduce the burden on small business and remote sellers. At the top of the list is to encourage all states to become members of Streamlined or in the alternative provide the same resources to sellers that Streamlined offers and maintains.

State Provided Resources

To support taxpayers, more comprehensive and accessible resources that taxpayers can rely on should be published by not only the Streamlined Sales Tax organization but by all states. It is an unreasonable burden on taxpayers to be expected to act as a tax collection agent for a state, when the seller has not been provided with all the data necessary to do so including rates, boundaries and taxability on which it can be held harmless for using.

Streamlined Sales Tax should expand the products and services included in its library of uniform definitions as well as consider other administrative practices to include in the Disclosed Practices. They are to be commended for their efforts to provide sellers with guidance related to economic nexus practices as well as exemptions.

For non-Streamlined States, they should be encouraged to provide guidance on taxability and administrative practices in line with the Streamlined States. In fact, if they were to provide answers to the Streamlined matrices, Streamlined would offer to publish the information.

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Federal funding direct to the Streamlined Sales Tax Governing Board would provide financial resources to expand the tools and resources available to sellers and assist in pursuing non-member state participation in at least the taxability and administrative resources.

Revised Definition of Remote Seller

As discussed above, eliminating the physical presence threshold would have a significant benefit and reduction of burden related to sales tax for all sellers. This would also facilitate a change to the definition of “remote seller”. To differentiate a seller with substantial presence in a state, adoption of the standards used by Streamlined Sales Tax to define sellers that qualify as Compensated Sellers could be used to identify those with significant physical presence in a state. Today the level of activity used is \$50,000 in property or \$50,000 in payroll. These amounts were established in the original CSP Agreement in 2002. No inflation adjustment to these amounts has occurred. My recommendation is to apply inflation adjustments to these amounts which would raise the amount to approximately \$86,800 per Bureau of Labor Statistics CPI Inflation Calculator (<https://data.bls.gov/cgi-bin/cpicalc.pl?cost1=50%2C000.00&year1=200211&year2=202408>)

In addition, all states should remove the 200-transaction component of the threshold and exclude marketplace sales from the calculation of sales into the state. As recommended by the Business Advisory Council of Streamlined Sales Tax Governing Board, the sales that should be included should be limited to retail sales (which excludes sales for resale).

Provide National Amnesty Program

Each state should evaluate options that can be made available to reduce the lookback period for sellers to encourage not only prospective registration and collection but limits the prior period liabilities. In 2017, the Multistate Tax Commission offered an amnesty program to support businesses that participated in the Amazon FBA program that were unaware that the presence of the inventory in the state created physical presence and related obligations to collect sales tax. Twenty-four states participated, with all but a few offering full forgiveness of all prior liability. The program was very successful.

The Streamlined Sales Tax Governing Board is currently evaluating a potential program that would recommend a reduced period from the state’s standard voluntary disclosure look-back period for a limited time to allow sellers to settle past liabilities. A national program with similar benefits would encourage more sellers to resolve their exposure, provide some past tax amounts to the states while preserving the viability of the businesses.

Reduce Administrative Complexity

The first complexity sellers face when working to be compliant with sales tax is in the registration process. The Streamlined Sales Tax Registration System has made this process easy for sellers. There is one registration form with minimal questions to be answered by the seller. This registration option is available to all sellers needing to register in any of the Streamlined states, even if they are not using a CSP.

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However, in the remaining states, the registration process is challenging and extensive. Applications are lengthy, often have “required” fields in the online registration portal that are not actually required and often do not have clear directions. Only a few states provide the registration number immediately upon completion of the application. Most physically mail the license as well as portal login information. Many e-commerce businesses operate in a fully remote environment, making getting physical mail a challenge. Streamlined has offered non-member states the ability to join the registration portal to reduce the effort on sellers to register. These states should take advantage of this option or simplify and streamline their individual registration systems

The second administrative complexity is the periodic compliance or filing of the tax returns. Sales tax returns are filed on either a monthly, quarterly, semi-annual or annual basis. Sellers who qualify as remote sellers should not be required to file more often than quarterly in any state. They should also not ever be required to make more frequent payments (pre-payments). Streamlined Sales Tax has developed a Simplified Electronic Return (SER) that all sellers are eligible to file. However, the effort to gain approval from each state is burdensome and has limited broad usage by sellers other than the participating CSPs. Streamlined should look at ways to minimize the approval and testing process and more broadly promote use of the SER. Non-member states should develop a simplified return submission option available to remote sellers and potentially all sellers. Any state that adds complexity (such as Illinois under its Leveling the Playing Field Act) should be required to compensate sellers at a greater amount for their efforts.

The third administrative complexity relates to states that permit local authorities to self-administer taxes rather than allowing sellers to manage all the compliance within the state at the state. As I discussed in my 2022 testimony, this creates a significant burden for all sellers. For at least remote sellers but ideally for all sellers, all sales taxes should be administered at a single agency at the state level.

Finally, the audit process should be simplified for remote sellers. Each state can independently audit taxpayers they deem worthy of audits. However, audits should not be conducted on sellers remitting less than \$100,000 in tax per year to the state. This will reduce the burden on not only the seller but also the state. Audits should be conducted in a timely manner with clear requests to the seller. Undue delays on behalf of either party should be minimized.

Increase Seller Compensation Limits

For sellers participating with a CSP in Streamlined States that qualify as Compensated Sellers, the state pays the CSP for the cost of providing the software and compliance services to these sellers. However, for sellers that either do not participate with a CSP, don’t qualify as a Compensated Seller or for those in non-member states, the seller relies on the compensation offered by the state to the seller. However, not every state offers compensation and when it is offered, it is often limited. There are 19 states that do not offer compensation and 11 of these states are Streamlined member states.

All states should provide some level of compensation to sellers that covers at least a reasonable amount of the costs of compliance with a higher amount offered to remote sellers. These amounts have not

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been indexed for inflation in most cases and some states have recently reduced their compensation amounts even in times where they have increased the burden to comply. Illinois has had a generous compensation rate of 1.75% of tax collected. However, effective January 1, 2025, this will be limited to \$1,000 per month.

Another option to offset the costs of sales tax compliance is a Federal Tax Credit that sellers can qualify for based on their incurred expenses. This would offset costs for sellers in all states for costs not covered under the CSP program in Streamlined Sales Tax states as well as costs for sellers not participating in the CSP program and in non-member states.

Conclusion

It is my opinion that the broad acceptance of economic nexus as a result of the *South Dakota v. Wayfair* decision is appropriate in defining substantial presence requiring collection of sales tax. It has and will impact businesses to different degrees. This is an inherent issue whenever new regulatory requirements are enacted. States have made efforts to reduce the burden of multi-state tax collection. The most significant of these efforts is membership in the Streamlined Sales and Use Tax Agreement. Efforts to encourage nonmember states to participate should be promoted and/or required for remote seller collection authority.

There are burdens that exist in all states and there are opportunities to address these with a focus on uniformity across all states. Uniformity of the determination of nexus to rely on economic thresholds rather than physical nexus will simplify the determination of when a seller has an obligation to collect tax. Creating uniform definitions and requiring states to publish as well as simplifying the various compliance will have the greatest impact on reducing the burdens on small businesses and remote sellers. Increasing compensation paid to all sellers will offset the burden in the most direct way.

Resources:

- *SOUTH DAKOTA v. WAYFAIR, INC.*, 580 U.S. 162 (2018)
- No Excuses: Automation Advances Make Sales Tax Collection Easier for Everyone, Diane L Yetter and Joe Crosby, State Tax Notes Volume 85, Number 7, August 7, 2017;
<https://www.taxnotes.com/tax-notes-state/audits/no-excuses-automation-advances-make-sales-tax-collection-easier-everyone/2017/08/07/1vswj?highlight=Automation%20Advances%20Make%20Sales%20Tax%20Collection%20Easier%20for%20Everyone>
- Sales Tax Institute Economic Nexus Chart:
<https://www.salestaxinstitute.com/resources/economic-nexus-state-guide>
- Streamlined Sales Tax Taxability Guide - <https://www.streamlinedsalestax.org/Shared-Pages/State-taxability-matrix>
- Bureau of Labor Statistics CPI Inflation Calculator (<https://data.bls.gov/cgi-bin/cpicalc.pl?cost1=50%2C000.00&year1=200211&year2=202408>)

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- Schadewald & Nelson's Annual Revenue Department Surveys: Administration>Payment of Tax>Are prompt payment discounts allowed? Published by Wolters Kluwer
- Council on State Taxation (COST) - The Best and Worst of State Sales Tax Systems (December 2022) https://www.cost.org/globalassets/cost/state-tax-resources-pdf-pages/cost-studies-articles-reports/270677_cost_salestaxbk_2022_final.pdf

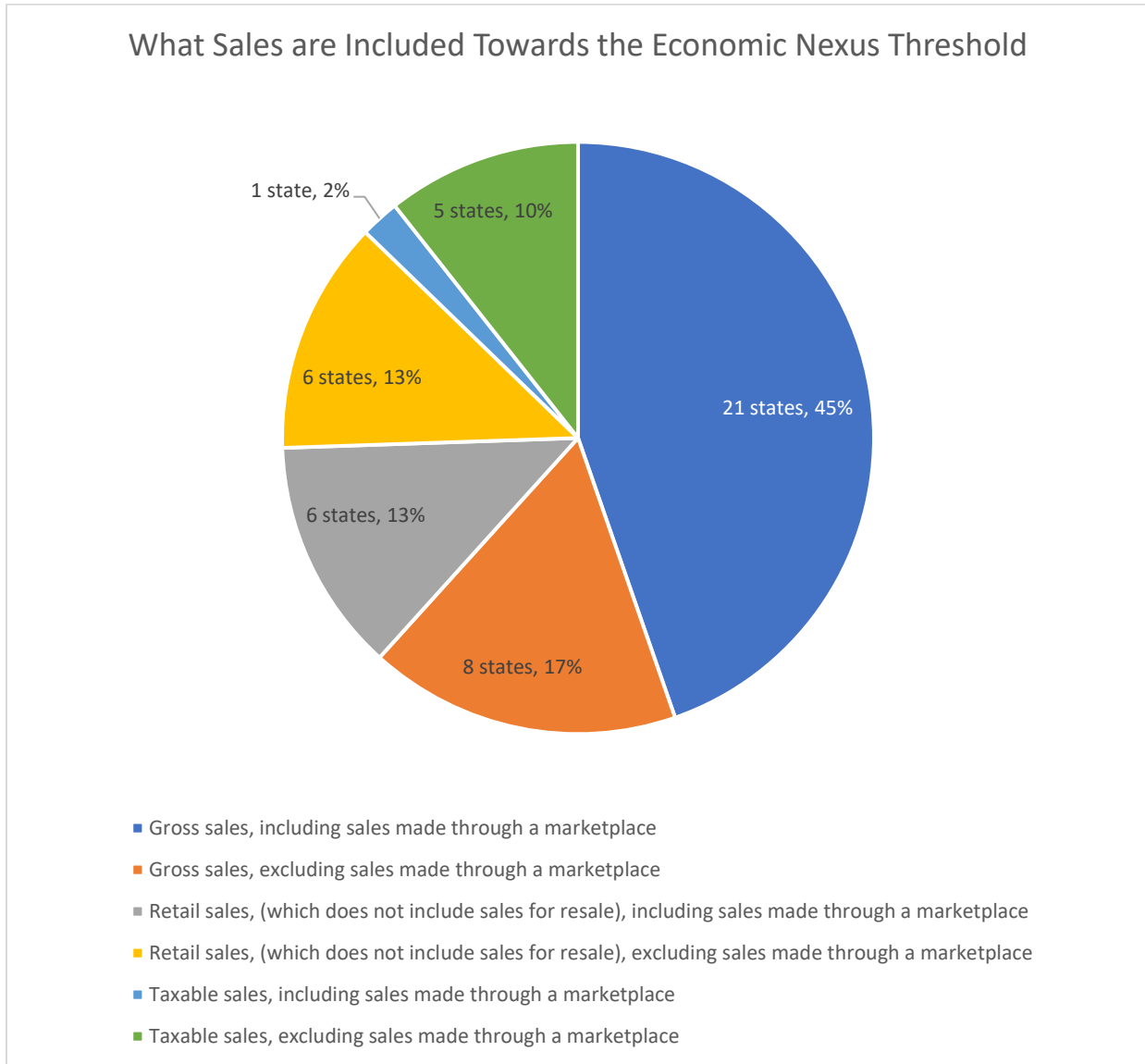
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APPENDIX

CHART 1



Providing Small Business Relief from Remote Sales Tax Collection

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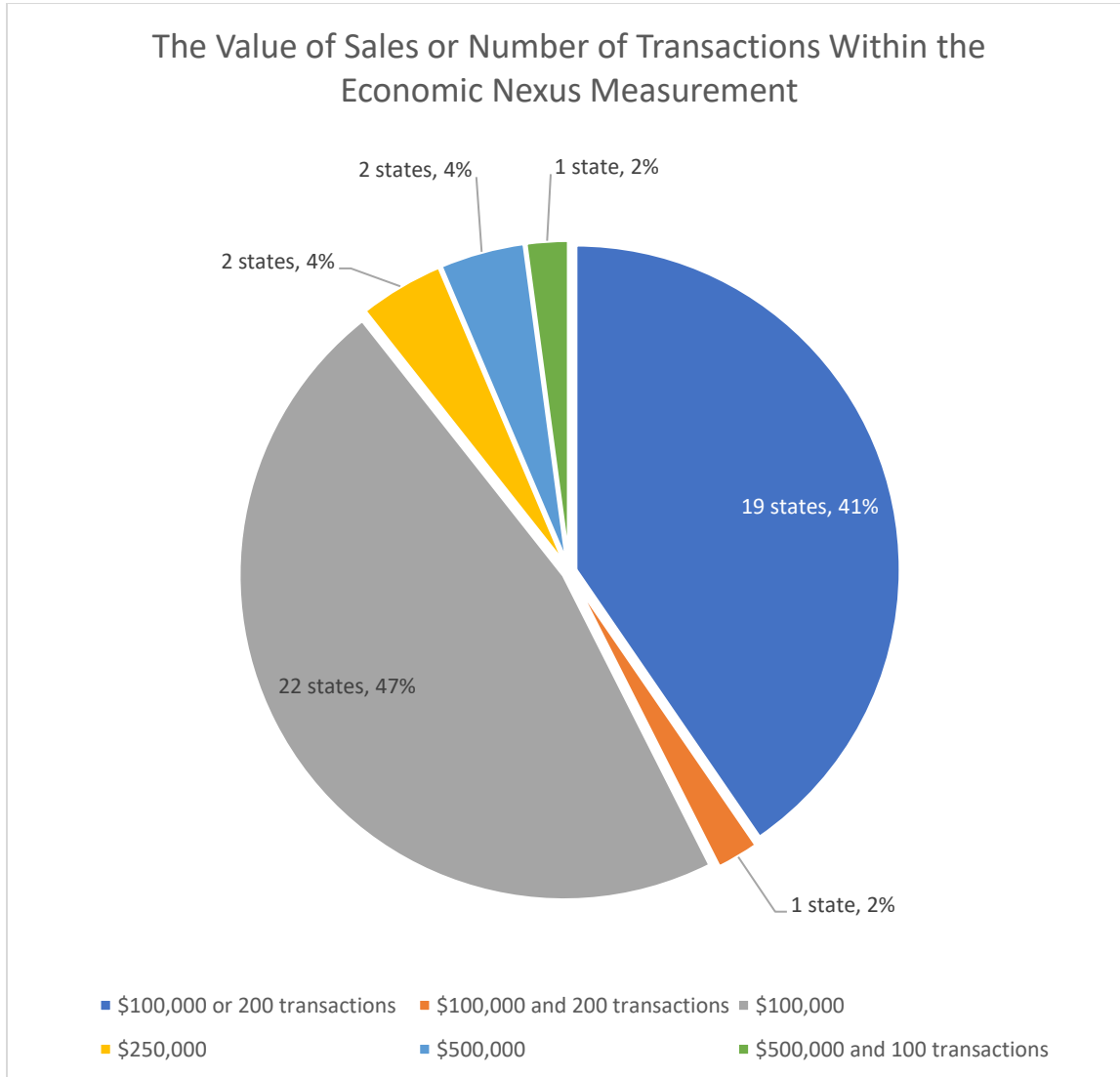
Gross sales, including sales made through a marketplace	Gross sales, excluding sales made through a marketplace	Retail sales (which does not include sales for resale), including sales made through a marketplace	Retail sales (which does not include sales for resale), excluding sales made through a marketplace	Taxable sales, including sales made through a marketplace	Taxable sales, excluding sales made through a marketplace
21 states: Alaska California Hawaii Idaho Iowa Kansas Kentucky Maryland Michigan New Jersey New York North Carolina Pennsylvania Rhode Island South Carolina South Dakota Texas Vermont Washington West Virginia Wisconsin	8 states: Arizona Indiana Louisiana Maine Massachusetts Mississippi Utah Wyoming	6 states: Connecticut D.C. Minnesota Nebraska Nevada Ohio	6 states: Alabama Colorado Georgia Illinois Tennessee Virginia	1 state: Missouri	5 states: Arkansas Florida New Mexico North Dakota Oklahoma

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CHART 2



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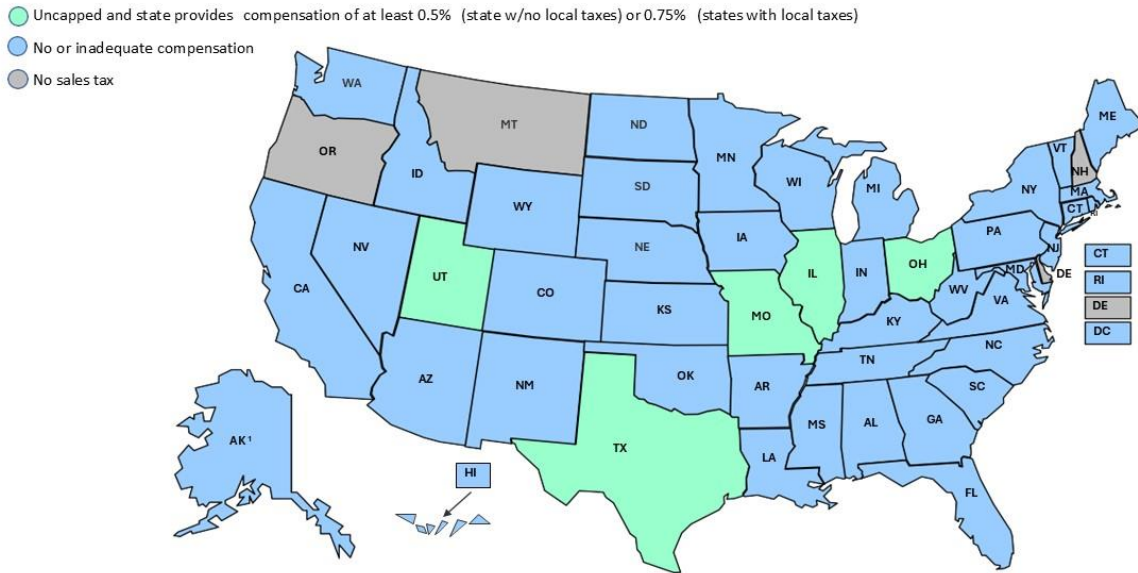
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The Value of Sales or Number of Transactions Within the Economic Nexus Measurement					
\$100,000 or 200 transactions	\$100,000 and 200 transactions	\$100,000	\$250,000	\$500,000	\$500,000 and 100 transactions
19 states: Alaska Arkansas D.C. Georgia Hawaii Illinois Kentucky Maryland Michigan Minnesota Nebraska Nevada New Jersey Ohio Rhode Island Utah Vermont Virginia West Virginia	1 state: Connecticut	22 states: Arizona Colorado Florida Idaho Indiana Iowa Kansas Louisiana Maine Massachusetts Missouri New Mexico North Carolina North Dakota Oklahoma Pennsylvania South Carolina South Dakota Tennessee Washington Wisconsin Wyoming	2 states: Alabama Mississippi	2 states: California Texas	1 state: New York

CHART 3

Adequate Vendor Compensation



Disclaimer: This information should be used for general guidance and not relied upon for compliance.

Source: Council On State Taxation (COST)

¹AK - Data is based on local municipalities since Alaska does not have a state-wide sales tax

CHART 4

**Schadewald & Nelson's Annual Revenue
 Department Surveys**

Administration > Payment of Tax > Are Prompt Payment Discounts Allowed?		
<p>The chart entries are based on state tax department responses to surveys. The links to CCH paragraphs are to general information on the same or related subject matter, which may not include a discussion of specific details treated by the survey.</p>		
State	Are Prompt Payment Discounts Allowed?	Comments
Alabama	Yes; sales 5% on first \$100; 2% thereafter. \$400 maximum.	
Arizona	Yes; percentage discount	
Arkansas	Yes; 2%.	
California	No	
Colorado	Yes; 3.33% of tax.	(Note: The Colorado responses are based on replies to the July 1, 2018 questionnaire.)
Connecticut	No	Note. The Connecticut responses are based on replies to the July 1, 2021 questionnaire.
District of Columbia	No	
Florida	Yes; 2.5% of first \$1,200 of tax.	
Georgia	Yes; 3% of first \$3,000 plus 0.5% of amounts exceeding \$3,000.	
Hawaii	No	All responses relate to Hawaii General Excise Tax.
Idaho	No	

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Illinois	Yes; when a return is filed and paid on time, the retailer is entitled to a discount equal to 1.75% of the tax due. See Ill. Admin. Code tit. 86 §130.501(f)(4).	
Indiana	Yes	Percentage discount.
Iowa	No	(The Iowa responses are based on replies to the July 1, 2017 questionnaire.)
Kansas	No	
Kentucky	Yes; 1.75% of first \$1,000 in tax; 1.00% thereafter with a \$1,500 cap.	
Louisiana	Yes	0.935% vendor's compensation
Maine	No	
Maryland	Yes; 0.06% up to \$6,000 in tax and 0.045% tax due in excess of \$6,000.	
Massachusetts	No	
Michigan	Yes; percentage discount.	
Minnesota	No	
Mississippi	Yes; percentage discount.	
Missouri	Yes; percentage discount.	
Nebraska	No	
Nevada	Yes	
New Jersey	No	
New Mexico	No	
New York	Yes, for quarterly and annual vendors only; 5% of tax due up to \$200 per quarter.	

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North Carolina	Yes; Taxpayers who are consistently liable for at least \$20,000 per month in a state and local sales and use taxes are required to prepay. See N.C. Gen. Stat. §105-164.16.	
North Dakota	Yes; (no amount indicated).	
Ohio	Yes (0.75% of tax due)	
Oklahoma	State did not respond.	
Pennsylvania	Yes; 1% of collected tax amount.	
Rhode Island	No	
South Carolina	State did not respond.	
South Dakota	Yes, percentage discount	
Tennessee	No	
Texas	Discounts are not applicable to remittances under direct pay permits.	
Utah	No	
Vermont	No	
Virginia	Yes; (percentage).	
Washington	No	(The Washington responses are based on replies to the July 1, 2020 questionnaire.)
West Virginia	No	
Wisconsin	Yes; dollar or percentage discount.	
Wyoming	Yes; percentage discount, see W.S. 39-15-107(b)(xi).	

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