



TAXATION AND BUDGET REFORM COMMISSION

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Staff Analysis and Economic Impact Statement

Measure: CP 18

REFERENCE:

ACTION:

Sponsor: Finance & Taxation Committee

1. FTC
2. GPSC

Pre-Meeting

Subject: Streamlined Sales and Use Tax Agreement

- 3.

Date: January 17, 2008

I. Summary:

Constitutional Proposal 18 requires the Legislature to amend the laws of the state to permit entry into an agreement with other states to simplify the process that remote sellers may use to calculate and remit sales and use taxes to the state.

The Streamlined Sales Tax Project's implementing legislation includes two components necessary to accomplish the project's goals. First, states must adopt enabling legislation referred to as the Uniform Sales and Use Tax Administration Act ("Act"). The Act allows a state to enter into an agreement with one or more states to simplify and modernize sales and use tax administration. The Act does not require any amendments to a state's sales and use tax law.

Secondly, states must amend or modify their sales and use tax laws to achieve the simplifications and uniformity required by the participating states working together. The project refers to this legislation as the Streamlined Sales and Use Tax Agreement ("Agreement"). A state is in compliance with the Agreement if the effect of the state's laws, rules or regulations, and policies is substantially compliant with each of the requirements of the Agreement.¹

Constitutional Proposal 18 will require the Legislature to adopt legislation at least similar to that contained in SR 17 to conform the state's sales and use tax law to the terms of the Streamlined Sales and Use Tax Agreement.

¹ Streamlined Sales Tax Project, *Executive Summary*, <http://www.streamlinedsalestax.org>. (last visited Jan. 11, 2008).

II. Present Situation:

Streamlined Sales Tax Project

Forty two states and the District of Columbia are involved in the Streamlined Sales and Use Tax Project. Thirty-four states and the District of Columbia have had their legislatures enact enabling legislation. These states, including Florida, make up the Streamlined Sales Tax Implementing States (SSTIS). As of January 2007, twenty-one states have passed compliance legislation conforming to the Streamlined Sales Tax Agreement and are members of the governing board.²

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III. Effect of Proposed Changes:

This proposed constitutional amendment to the State Constitution requires that the Legislature amend the laws of the state to permit entry into an agreement with other states to simplify the process that remote sellers may use to calculate and remit sales and use taxes to the state.

Constitutional Proposal 18 will require the Legislature to continue to take steps to come into compliance with the Streamlined Sales and Use Tax Agreement. Among other things, implementation of the Agreement will require the Legislature to conform definitions in ch. 212, F.S., to the terms of the Agreement. As the result of definitional changes, some items currently exempt from tax may become taxable and some items currently taxable may become exempt. Additionally, the state will have to repeal its system of brackets to calculate the amount of tax due on amounts that do not constitute a whole dollar. The bracket system must be replaced by a conventional rounding methodology.

² Florida TaxWatch, *Florida Must Become a Full Member of the Streamlined Sales Tax Project*, Apr., 2007, [http://www.floridataxwatch.org/resources/pdf/04052007streamlinedsales tax project.pdf](http://www.floridataxwatch.org/resources/pdf/04052007streamlinedsales%20tax%20project.pdf) .html (last visited Jan. 11, 2008).

³ Streamlined Sales Tax Project, *Executive Summary*, <http://www.streamlinedsalestax.org>. (last visited Jan. 11, 2008).

IV. Constitutional Issues:**A. Constitutional or Legislative:**

The purposes of this measure may be accomplished by the Legislature by law.

B. Other Constitutional Issues:

None.

V. Economic Impact and Fiscal Note:**A. Tax/Fee Issues:**

The implementation of this measure will lead to the simplification of the process by which remote sellers determine whether an item is taxable, where taxes are due, and the amount of the applicable taxes. As a result, implementation of this measure may lead to increased collections of sales tax on remote sales for taxes that are due under existing law. However, the replacement of the brackets to calculate tax on amounts less than one dollar with a rounding methodology will have a negative impact on state revenues.

B. Private Sector Impact:

The implementation of this measure will lead to the simplification of the process by which remote sellers determine whether an item is taxable, where taxes are due, and the amount of the applicable taxes. As a result, implementation of this measure may lead to increased collections of sales tax on remote sales for taxes that are due under existing law.

C. Government Sector Impact:

The implementation of this measure will lead to the simplification of the process by which remote sellers determine whether an item is taxable, where taxes are due, and the amount of the applicable taxes. As a result, implementation of this measure may lead to increased collections of sales tax on remote sales for taxes that are due under existing law.

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.