

DISCLAIMER

Electronic versions of the exhibits in these minutes may not be complete.

This information is supplied as an informational service only and should not be relied upon as an official record.

Original exhibits are on file at the Legislative Counsel Bureau Research Library in Carson City.

Contact the Library at (775) 684-6827 or library@lcb.state.nv.us.



NATIONAL CONFERENCE of STATE LEGISLATURES

The Forum for America's Ideas

AB 514

Angela Z. Monson
State Senator
Oklahoma
President, NCSL

Gary S. Olson
Director, Senate Fiscal Agency
Michigan
Staff Chair, NCSL

William T. Pound
Executive Director

March 21, 2003

The Honorable David R. Parks
State Assemblyman
Legislative Office Building
401 South Carson Street
Carson City, NV 89701-4747

Dear Assemblyman Parks:

We are writing to encourage you and your legislature to consider "The Streamlined Sales and Use Tax Agreement," a proposed interstate agreement intended to simplify state and local sales taxes and to facilitate collection of sales and use taxes on out-of-state sales. As you may know, it is nearly unprecedented for the National Conference of State Legislatures to urge state legislatures to take a particular course of action regarding state laws and policies. However, the leadership of NCSL believes that the objectives of the agreement are so important that all legislatures whose states have the sales tax as part of their revenue systems should give this agreement serious attention.

As you know, 45 states plus the District of Columbia use sales taxes as an integral part of their revenue systems. Changes in the nation's economy and in the way consumers make purchases are eroding sales tax revenues. For example, the Business Research Center at the University of Tennessee estimates that state and local governments lost \$13.3 billion in 2001 because they were not able to collect taxes on Internet sales. The center's estimate of revenue losses rises to \$45.2 billion in 2006 and \$54.9 billion for 2011. Those losses clearly exacerbate the severe budget gaps states are currently facing and affect legislatures' ability to provide essential services such as education, health care, transportation and corrections. These revenue losses also weaken the standing of the states in the federal system and threaten to shift power and decision-making to the national government.

The Streamlined Sales and Use Tax Agreement is a significant attempt to modernize sales and use tax systems and to save them as viable components in state revenue mixes. The Agreement was developed by legislators, tax administrators and representatives from 35 states whose legislatures earlier had passed model legislation authorizing their discussions. Last November, after 12 months of deliberations and negotiations, these delegates finalized the interstate agreement with the hope that legislatures would adopt its recommendations during their sessions in 2003.

ASSEMBLY COMMITTEE ON TAXATION

DATE: 4/1/03 ROOM: 3142 EXHIBIT F

SUBMITTED BY: DAVID PARKS, DAVID CONQUER

F-1 OF 3

Washington

444 North Capitol Street, NW, Suite 515
Washington, D.C. 20001

Phone 202.624.5400 Fax 202.737.1069

Denver

7700 East First Place
Denver, Colorado 80230

Phone 303.364.7700 Fax 303.364.7800

Website www.ncsl.org

We have enclosed a workbook and other materials that should assist consideration of the agreement. If your legislature has not already done so, you will need to compare the agreement, which is included in the workbook, to your state's current sales and use tax laws and regulations to determine what changes would be necessary to come into compliance with the agreement. Please keep in mind that some of these changes can be accomplished through administrative action and do not require legislation. Also included in the workbook is the original model legislation that served as the basis for the interstate agreement. If your state did not enact the original model legislation in 2001 or 2002, you should consider starting with it.

NCSL's interest in streamlining sales taxes originated with two U.S. Supreme Court decisions—the 1967 *Bellas Hess* case and the 1992 *Quill v. North Dakota* case—which acknowledged that consumers owe the sales tax when they purchase goods through catalogues or over the Internet, but ruled that states cannot force retailers to collect the tax. The *Quill* case, though, offered critical clues about what states could do to overcome the court's objections. Most importantly, the court placed the problem with the complexity of many state sales tax systems and the burden that imposes on a out-of-state retailer in determining the tax owed. We believe the Streamlined Sales and Use Tax Agreement substantially simplifies state and local sales tax systems, removes the burdens to interstate commerce that were of concern to the Supreme Court, and protects state sovereignty. In addition, the agreement “levels the playing field” between local and out-of-state merchants and benefits all retailers by reducing their administrative costs.

Participation in the agreement, of course, is voluntary. However, it is our hope that the agreement will serve as the basis for Congress to grant authority to states to require all sellers, regardless of location, to collect sales and use taxes. Demonstrating momentum in this effort to Congress is, therefore, another reason to encourage you to make room in your session for consideration of the interstate agreement.

For four years, NCSL's work on sales tax simplification has been guided by a special task force composed of legislators and staff from throughout the country. The task force, co-chaired by Illinois Senator Steve Rauschenberger and Texas Senator Leticia Van de Putte, is now arranging a major educational effort, funded in part by private sector supporters of simplification efforts, to assist legislatures in their consideration of the agreement. The leaders and members of the task force, as well as NCSL staff, are eager to help you in anyway they can, including providing briefings or testifying in your capitol.

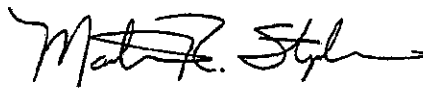
F-2 OF 3

We appreciate your consideration of this critical issue and look forward to making NCSL's resources available to you. Neal Osten and Kevin Holmes in the Washington office and Graham Williams in the Denver office are true experts on this complex issue. Please call them with questions or requests for assistance.

Sincerely,



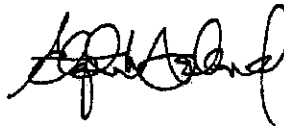
Senator Angela Monson
Oklahoma State Senate
President, NCSL



Speaker Martin Stephens
Utah House Of Representatives
President-elect, NCSL



Delegate John Hurson
Maryland House of Delegates
Vice President, NCSL



Senator Stephen Saland
New York State Senate
Immediate Past President, NCSL

F. 3 OF 3