

Senate Finance subcommittee calls for simplification of remote sales tax collection rules

The Senate Finance Subcommittee on Fiscal Responsibility and Economic Growth this week highlighted the challenges remote sellers face in complying with varied state sales tax rules since the Supreme Court's 2018 decision in *South Dakota v. Wayfair*, which held that states could require remote sellers with no physical nexus to collect and remit sales taxes on in-state transactions. And, as they have done for a number of years, they called for simplification of the system.

URL: https://www.supremecourt.gov/opinions/17pdf/17-494_j4el.pdf

Subcommittee Chair Maggie Hassan, D-N.H., emphasized at a September 25 hearing that Congress needs to mandate that states simplify and standardize remote sales tax compliance through uniform rates, consistent product definitions, and centralized filing portals.

Witnesses from the National Taxpayers Union Foundation, the Streamlined Sales Tax Governing Board, and the Sales Tax Institute described the burdens on small businesses, including high compliance costs and disparate state definitions, and recommended that all states provide no-cost compliance services and follow the multi-state Streamlined Sales and Use Tax Agreement (SSUTA) model, which provides a central registration system, certain liability protections, and common definitions that can alleviate some of the compliance burden for companies.

Hassan has for several years advocated against out-of-state taxes on small businesses, arguing that the decision in the *Wayfair* case has forced small businesses to become "tax collectors for out-of-state governments." Ahead of the hearing, she released a discussion framework and a two-page summary of legislation that would require states to minimize the compliance burdens for small businesses, and she noted during the hearing that she intends to advocate for a law that would set higher economic nexus thresholds for larger states that have not adopted the SSUTA. (The summary of Hassan's discussion draft proposal notes that 24 states currently are members of the SSUTA.)

URL: https://www.hassan.senate.gov/imo/media/doc/lowering_costs_for_small_business_act_framework.pdf

URL: https://www.hassan.senate.gov/imo/media/doc/lowering_costs_for_small_businesses_act_-_one_pager.pdf

Joseph Bishop-Henchman of the National Taxpayers Union Foundation commented at the hearing that the Supreme Court essentially directed Congress to take action and that lawmakers have failed to do so in the six years since the court's decision.

The subcommittee's ranking Republican, Sen. Charles Grassley of Iowa, echoed this argument, stating that "[t]he Supreme Court . . . largely, as we are now finding out, punted the issue to the Congress." Grassley also observed that no states have joined the SSUTA since the *Wayfair* decision.

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