

1 **COMMITTEES:** EXECUTIVE COMMITTEE TASK FORCE ON STATE &
2 LOCAL TAXATION
3 COMMUNICATIONS, FINANCIAL SERVICES &
4 INTERSTATE COMMERCE

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6 **POLICY:** REMOTE COMMERCE

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8 **TYPE:** POLICY DIRECTIVE – DRAFT

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10 The 1967 *Bellas Hess* and the 1992 *Quill* Supreme Court decisions denied states the
11 authority to collect sales and use taxes by out-of-state sellers that have no physical
12 presence or nexus in the taxing states, holding that legislation by Congress is required
13 to create such authority. One recent report has estimated that states will lose over \$23
14 Billion in uncollected sales tax revenues in 2012, of which \$11.4 billion is from electronic
15 commerce, and that annual losses will continue to grow as more commerce is
16 conducted online. This disconnect with remote commerce threatens to erode the
17 viability of the sales tax as a revenue source for state and local governments. States
18 have requested Congressional action, but Congress has failed to close this large
19 loophole in the states' sales and use tax system.

20 NCSL calls on Congress to require all sellers, regardless of location, to collect sales
21 taxes and remit them to the state to which they are due. Further, NCSL supports a small
22 business exception.

23 Acknowledging that the complexity of multiple tax rates places a significant burden on
24 out-of-state sellers, twenty-four states joined the Streamlined Sales Tax and Use
25 Agreement and passed laws to simplify sales and use tax systems, remove burdens to
26 interstate sellers, and collaborate on the collection of taxes due to them.

27 NCSL calls on Congress to pass legislation overturning the *Bellas Hess* and *Quill*
28 decisions, affirming the states' sovereign right to enter into such agreements, and
29 granting states the authority denied to them by the Court's decisions.