



NCSL TASK FORCE ON STATE AND LOCAL TAXATION VIRTUAL MEETING SERIES

State Tax Administration and Compliance in the COVID-19 Era

MAY 8, 2020



AGENDA

- Welcome
- State Tax Administration and Compliance in the COVID-19 Era: A Business Perspective - Deborah Bierbaum, AT&T
- Tax Administration: Three Takeaways for Legislators - Verenda Smith, Federation of Tax Administrators
- State Tax Administration in the Time of COVID - Russ Brubaker, National Association of Certified Service Providers
- Q&A



PROTOCOL FOR TODAY'S VIRTUAL MEETING

- Mute your audio unless you are speaking
- Virtually “raise your hand” to be recognized by today’s moderator
- Type your questions into the chat box on the right side of your screen

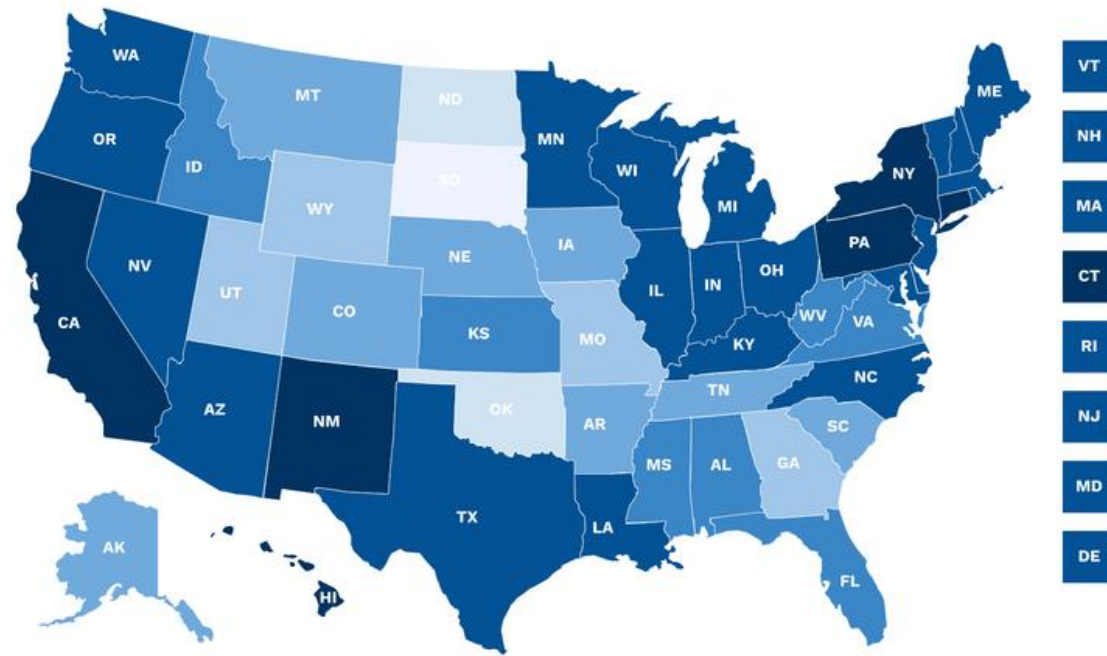
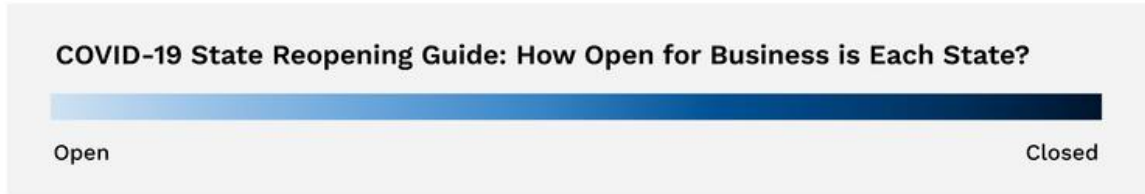


STATE TAX ADMINISTRATION AND COMPLIANCE IN THE COVID-19 ERA – A BUSINESS PERSPECTIVE

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Business Challenges



Source: MultiState. Data as of May 6, 2020. Note: Ratings are calculated based on eleven factors run through a weighted formula. See methodology for details.



Working Through COVID-19

- Multi-jurisdictional companies with operations spread out in many states are impacted from a tax compliance standpoint by differences in government closures.
- Ability for Tax Organization employees, particularly operational job functions, to technically work at home: laptops or remote computer access, and adequate bandwidth for data heavy applications.
- Ability to: access paper mail, notices and assessments; timely file tax returns, claims and appeals; sign and notarize official documents and mail required paper checks and administrative filings.
- Challenges will remain as employees return to office environments while ensuring employee safety and distancing. Open collaborative work spaces will need to be revisited.
- Thankfully many States have already been addressing the challenges that their businesses are facing.

Business Tax Administration Challenges During Emergencies

State and local Tax agencies are facing similar challenges as businesses in times of emergencies. The most challenging are situations where the jurisdictions:

- Require wet signatures or notarized documents.
 - Require employees of a corporation to obtain a separate PoA for each of the company's affiliates in order to discuss tax issues of one of the subsidiaries.
 - Only accept paper filings of returns, audit support records, claims and appeals.
 - Do not allow for electronic payments.
 - Only issue paper notices and assessments.
 - Do not provide tax agencies the authority to adjust filing dates for tax returns, assessments and appeals during times of emergency.
 - Have electronic processes that are data entry systems rather than allowing for electronic up loads of documents and forms or maintain an electronic platform that cannot interface with standard business platforms.
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Recommendations for Minimizing Tax Compliance Burdens in Emergencies

During Emergencies:

- Extend filing and payment deadlines and waive interest and penalties including suspension of interest on assessments especially if paper is required. When extending deadlines, be sure to consider all taxes in addition to the traditional income, franchise or sales taxes.
 - States have delayed filings and payment due dates and many have created special landing pages on their websites with relevant information and guidance they have issued.
 - Allow secure email transmission of documents.
 - Allow option to continue withholding at employer location while employees are required to work from home and limit corporate nexus from employees working at their home.
 - Mississippi, New Jersey, and Pennsylvania have all issued positive guidance.
 - Extend deadlines for appeals and claims for refunds.
 - A COST tracking chart details the actions each State has taken: <https://www.cost.org/state-tax-resources/bill-tracking/covid-chart/>
-

Recommendations for Minimizing Tax Compliance Burdens on a Go-forward Basis

Go-forward:

- Eliminate manual processes and paper filings for tax compliance, audits, claims and appeals.
 - Work jointly with other states and the federal government to standardize electronic platforms and secure email technologies. FTA technology group is a great example of states working together on technologies.
 - Allow for electronic signatures and automated-clearing-house (ACH) electronic transfers of funds.
 - Provide a process for taxpayers to designate employees that can interact with the tax agency without the need for Power of Attorney forms and to establish an electronic address that can be used to notify the taxpayer of assessments and other department official communications with the taxpayer.
 - Adopt statutes that automatically invoke relief provisions and provide authority for Tax Commissioners to take necessary actions including extending deadlines when a disaster/emergency is declared.
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Why Should Legislators Care?

- Allows State and private sector employees to effectively work from remote locations if necessary, promoting the safety and welfare of the employees.
 - Permanently reduces cost of purely administrative and recordkeeping tasks.
 - Facilitates and expedites remittance of taxes by companies.
 - Reduces risks and costs to companies from failure to remit taxes on a timely basis due to factors outside of their control (items lost in the mail, misdirected, or sent to offices ordered closed due to an emergency).
 - Enables the state to provide immediate responses to the emergency.
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TAX ADMINISTRATION: THREE TAKEAWAYS FOR LEGISLATORS

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So far ...

Tax agencies in various stages of telecommuting

Extending the filing and payment dates to July 15

- Most tax types, most states, minor variation
- Shifted funds to the next fiscal year

Economic fallout of shelter-at-home

- Detail is the lead item at [TaxAdmin.org](https://www.taxadmin.org)

Tax Administration response



Degrees of agency
shutdowns



Early reports on
telecommuting encouraging



Improved morale



Improved productivity in
areas



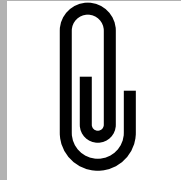
YOUR FIRST TAKEAWAY

TAX
AGENCIES
HAVE TO
PRIORITIZE
RESOURCES

Unbudgeted agency expenses

- Telecommuting IT
- Building retrofitting
- Cleaning
- In-person scheduling software
- More sick leave

Some
wants are
out of
agency
control



Electronic forms –
why are there
orphan forms?

Third-party
development
IT budget
Competing priorities



Taxpayer confidentiality is supreme,
not negotiable



Legal constraints or statute
weakening

**YOUR SECOND
TAKEAWAY**

MAXIMIZE YOUR BUDGET INVESTMENT IN REVENUE COLLECTION



Tax agency's mission: Collect the correct amount of tax

Not to balance the budget



Generally, the most robust enforced collections is when budgets are more plentiful, not when they are in crisis



Auditors and Collectors are the visible tip of the iceberg

They don't float without that big chunk of ice underneath

Show trust in those you authorize to spend your budget allocations

CART, HORSE, TAIL, DOG

The large bulk of tax revenues are paid voluntarily, not through enforcement action

- Taxpayer guidance
- Forms design and instructions, website improvements
- Training and education
- Leadership development
- Listening to taxpayer representatives such as Deborah and Russ, AICPA, industry groups

Speaking of
collections...
common
(even
universal)
responses

Collections halted, delayed,
postponed

Emphasis on pay plans creation,
extension, liberalization

Strategies for normalization in
place, based on re-opening plans

Speaking of
collections...
*common (even
universal)
responses*

Taxpayers showing surprising
good attitudes, cooperation,
gratitude

- "Business is thanking us for being proactive, forward thinking, kind"

"Eyes wide open"

- Moving debtors toward voluntary compliance and away from "pay as much as you can"

**YOUR THIRD
TAKEAWAY**

LET NO CRISIS
GO TO
WASTE

"A good opportunity to look at statutes and tools that the legislature can give you to do more effective collections."

MOST
GOVERNANCE
IN THE U.S.
COMES FROM
STATES



NCSL has been an outstanding partner



The legislative branch is serving at an unprecedented era in human history



Thank you

STATE TAX ADMINISTRATION IN THE TIME OF COVID

Russ Brubaker
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Giving Sellers & Administrators the Assistance They Need

Be Flexible

Give your revenue agency the opportunity to:

- Maximize **accurate** tax reporting
- Focus on guidance and education
- Make administrative **simplifications**
- *Steal* best practices from other states

Trends since Covid-19

1. **E-commerce now 30% of Retail** as of 4/25/2020
Was 13% as of 3/17/2020

Source: Bank of America internal data. Card activity does not include ACH payments.

1. **E-grocery up 50%**

Source: Adobe Analytics March 13-15 compared to March 1-11

1. **March on line transactions up 74%**

Source: ACI Worldwide

Many Online Sellers

- Focus on **selling product**, not tax developments
- Are unfamiliar with sales tax laws & compliance
- Find registration requirements and complex forms an obstacle
- Need Guidance, Education, **Simplifications**

Make it Easy for Online Sellers

- **Waive** Registration Fees
- Provide a **simple registration** form/process
- Provide a **simpler sales tax return** or SER (Simplified Electronic Return)
- Provide **liability relief** for using a CSP
- Provide **clear guidance** in multiple areas

(See NACSP Input for MTC Wayfair Implementation Work Group)

Future Legislative Action

When you have time for considered longer term actions:

- Modernize state tax systems to adapt to the realities of online sales
- More and more sales will be online
- Make compliance and administration easier
- Secure more revenue
- Strengthen your case against challenges to *Wayfair*

Certified Service Providers Can Help

Software Solutions make it easy for sellers to comply.

See our website **SimpleSalesTax.org** for:

- Background
- Technology Brief
- Revenue Study
- Model Legislation
- Provider Contact Information

Russ Brubaker

TaxCloud Vice President of Government Affairs

National Association of Certified Service Providers





Questions and Answers

Please type your questions into the chat box on the right side of your screen or unmute yourself to ask your questions.

UPCOMING SALT TASK FORCE VIRTUAL MEETINGS

- **The Pandemic and the Damage Done:
Revitalizing State Revenue Streams – Friday,
May 15 (1 pm ET)**

<https://ncsl.zoom.us/j/98239802441?pwd=Vms5Vjk4OGFJYzFZS1VZcjZUZ0NBZz09>

Meeting ID: 982 3980 2441

Password: 289070



NATIONAL CONFERENCE OF STATE LEGISLATURES

THE NCSL TASK FORCE ON STATE AND LOCAL TAXATION APPRECIATES ITS SPONSORS

