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

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.
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 uploads of documents and forms or maintain an electronic platform that cannot interface with standard business platforms.
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.
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 send to offices ordered closed due to an emergency).
- Enables the state to provide immediate responses to the emergency.
TAX ADMINISTRATION: THREE TAKEAWAYS FOR LEGISLATORS

Verenda Smith
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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
Test 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

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

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