



MISSOURI SENATE

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Senator Bray Files Streamlined Sales Tax Bill ***Legislation Would Inject Fairness into Tax Code***

JEFFERSON CITY — Senator Joan Bray, D-St. Louis, today filed legislation to streamline the state sales tax code so that Internet and catalog sales are taxed the same as purchases made at brick and mortar retailers in Missouri. The legislation would allow the state to recoup millions of dollars in sales taxes that are currently not collected, while leveling the playing field for retailers across the state.

“This would be a voluntary sales tax collection system that 23 other states have already adopted,” Sen. Bray said. “Missouri has one of the most complex sales tax codes in the country. By adopting the Streamlined Sales and Use Tax Agreement, we could simplify our sales tax code and collect millions of dollars in revenue for education, health care and other priorities that our citizens expect us to fund.”

The Streamlined Sales and Use Tax Agreement was ratified by 35 states in 2002. Currently, 23 states are complying with the agreement. Of the eight states surrounding Missouri, Illinois is the only other state that has failed to adopt the agreement.

A 2009 University of Tennessee study found Missouri is projected to lose \$963 million in tax revenue from 2007-2012 because the state does not collect sales and use taxes on e-commerce. The study estimates Missouri will lose \$159.4 million in tax revenue this year alone by refusing to collect sales and use taxes on Internet and catalog sales.

The Streamlined Sales and Use Tax Agreement simplifies and modernizes sales tax collections and administration by adopting:

- Uniform product definitions.
- Uniform state and local sales tax bases.
- State-level administration.
- Central seller registration.
- Uniform returns and remittance.
- Uniform standards for sales tax holidays.

The U.S. has more than 7,600 taxing jurisdictions, each with its own rates and definitions of taxable items. States are prohibited from forcing out-of-state companies to collect sales and use taxes unless those companies have a physical presence in the state. The advent of the Internet has made that more unlikely.

“The U.S. Supreme Court has ruled that states cannot force out-of-state retailers to collect taxes on remote sales (Internet and catalog) because of the different product definitions in each state and the different state and local tax rates,” Sen. Bray said. “This voluntary agreement would reduce the burden on retailers while eliminating the unfair advantage Internet and catalog sellers have over bricks and mortar businesses.”

Sen. Wes Shoemyer, D-Clarence, is co-sponsoring Sen. Bray’s bill, calling it a matter of fairness.

“The folks who invest in our communities by setting up shop are at a big disadvantage compared to those who mostly sell goods and services over the Internet or through catalogs,” Sen. Shoemyer said. “It’s hard for a small business that has to charge sales taxes to compete with an online business that does not charge sales taxes.”

Online retail sales are expected to grow by nearly 10 percent a year through 2013, according to eMarketer, Inc. In 2009, online retailers reported sales of \$131.4 billion. By 2013, that figure is expected to grow to \$189.3 billion.

Senator Frank Barnitz, D-Lake Spring, has also signed on as a co-sponsor of Sen. Bray’s bill. He says small business owners in his district have complained for years about the way Internet sales are handled, and those complaints have increased as more people become comfortable shopping online.

“Small businesses are the lifeblood of our rural communities, providing a tax base for our schools, our hospitals and our roads,” Sen. Barnitz said. “By allowing remote sellers to avoid charging sales and use taxes, we’re discouraging consumers from shopping locally, which ultimately hurts the entire community.”

Senator Bray says more than 1,200 remote sellers have voluntarily agreed to collect sales taxes under the fairer and simpler sales tax system adopted by 23 states. These retailers have collected more than \$500 million in tax revenue for states complying with the Streamlined Agreement.

“Ultimately, Congress will need to step in to give states the authority to require out-of-state sellers to collect taxes on remote sales, as opposed to the voluntary arrangements we now have,” Sen. Bray said. “In the meantime, it’s important for Missouri to create a level playing field for all companies that conduct business in our state.

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