

March 30, 2006

Contact Person
Address
City, State, Zip code

Re: *Ohio Amendment to Streamlined Sales and Use Tax Agreement (SSUTA)*

Dear ____:

I am writing to you as an Implementing State or Associate Member State of the Streamlined System to request your support for the proposed Ohio amendment to sections 308 and 310 of the SSUTA that will be voted on April 18 or 19 by the states that are full members of the Governing Board.¹ For your reference, a copy of the amendment is attached along with a summary of its provisions. To assist us, it would be appreciated if you could complete the attached questionnaire and fax it back to the attention of Fred Nicely at (614) 466-6401 by April 6, 2006.

As you are likely aware, for many states that have local option sales and use taxes the destination sourcing provisions of section 310 of the SSUTA are a significant hurdle to participation in the Streamlined System. Local vendors in many of those states have traditionally sourced their sales on an origin basis. For many of those vendors, especially small vendors, a switch to destination sourcing would result in a significant increase in the complexity of their tax compliance efforts. Just as important, the switch will also impact local tax receipts resulting in unanticipated shifts in local revenues.

A number of the states with local option taxes that use origin sourcing are among the largest states in the nation, including California, Texas and Illinois, none of whom are currently Member States of the Streamlined System. The change to a destination sourcing regime is an issue that hinders those states moving to become Member States. Destination sourcing of in-state sales is also an issue for several states that have been required to become Associate Member States, specifically Ohio, Tennessee and Utah. One of those states, Utah, may even lose its Associate Member status as a result of recent legislation repealing the destination sourcing provisions.

This issue has significant impact for the future of the Streamlined System. The lack of an origin sourcing option for in-state sales is hindering the future growth of the Streamlined System by keeping many states, including several of the largest, out of the System altogether. The lack of support from a number of these large states may also hamper the ability of the Member States to get legislation passed in Congress authorizing an expanded duty to collect for out-of-state sellers.

It is also, quite simply, a state sovereignty issue. Each state should have the right to structure its tax system to best meet the needs of that state. *The original purpose of the Streamlined effort*

¹ The full member states are Indiana, Iowa, Kansas, Kentucky, Michigan, Minnesota, Nebraska, New Jersey, North Carolina, North Dakota, Oklahoma, South Dakota, and West Virginia.

was to address multi-state issues and relieve burdens for remote sellers. States should not be required to do this at the expense of their own in-state taxpayers.

The Ohio proposal would allow states that permit local option sales and use taxes to “opt out” of the destination sourcing provisions of section 310 of the SSUTA for sales made from permanent locations in the state. (Please note, because leased property and transportation equipment is often mobile property traversing state to state, the sourcing divisions B, C and D of section 310 of the SSUTA would still apply to that property.) However, any state that chooses the “opt out” provision would be required to provide a simplification for all sellers making sales into the state from locations outside the state. Each such seller would be given the option to use the destination sourcing method provided by division A of section 310 or to use a single statewide rate to collect the tax, not to exceed the highest combined state and local tax rate within the state.

The proposal provides protection to purchasers in the case of a seller using the single statewide rate. If the rate is lower than what the consumer would pay if the seller were using the destination sourcing provisions, the consumer would not be required to pay any additional use tax unless the item sold is subsequently moved into another higher rate jurisdiction. If the combined statewide rate is higher than the consumer would pay under the destination sourcing provisions, the state would be required to provide the opportunity to apply for a refund of the difference.

We believe this proposal balances the interests of the states in structuring their own tax laws with the need for simplification for both in-state and remote sellers. It will be a step that may ease the way for new states to join the Streamlined System and assist in the effort to get federal legislation enacted. We encourage you to have your state support this amendment in the Implementing States meeting on April 17. In addition, we encourage you to contact the Full Member States expressing your support for Ohio’s proposed amendment.

If you have any questions, please feel free to contact me or Fred Nicely, Deputy Tax Commissioner, at (614) 466-2166.

Sincerely,

William W. Wilkins
Tax Commissioner

Attachments

Questionnaire on Ohio's Proposed Amendment

Name of State: _____

Contact Person: _____

Contact Person's Phone Number: _____

1. Will Ohio's proposed amendment help your state become a full member of the Streamlined Sales and Use Tax Agreement (SSUTA): _____
2. If yes to question one, what other changes does your state need to become a full member of the SSUTA: _____

3. Does your state have local tax option sales and use taxes? _____
4. If yes to question three, do you think most of your in-state (intrastate) businesses would support Ohio's proposed amendment? _____ Why or why not? _____

5. Do you plan to contact the Full Member States, who are the only states that can vote on amending the SSUTA in favor of Ohio's amendment (or Utah's amendment request for Texas): _____

Please fax this completed form to the attention of Fred Nicely at (614) 466-6401. If you have any questions, please call (614) 466-2166. Thanks!