

# Vermont Legislative Joint Fiscal Office

---

1 Baldwin Street • Montpelier, VT 05633-5701 • (802) 828-2295 • Fax: (802) 828-2483

## ISSUE BRIEF

April 2013

Prepared by Sara Teachout

### Federal Remote Sales Tax Legislation 2013

#### Brief History

Under existing law, retailers are required to collect sales taxes for purchases made in states in which they have a physical presence, or nexus. This has been the established since *Quill vs. North Dakota*, in 1992. The Supreme Court also ruled in *Quill* that sales tax structures across the United States are too complicated to require retailers to collect sales taxes if they have no physical presence and that Congress would need to act in order to compel remote retailers to collect sales taxes. A number of federal bills have been introduced in both the House and Senate to require remote sales tax collection, but none have passed.

#### Vermont Remote Sales

Vermont is estimated to lose approximately \$40.0 million annually through unremitted taxes on remote sales. Like other states with sales taxes, Vermont has pursued many means to collect these lost revenues including; becoming a member of the Streamlined Sales and Use Tax Agreement, encouraging use tax remittance, tax notification requirements, and passing affiliate nexus legislation. None of these efforts is entirely successful without Congressional action.

#### Potential Revenue

The Marketplace Fairness Act of 2013, introduced in both the House (HR.684) and Senate (S.336) in February would give states the option to require the collection of sales and use taxes already owed under State law by out-of-state businesses. The law would allow Streamlined members states to begin collection as soon as one quarter after passage of the act, and provides an exception for small sellers, defined as those with less than \$1 million of remote sales. If federal legislation passed before June 2013 and Vermont implemented collections as quickly as possible, the state could potentially receive up to \$16.1 million in FY 2014. Sales tax revenues are split between the General Fund 65% (\$10.5 million) and the Education Fund 35% (\$5.6 million). These potential revenues are highly uncertain and dependent on the timing and final components of the federal legislation.