

Proposed language for federal legislation

August 5, 2010 draft

~~(14) Effective on the date authority to require collection commences under section 4, each Member State shall provide reasonable compensation for expenses incurred by all sellers in administering, collecting, and remitting sales and use taxes (other than use taxes on goods and services purchased for the consumption of the seller) to that Member State. Such compensation may vary in each Member State depending on the complexity of the sales and use tax laws in that Member State and may vary by the characteristics of sellers in order to reflect differences in collection costs. Such compensation may be provided to a seller or a third-party service provider whom a seller has contracted with to perform all the sales and use tax responsibilities of a seller.~~

(14) A. In order for a Member State to require collection with respect to remote sales under section 4, the Member State shall provide compensation for expenses incurred by a seller directly in administering, collecting, and remitting sales and use taxes to that Member State. Such compensation may vary in each Member State as provided in the Agreement, depending on the complexity of the sales and use tax laws in that Member State and may vary by the characteristics of sellers in order to reflect differences in collection costs.

B. Congress hereby finds that the compensation required of member states under the terms of the Agreement as it exists on *(placeholder for a date before federal bill is passed but after Agreement is amended)* is the minimum compensation necessary, when considered in connection with the simplification requirements contained in the Agreement on the effective date of this Act, to satisfy the requirement of this Act for compensation for expenses incurred by sellers.

C. The minimum compensation required of a Member State by this section may be modified as follows:

(i) Be adjusted in relationship to changes in the size of the small business exemption adopted by the Governing Board;

(ii) Be decreased as additional simplifications and improvements in technology reduce collection costs;

(iii) Be increased if provisions of the Agreement are adopted that increase collection costs; Any such change in the minimum required compensation must be based on an independent review of the expenses incurred by sellers in administering, collecting and remitting sales and use taxes and shall consider all changes impacting such expenses and take into account and be proportional to the increase or decrease in the expenses incurred by sellers in administering, collecting and remitting sales and use taxes.

D. The compensation required by this section shall be provided pursuant to the implementation schedule set out in the Agreement. Nothing in this Act shall prohibit a Member State from providing compensation greater than the amount required by this Act or the Agreement or on a date earlier than required by this Act or the Agreement.

E. Compensation necessary to meet the requirement of this section may be provided to a seller or a third party service provider whom a seller has contracted with to perform the sales and use tax responsibilities of a seller.