November 25, 2008

Members of the Streamlined Sales Tax Project Governing Board, State and Local Advisory Council and Business Advisory Council:

As Chairman of the Joint Committee on Revenue for the Massachusetts House of Representatives I have been troubled by the steady erosion of the sales tax base here in Massachusetts. This decline has also coincided with the increase in Internet sales. Without a physical presence, there is no taxable nexus and no way of enforcing the collection of individual state sales or use taxes. The Streamlined Sales Tax Project (SSTP), with its voluntary collection program, offers the state of Massachusetts an opportunity to collect some of this lost revenue.

The Federal government has the ability to change the rules regarding nexus; however, they have remained silent. The SSTP, by increasing its individual state membership, can begin to pressure Congress to act on this matter. The federal legislation is currently proposed by Congressman Delahunt, D-MA and the inclusion of Massachusetts as a member state would benefit the overall progress of the SSTP.

The Massachusetts state legislature cannot enter the SSTP as a member state because of the unresolved issue of clothing thresholds. MA exempts all clothing under $175 based on the principle belief that clothing is a necessity and should not be subject to additional taxation. Clothing over $175 is considered a luxury and therefore the difference is taxed at the 5% rate. To enter the SSTP the state would either have to exempt all clothing or tax all clothing, both options are unacceptable for the state legislature. To tax all clothing would be widely unpopular, and the elimination of the threshold would cost the state anywhere from $50-$100 million in revenue.
The amendment before you, #08018, addresses this concern that Massachusetts and other states are facing. On behalf of the State of Massachusetts I would ask for your support in adopting this amendment to the SSTP bylaws. This will ultimately help the state legislature to adopt conforming SSTP language to our sales tax laws and enter into the SSTP agreement.

I appreciate all your consideration in this matter

Sincerely,

John J. Binienda, Chairman
Committee on Revenue
State Representative
17th Worcester District
JJB/wjh