

**CREDITS  
DRAFT PROPOSAL  
October 5, 2010**

**Section XXX. Credit for Taxes**

A.1.a. Except as permitted by subsection 313 A 4, a member state shall provide credit against a purchaser's [Business community suggests adding : sales or] use tax liability for a legally imposed sales, use, or similar tax paid by the purchaser to another state with respect to the same product or transaction whose use is subject to tax in the member state. For purposes of this section, a sales, use, or similar tax is one that is subject to the Agreement if imposed by a member state or local jurisdiction thereof, or would be subject to the Agreement if imposed by a nonmember state or local jurisdiction thereof.

[Suggested addition from a state:

A.1.a.(1) The credit is limited to the amount of tax actually paid and does not extend to any credits allowed on the product in the other state, any amount refundable by the other state, or a tax exemption allowed on the product in the other state.

A.1.a.(2) The credit is allowed if the other state provides a reciprocal credit.]

b. Credit shall be granted against both the state use tax and use tax imposed by local jurisdictions within the member state. The manner of allocation between state and local jurisdictions of the amount credited is a matter decided by the member state.

c. Credit shall be granted for tax paid to another state and for tax paid to any local jurisdiction within that state. [Suggested addition from business community: It shall be presumed the purchaser paid the tax on a product when the purchaser was subject to an audit using sampling and the product was included in the scope of the audit population.]

d. Except as provided in subsection D, tThe amount of credit granted shall be for the full amount of tax paid to another state and to local jurisdictions within that state up to the purchaser's use tax liability to the member state and to any local jurisdiction within the member state.

2. Credit must be given for tax paid by a purchaser regardless of whether ~~where~~ the tax on the product or transaction was the legal liability of the seller or the purchaser when the ~~sale~~ product was sold to the purchaser took place.

3. Tax is legally imposed by the tax jurisdiction where the sale of the product was ~~properly~~ sourced as required or allowed under the Agreement. Subsequent uses of the product in other tax jurisdictions have secondary priority based on the order of the product's first use in those subsequent tax jurisdictions.

B. A member state must provide credit for tax legally imposed and paid on a product even in situations where another state imposes its tax on the same product using different definitions.

C. This section only applies to taxes owed during the time period the product was owned and used by the same purchaser.

D. If only a portion of the articles of tangible personal property or services upon which tax was paid by the purchaser is subject to tax in a subsequent jurisdiction, a member state may reduce the tax credit proportionally.

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