

## Section 323: CAPS AND THRESHOLDS

- A. Except as provided in D. below. No member state may have caps or thresholds on the application of state sales or use tax rates or exemptions that are based on the value of the transaction or item or have caps that are based on the application of the rates unless the member state assumes the administrative responsibility in a manner that places no additional burden on the retailer.
- B. No member state that has local jurisdictions that levy a sales or use tax may place caps or thresholds on the application of local rates or use tax rates or exemptions that are based on the value of the transaction or item.
- C. The provisions of this section do not apply to sales or use taxes levied on the retail sale or transfer of motor vehicles, aircraft, watercraft, modular homes, manufactured homes, or mobile homes or to instances where the burden of administration has been shifted from the retailer.
- D. ~~For s~~States may only that have a cap or threshold on an individual item of “clothing” before January 1, 2006 the provisions of this section do not apply to sales or use tax thresholds for exemptions that are based on the value of “essential clothing” except as provided defined in the Library of Definitions. A state that has a cap or threshold on “clothing” may either:
1. Provide an exemption for the entire sales price of clothing priced under a certain dollar threshold; or
  2. Provide an exemption for the portion of the sales price of clothing under a certain dollar threshold.
- E. Any state that adopts a clothing cap or threshold must clearly indicate and explain that treatment in its Certificate of Compliance and Taxability Matrix and may not have a cap or threshold less than \$110.
- ~~D~~-F. Unless it is allowed under federal law for all states, any state that adopts a clothing cap or threshold must eliminate that cap or threshold upon enactment of any federal law that authorizes states to require remote sellers to collect and remit sales and use tax.

*See Compiler's Notes for history.*