



## **THE UTAH LEAGUE OF CITIES AND TOWNS SUPPORTS SB 110 SALES TAX COLLECTION AMENDMENTS**

ULCT represents 247 municipalities in Utah. The local option 1% municipal sales tax is a critical funding source for cities and towns and generates 45% of all local revenues. Cities and towns appreciate the residents and businesses in our communities that pay, collect, and remit local sales tax so that local government can provide quality infrastructure and services.

As the amount of online purchases increase, an unequal playing field arises between businesses. The law requires merchants with a physical presence in Utah (“brick & mortar businesses”) to collect and remit sales tax but does not require remote sellers to do so even though the purchaser still owes the tax. ULCT members have repeatedly passed resolutions at our Annual Convention—most recently in September 2014—to support the collection and remittance of remote sales tax.

**NOT a new tax:** Consumers already owe a use tax for remote purchases, but there is no effective mechanism for enforcement of nonpayment or collection of the owed remote sales tax.

**Financial responsibility:** Utah’s inability to collect sales tax on remote purchases creates a financial burden on both the State of Utah and on local governments because of the decrease in sales tax revenue from brick and mortar businesses.

**Budget impacts:** The Utah Legislative Fiscal Analyst estimates that Utahns owe \$80-300 million in online sales tax to the state and \$17-63 million to Utah cities and towns. In 2014, Utahns only reported \$200,000 in online sales tax receipts.

**Congress must act:** In 1992, the US Supreme Court held in *Quill* that Congress must resolve sales tax collection. Interestingly, the Quill company sold catalogs in 1992 and now sells software that can be downloaded anywhere. As Quill has changed, the sales tax has not. ULCT supports Congressional action but urges the Utah State Legislature to pressure Congress to act. ULCT knows the legislation is controversial because it could spark litigation. Recent federal court decisions demonstrate that this litigation could succeed, which would then increase the pressure on Congress to address online sales.

**Equitable taxation:** ULCT believes that brick and mortar businesses and remote businesses should be on an equal sales tax playing field. Brick and mortar businesses may compete at 5%-10% disadvantage to remote sellers because the brick and mortar businesses collect and remit sales tax. If brick and mortar businesses cannot keep up because of the growing disadvantage, the ripple effect in lost jobs and revenue will threaten the stability and desirability of our communities.

**Streamlined Sales Tax:** ULCT is a long-time supporter of the Streamlined Sales and Use tax Agreement which simplifies tax policy and minimizes the cost of compliance and collection.

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