

STATEMENT OF PURPOSE

RS24636

The Nexus Modernization Act updates Title 63, Chapter 36, Idaho Code by redefining what is considered a Retailer and when a Retailer is engaged in business in Idaho. Since 1992, when the Supreme Court decision in Quill vs. North Dakota defined Nexus, retailers have embraced technologies that removed the burdens of compliance that was identified in 1992. Today retailers have the technologies to market, ship and process payments from remote purchases. This same technology has the ability to calculate, collect and remit sales taxes to the various states into which they sell. In fact, remote internet sellers are not limited by state borders for their marketing and often find they have nexus multiple states. The definition of Nexus was originally limited to the concept of brick and mortar. Things have changed. Today Brick and Mortar companies also compete in E-Commerce and many with a national presence currently collect and remit Idaho Sales and Use tax to the tax commission. Most E-Commerce retailers are remitting to a variety of states that have modernized their code or have minor physical presence in those states.

To modernize our code is an expression of State Sovereignty and will level the competitive market for Idaho retailers with traditional brick and mortar nexus. Those same retailers provide Idaho jobs, pay local and state taxes and contribute to the overall health of our economy.

This legislation does not create a new tax or change the definitions of what is subject to Idaho Sales and Use Tax. It modernizes our code to embrace the collection of taxes through all retailers engaged in business in Idaho. It also reduces the tracking and reporting burden on Idaho tax payers.

FISCAL NOTE

This bill does not create any new requirements for the tax commission, other than the expected issuance of additional sales and use tax permits.

It is expected that changes in the definitions of Retailer and Engaged in Business in Idaho will result in an increase in collection and remittance of sales and use taxes that are owed, but not being reported and remitted. The extent of the impact on sales and use tax revenues to the State of Idaho is only speculation.

It is estimated that internet sales by 2017 will represent 10% of all retail trade in the US. If we interpolate that to Idaho's estimated \$24.3 Billion in taxable retail sales, we can estimate that the remote sellers account for nearly \$2.4 billion in sales. Much of these sales are with Idaho retailers currently collecting and remitting the sales taxes on their transactions. With the compounding growth of internet retail sales the Nexus Modernization Act should improve the sales and use tax revenues to more closely match the economic growth of Idaho.

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