

STATEMENT OF PURPOSE

RS27076

This legislation directs internet retailers and marketplace facilitators to collect and remit sales and use tax to the State Tax Commission in response to the South Dakota v. Wayfair United States Supreme Court ruling. The Supreme Court found South Dakota's law is no burden to interstate commerce because the law set a threshold of annual sales for internet retailers and marketplace facilitators at \$100,000; there is no obligation to remit sales tax retroactively; and there is a standardized way to reduce administrative and compliance costs. This legislation uses the same threshold as South Dakota for annual sales to begin collecting and remitting sales and use tax. Additionally, there is no obligation to remit sales tax retroactively; rather, it has a look-back provision to see if the company met the threshold for annual sales but will begin remitting once the legislation becomes law. Finally, this bill meets the test determined by the Wayfair ruling of submitting sales and use tax to one agency, thereby reducing administrative costs.

FISCAL NOTE

This legislation is estimated to generate an additional \$30 million from sales and use tax in FY 2020 that is directed to the tax relief fund in Section 57-811, Idaho Code. In FY 2021, the estimated revenue from sales and use tax is \$34.5 million. After FY 2021, we anticipate revenue growth from this legislation to more closely match total sales tax revenue increases.

The basis for the fiscal impact for this legislation is on a number of factors including a review of other states' online sales tax collections and an estimate from the Census Bureau for e-commerce sales. The Census Bureau estimate is a national estimate, and reduced to control for the Idaho specific impact.

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DISCLAIMER: This statement of purpose and fiscal note are a mere attachment to this bill and prepared by a proponent of the bill. It is neither intended as an expression of legislative intent nor intended for any use outside of the legislative process, including judicial review (Joint Rule 18).