



AMERICANS FOR TAX REFORM

LEGISLATIVE ALERT

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Streamlined Sales Tax Proposal Is A Tax Increase Any Way You Look At It

By Paul Prososki

The Streamlined Sales Tax Proposal (SSTP) is a tax harmonization scheme that will lead, in the short term, to the extension of the state sales tax base into areas it has never touched before, and in the long term, to a lack of tax competition and the slow creep upwards in the sales tax burden. **Efforts by a state official to bring his state into this sales tax cartel is support for a tax increase, and is a violation of Americans for Tax Reform's Taxpayer Protection Pledge.**

Some SSTP proponents have suggested that, since the initial mix of changes required in a state in order to harmonize definitions might result in a net reduction of the categories of goods taxed a net *reduction* in the sales tax occurs. If that were the case, they argue, then implementing SSTP would be a tax cut, and therefore not a violation of the Pledge.

Unfortunately, the SSTP proponents' arguments are a mixture of faulty logic and wishful thinking. Even a harmonization that results in some random goods being removed from the tax rolls will lead to a tax increase.

For example, according to an October 20, 2003 report by the Legislative Finance Bureau of the State of Wisconsin (which is considering a similar SSTP bill), the process of harmonization to SSTP standards involves adding some categories of goods to the tax rolls, and removing others. Looking only at this portion of SSTP in Wisconsin, the removals of goods from taxation does slightly outweigh the additions, for a projected net savings of \$3,350,000.

However, the goal of SSTP goes far beyond standardizing definitions. The goal of SSTP is to expand a state's tax base to companies located wholly outside its borders, and to collude with other states to increase tax collections from interstate transactions.

On page 9 of the Wisconsin report's Executive Summary, it states **"the passage of AB 547/SB 267, along with similar laws in other states, could result in significant increase in sales and use tax collections from remote sales in future years...(Department of Revenue) estimates that such future collections could total \$150 million annually." That figure is almost 45 times the so called "tax cut" proponents claim for SSTP.**

But the tax increase implications of SSTP go beyond the direct tax increase in coming years. Like any cartel, SSTP would allow states to collude to destroy tax competition. The incentive to keep tax rates moderate or lose competitiveness would be gone, and the pressures to raise taxes would lose their counter-balance. In addition, the very harmonizing structure of SSTP allows future tax increases to be directed from the center, outside the state, with local officials able to claim impotence to stop it.

SSTP will raise taxes by millions of dollars, and will ease the way to future sales tax increases.

Voting for SSTP is a violation of the Taxpayer Protection Pledge!