DELBERT HOSEMANN
Secretary of State

2012 Business Incentives Study Group
Minutes of the Internet Sales Tax and Tax Credits, Exemptions, and Deductions Subgroups Joint Meeting
October 2, 2012

This joint meeting of the Internet Sales Tax and Tax Incentives Subgroups (hereinafter the "Study Group" or the "Committee") was called to order on Tuesday, October 2, 2012 at 11:08 A.M. A list of the persons participating is attached as Exhibit A.

Welcome and Introduction

Drew Snyder, Assistant Secretary of State for Policy and Research, welcomed and thanked the group members for their attendance. All group members in attendance were introduced, and Mr. Snyder proceeded to introduce the group's two speakers. Scott Peterson is the Executive Director of the Streamline Sales Tax Governing Board and was previously the Director of Sales Tax for South Dakota. Mr. Peterson is a frequent speaker on sales tax issues, and he testified before Congress on the Market Place Fairness Act approximately two months ago. Christopher Rants is a former Iowa Speaker of the House. He is now a consultant on tax related issues and has been helping several states and local retailers on these issues.

Streamline Sales Tax

Mr. Peterson discussed the history of the Streamline Sales Tax concept which was came about to create a radically simpler sales tax system. By 2005, sixteen (16) states had adopted Streamline. To develop the Streamline system, state differences had to be addressed. A hurdle in developing Streamline was creating a standard set of definitions to be used in each state. Mr. Peterson gave an example using states that do not tax groceries but do tax candy. The definition of candy in these states varied and a standard definition was developed. The purpose of this is not to control what is or is not taxable, but only to standardize definitions. Mr. Peterson used sales tax holidays as an example for needing a standard definition. Many states may offer back-to-school tax holidays, but these states do not have the same definition of back-to-school supplies. Under Streamline, states can choose to have a tax holiday or no tax holiday, but if the states choose to use the tax holiday it must use the list of items identified in Streamline. Other important goals of Streamline is to simply tax returns and apply uniform sourcing so it is clear to retailers what sales tax should be used.

Mr. Rants stated that twenty-four (24) states have now joined Streamline. Mr. Rants stated that Streamline is pro-business and will help small businesses. Small businesses will not be able to compete with companies like Amazon who can develop their own systems for sales tax collection. Therefore, small businesses need the structure provided by Streamline.

Mr. Peterson explained certified service providers under Streamline. Private companies will develop software for the collection of the taxes. States will review these programs to check for accuracy, and if approved the provider will be certified. Retailers using a certified provider are protected from penalties for collecting incorrect tax.

Mr. Peterson next discussed the pending federal bills. Some discussion addressed vendor compensation, but Mr. Peterson stated that it is unclear if vendor compensation will be addressed in the final version of the bill. Under either federal bill, Streamline states will be in a good position and will get authority to collect taxes sooner than non-Streamline states.

The discussion next turned to the tax rates and how Streamline would impact Mississippi. Mr. Peterson provided that Streamline requires one (1) state rate and allows one (1) local rate. He also stated that to avoid the one rate problem, one state changed its lower rate on farm equipment to an excise tax. Other states have generally raised or lowered their different rates to have one state rate. Mr. Snyder asked if Streamline has the resources to review Mississippi law and provide direction on what action will be needed. Mark Hosemann, Chairman of the Internet Sales Tax Subgroup, asked Mr. Peterson for a blueprint on where we go from here. Mr. Peterson stated a revenue estimate would be useful. Also, the group must decide if the bill is intended to be revenue neutral, which may require tax decreases in other areas. Finally, the group will need to find legislators to sponsor the bill and will need to educate the legislators and political leaders. Specifically, legislators will need to be educated on the fact that this is not a new tax, but is something already owed and not collected.

Meg Bartlett informed the group that Mississippi has been involved with Streamline for several years and has done some investigation into what would need to be done to join the agreement. Ms. Bartlett also addressed the possible revenue that could be generated by collecting internet sales tax. Specifically addressed was a study by the University of Tennessee which indicated that Mississippi could be losing over $100 million per year by not collecting internet sales taxes. Ms. Bartlett stated that Arkansas collected between 8,000,000 to 9,000,000 dollars by collecting internet sales tax and Mississippi's collection would likely be closer to Arkansas than the number estimated by the University of Tennessee.

Secretary Hosemann stated that we will end up doing this, but the question is now or wait for federal legislation. Secretary Hosemann indicated that this issue was previously reviewed but abandoned because the projected revenue was not significant. It is likely that this is a year or two-year project, but there is no reason to delay starting the process and identifying the bumps in the road.

Secretary Hosemann thanked the speakers for attending the group meeting and providing helpful information on internet sales tax collection. The meeting was briefly paused to allow the speakers to exit.

Mr. Snyder next asked John Scott, Chairman of the Tax Incentives Study group, to speak on the issues being reviewed by the tax incentive group. Mr. Scott asked the group to continue to gather input and ideas on possible incentives for the group to consider. Mr. Scott asked the status of requesting a report on the bills discussed in the previous meeting. Mr. Snyder provided that he has contacted the Stennis Institute. Justin Fitch, Senior Attorney for Policy and Research indicated that two of the bills are limited to 3,000,000 dollars, and the other is already in existence only the bill gives a new way to take the credit.

Jan Craig stated that it is possible to determine how many companies took the credits, and the total amount taken, but it is not possible to determine how many may have been eligible but did not take the credit.

Secretary Hosemann stated that implementing new credits is only a good conversation until the impact can be determined. Also, unused credits should be eliminated which could help the legislature to eliminate the franchise tax.

Ms. Craig stated that she is working with the Mississippi Development Authority to determine which credits are most used and the amounts of those credits.

Closing

Mr. Snyder thanked everyone for their participation in the joint meeting and the meeting was adjourned at 1:05 P.M.

EXHIBIT A

Minutes of the Internet Sales Tax and Tax Credits, Exemptions, and Deductions Subgroups Joint Meeting
October 2, 2012

Participants

Members:

1. John Scott (Chair, Tax Incentives)
2. Mark Hosemann (Chair, Internet Sales Tax)
3. Lee Hill
4. Jan Craig
5. Beth Hansen
6. Rusty Hawkins
7. Meg Bartlett
8. Mayor Jimmy Cockroft
9. Noggin Wild (phone)
10. John McKay (phone)
11. Stacy Tyler (phone)
12. Roman Galey (phone)
13. Stewart Rutledge (phone)
14. Cathy Beeding (phone)

Other Participants:

1. Mary Katherine Allen
2. David Stevens
3. Scott Peterson
4. Christopher Rants

Secretary of State's Office:

1. Secretary Hosemann
2. Drew Snyder
3. Justin Fitch
4. Preston Goff
5. Martin Hegwood
6. Lin Floyd
7. Nathan Upchurch