REVENUE FAIRNESS STUDY GROUP
REPORT OUTLINE

I. INTRODUCTION
   a. PROBLEM: How should Mississippi respond to Marketplace Fairness Act?
   b. GOAL AND CONSTRAINTS
      i. Goal
         1. Fairness to Mississippi businesses and taxpayers
            a. Taxpayers – regressive
            b. Businesses - Level playing field for brick-and-mortar stores
      ii. Constraints
         1. Must be revenue neutral
         2. Cost to state
         3. Not expand size of state government
         4. Privacy issues of monitoring online sales data collection
      iii. Questions
         1. What would Mississippi need to do in order to comply with the MFA?
         2. What are the difficulties identified with implementation?
         3. What is a reliable, realistic estimate of additional revenue to be collected?
         4. What can be done to make this effort revenue neutral?

II. BACKGROUND
   a. Sales and use tax
      i. History
      ii. Definitions – remote sellers, sourcing rules
      iii. Affiliate nexus laws
   b. Previously proposed legislation and court cases
      i. MFA predecessors
      ii. Ecommerce or Internet sales –Quill case
   c. Marketplace Fairness Act
      i. History
      ii. Provisions
   d. Streamlined Sales Tax Project (SSTP)
      i. Explanation
         ii. 2008 Mississippi State Tax Study Commission recommended
   e. Arguments for and against Internet taxation
III. CONSIDERATIONS FOR MISSISSIPPI
   a. What are the necessary actions for compliance and their associated difficulties?
      i. SSTP
      ii. Alternative or non-SSTP tax collection
      iii. What changes to state law and procedures would be needed?
      iv. Cost to implement and administer
      v. Other states’ experiences and responses
   b. What is reliable estimate of revenue to be collected?
      i. Significance of estimate
         1. Will potential revenue cover the cost of administration?
         2. Will potential revenue be beneficial enough to begin collecting immediately?
         3. If 1 and 2 are “yes” and considering goal of revenue neutrality, what would be done to neutralize any excess revenues?
         4. If equity is major objective, how much does the estimate matter?
      ii. Prior Studies – University of Tennessee and Brookings Institution
      iii. Difficulty of determining estimate
   c. What to do with revenue collected to be revenue neutral?
      i. Put revenues in trust and wait a year or two due to uncertainty of collections
      ii. Reduce income tax rate by possibly 1%
      iii. Reduce sales tax rate by under 1%
      iv. Expand sales tax holidays
      v. Reduce tax on groceries
      vi. Reduce inventory tax
      vii. Reduce franchise tax
      viii. Reduce sales tax on construction and manufacturing to zero
      ix. Rebate through income tax

IV. PROJECT
   a. Methodology used to derive estimate of lost revenue from online sales for Mississippi (Work with Dr. Neal)
   b. Results

V. SUMMARY, CONCLUSIONS, AND RECOMMENDED LEGISLATION