

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