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MEMORANDUM

TO: All House Members

FROM: Mark B. Cohen, Chair 
Democratic Human Services Committee

DATE: February 3, 2011

RE: Co-sponsorship of Multistate Sales Compact Legislation

Your co-sponsorship is requested for legislation for Pennsylvania to join a Multistate Sales and Use Tax Participation compact. Congress must ratify this compact for it to become law, and the participation of more than the current 26 states who are members of the compact is needed to get Congress to do that.

There already are over 1,400 corporations that have voluntarily signed to collect these sales taxes. These corporations are currently making annual payments to the 26 states in the compact already. We should receive what conservatively would be \$20 million to \$100 million a year for sales tax revenues from the ever-growing number of voluntarily participating corporations. The ultimate Congressional ratification would produce in excess of \$700 million per year for the Pennsylvania State Treasury according to a 2009 university study.

This interstate compact is the result of efforts of the National Conference of State Legislatures. Former Pennsylvania Rep. David Steil (R-Bucks County), and other legislators around the country spent many years working on this. Taxes that would be collected under this compact ARE NOW LEGALLY OWED to state governments around our country.

26 states have already joined this compact. The compact sets standards of how state sales taxes should be levied, all or virtually all of which Pennsylvania already meets. Already existing and widely used software makes it easy for online sales merchants, even mom and pop online sales merchants, to meet their obligation to each state in which they have customers.

Many established businesses who do not sell online join the 1,400 plus voluntarily participating corporations in supporting the Multistate Sales and Use Tax Participation Compact, as they are required to charge sales taxes while their non-participating online competitors have been undercutting their prices by not collecting the sales taxes. Support for this compact is support for Main Street businesses around the state.

This may be one of the most significant actions we can take to get rid of our long-term structural budget deficit. The amount of revenues we are losing will soon exceed \$1 billion a year and will continue to rise as internet shopping gets a larger and larger market share. This legislation does not represent a tax increase. It is merely allowing us to fight tax avoidance. It allows us to collect taxes we should be receiving under current, but difficult to enforce, law.

Failure to join and promote Congressional approval of this compact forces the unappetizing long term choice between raising taxes across the board or draconically cutting many needed human services.

Please contact Linda Huntington in my office to co-sponsor this proposal at lhunting@pahouse.net or at 787-3085.