

**Illinois Chamber of Commerce
Recommended Policy Position on Adoption of National
Streamlined Sales Tax Project (SSTP)**

December 7, 2007

The Illinois Chamber urges caution in considering any proposal to adopt the national Streamlined Sales Tax Project (SSTP). Adoption of the national Streamlined Sales Tax Project will mandate a number of fundamental changes in Illinois sales tax administration and will necessarily impact state and local tax revenues and state tax compliance. The Illinois Chamber strongly recommends that thoughtful consideration and study of all aspects of SSTP be undertaken in order to determine whether adoption of SSTP best meets the needs of Illinois and that full consideration be given to the impact of SSTP on the Illinois business community and on local government revenues before any implementing legislation is considered by the Illinois General Assembly.

Business Perspective: Members of the Illinois Chamber Tax Institute agree that any State efforts to simplify sales and use tax laws should result in a system that is revenue neutral and easily administered by participating businesses and taxing authorities. Such efforts must protect the sovereignty of lawmakers to consider and act upon tax policy unique to Illinois and guard against elimination of any tax benefits already established in the law. Prior to implementation, such a system should be widely advertised to and understood by consumers. It must also utilize compliance and remittance technologies that are accessible and affordable to all levels of business and commerce.

Substantial compliance with the national SSTP Agreement in Illinois will create a number of fundamental changes in Illinois tax administration and will impact state tax revenues, local tax revenues, and state tax compliance. From a revenue standpoint, implementation of the SSTP agreement in Illinois would create a serious redistribution of sales tax revenues between local governments without guaranteeing any increase in overall tax receipts as the *SSTP remains a voluntary program for internet and mail order retailers.*

The Illinois Chamber recommends:

Prior to consideration of SSTP legislation in Illinois, a comprehensive cost/benefit study should be conducted to estimate the revenue impact to both state and local governments, as well as the costs of implementation for Illinois business taxpayers. Consideration should be given to the voluntary nature of the program, the effect of redistributing revenues between local governments, all increased administrative costs associated with substantially revising the Illinois sales tax code and all administrative processes and procedures for the State and for business taxpayers. In addition, current revenue estimates should take into consideration the revenue impact of definitional changes mandated by the SSTP. For example, the national SSTP would change the way our current sales tax applies to such items as computer software, food and drugs, all service transactions, and all lease transactions. Recent studies have shown that the impact of these changes could be substantial. For example, the Civic Federation published a study in 2004 titled "The Potential Impact of The Streamlined Sales And Use Tax Agreement on Illinois," which found that Illinois adoption of the SSTP would require a change in the law for the way the state taxes leased property costing Illinois more than \$250 million in the first year, while costing Chicago another \$100 million annually by the SSTP's required repeal of its lease tax.

The national SSTP program should not be implemented in Illinois until such time as the federal government passes legislation overturning the Quill decision or mandating a national SSTP program. Without such federal action, mail order and internet retailers may volunteer to collect Illinois sales tax but *cannot be required* to register and collect Illinois sales tax. Accordingly, there is no guarantee of any significant revenue increase under a voluntary program, while there will certainly be increases in administrative costs for the State, local governments and business taxpayers.

The Illinois Chamber believes that full participation and input from the Illinois business community is essential in considering any proposal to adopt the national Streamlined Sales Tax Project (SSTP) and in determining whether implementing the national SSTP program is the right course of action for Illinois government and business taxpayers.