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June 14, 2017

**VIA EMAIL**

Conference Committee  
General Court of the Commonwealth of Massachusetts

Re: Massachusetts Budget – Daily Sales Tax Remittance

Dear Members of the Committee:

On behalf of the Council On State Taxation (COST), I am writing to urge you to remove from the budget provisions statutorily requiring, or permitting the Commissioner of Revenue to require, the daily remittance of sales tax by payment processors. Requiring daily remittance would represent a multi-million-dollar unfunded mandate on the business community, forcing it to build entirely new sales tax collection, remittance, and reconciliation systems that do not exist today. All the time, energy, and costs to business would be in exchange for a one-time revenue gimmick (accelerating thirteen months of revenue into a twelve-month period) for the Commonwealth – a revenue acceleration that can be achieved with a much less intrusive method of requiring an estimated monthly payment.

**About COST**

COST is a nonprofit trade association based in Washington, DC. COST has an independent membership of approximately 600 major corporations engaged in interstate and international business. COST's objective is to preserve and promote equitable and nondiscriminatory state and local taxation of multistate business entities.

**One-Time Revenue Benefit**

By receiving sales tax revenue earlier, Massachusetts will experience a one-time revenue boost, accelerating 13 months of revenue into a 12-month fiscal period. This is purely a "timing" difference – no new sales tax revenue will be collected by the Commonwealth. If this one-time revenue boost is truly what the Commonwealth seeks, simply requiring an estimated prepayment would achieve the same result. COST does not advocate for an estimated prepayment, however, in this case it is the lesser of two evils.

### **Costs to Retailers, Payment Processors, and Banks**

No state currently requires daily sales tax remittance by payment processors. Because this would be a novel compliance requirement, new systems would need to be developed and implemented for the information flow between retailers, payment processors, and banks to implement this unprecedented change to sales tax collection procedures. Payment processors do not currently collect information on the amount of tax due on each transaction; they only know the total charge for each transaction. At a minimum, payment processors would need to gather additional information on the tax amount of each Massachusetts sale and the retailer's taxpayer ID. Not all current card processing hardware can handle the increased information flow, and new hardware would be required. To the extent current hardware can handle the increased information flow, new software upgrades would still be required.

Moreover, each retailer, large and small, will need to implement new systems to track and reconcile all these payments. Hundreds of payment processors exist in the market today, and a single retailer may use multiple payment processors. Currently, a retailer need only track the single monthly payment it makes to the DOR; if this measure passes that retailer would need to reconcile potentially thousands of payments made on its behalf by payment processors. Many of the increased hardware, software, and personnel costs would be recurring costs for both payment processors and retailers, creating what is in reality an unfunded mandate from the State.

### **Conclusion**

COST urges the Joint Committee on Ways and Means to remove from the budget all provisions relating to daily sales tax remittance by payment processors. Forcing the business community to expend large sums of time and money to build the systems required for daily remittance is simply bad policy, especially when the potential benefit to the state can be achieved by other, less intrusive means. If you have any questions or would like to discuss this issue further, please do not hesitate to contact me.

Sincerely,



Patrick J. Reynolds  
Senior Tax Counsel

CC: COST Board of Directors  
Douglas Lindholm, COST President & Executive Director