



SALES TAX ON DIGITAL PRODUCTS UNIFORMITY PROJECT

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REPORT TO THE UNIFORMITY COMMITTEE

APRIL 25, 2023

PROJECT BACKGROUND AND STEPS TO DATE

- April 28, 2021 – Washington state made a presentation to the Uniformity Committee to consider an MTC project to examine sales taxes on digital products.
- July 28, 2021 – The Uniformity Committee approved a recommendation to begin work on a project studying the application of sales tax to digital products – starting with a whitepaper – and asked MTC staff to begin a detailed outline of that whitepaper.
- November 2021 and April 2022 – MTC staff reported back to the Committee, including a recap of stakeholder interviews. Stakeholders included taxpayers and their representatives, states, academics, and industry and association representatives – over 40 in total.

PROJECT BACKGROUND AND STEPS TO DATE

- August 2022 - Uniformity Committee approves Workgroup formation. Workgroup chair selected and workgroup members solicited. SST staff included as ex officio members.
- September 2022 – Regular Workgroup meetings begin. Scheduled for the first Thursday of each month at 11:00 a.m. Eastern. Public is welcome at all meetings.
- October 2022 – Workgroup directs MTC staff to research definitions for digital products.
- November 2022–March 2023 – Workgroup and stakeholders discuss various definitions for digital products and digital products in the marketplace.
- April 2023 – Workgroup hears results of anonymous survey of workgroup members to solicit input on various aspects of the project.
- April 2023 - Uniformity Committee meets to discuss next steps. Hears presentations on the Streamlined experience with digital products and the results of MTC staff research about current treatment of digital products by the states.

NEXT STEPS?

- What might be in store?
 - More definitions of various digital products.
 - Move from “What?” to “How?”
 - Broad imposition vs. intermediate vs. product-specific.
 - Mode of transaction (sale, lease, subscription, delivery, etc.)
 - What exemptions should apply within the digital world?
 - B2B exemption.
 - Bundling issues/merging products.
 - ITFA preemption issues.
 - Novel problems posed by NFTs and cryptocurrency transactions.
 - Lots and lots of pros & cons discussions

LOOKING OUT FOR POTHoles

- Potential challenges (Where do I start???)
 - Perception as “the largest tax increase in history.”
 - Political inertia.
 - Legislative vs. administrative change.
 - The potential product/transactional variety in the digital world is infinite, and the pace of change is daunting.
 - Simply imposing a traditional sales tax regime on the digital world may well be impossible.
 - Is it possible to maintain parity between taxation/exemption of traditional products and digital products?
 - Desire for a broad B2B exemption.
 - ITFA preemption limitations.
 - International complications.
 - The sheer/scope size of the undertaking.

MTC PROJECT PAGE RESOURCES

- www.mtc.gov/uniformity/sales-tax-on-digital-products
 - Draft Issue Outline
 - Agendas and Work Group Materials
 - Research & Articles
 - Selected State Tax Agency Information - Tax Imposition Related to Digital Products Generally
 - Written Comments Submitted
 - Streamlined Sales Tax Information
 - Economic and Statistical Information
 - Related Federal Information