

Comparison of Proposed Solutions to Sales Tax Collection Disparity

	Online Sales Simplification Act (Goodlatte-Eshoo Draft Bill) ¹	S. 698, The Marketplace Fairness Act ²	H.R. 2775, The Remote Transactions Parity Act ³
Parity at Point of Purchase (Regardless of Channel)	No - Hybrid Origin Sourcing Model – sellers will apply origin-based sourcing rules for remote sale, but destination-based sourcing rules for nonremote interstate sales.	Yes – Destination Sourcing Model – uniform destination-based sourcing rules are applied to all transactions.	Yes – Destination Sourcing Model - uniform destination-based sourcing rules are applied to all transactions.
Small Seller Exemption	No small seller exemption.	A small seller exemption of \$1 million in annual nationwide gross remote sales	A phased-out small seller exemption over three years. The first year is gross annual receipts under \$10 million, the second year is gross annual receipts under \$5 million and the third year is \$1 million. After the third year, the exemption will be zero. Sales made via an online marketplace are not exempted.
Audit Procedures	Remote sellers may be audited by their home state taxing authority. A single audit is only allowed for a NOMAD ⁴ state if the NOMAD state is not part of the distribution agreement.	One audit per state with the potential for a maximum of 45 audits per year (i.e. 45 states have a sales and use tax system).	Audits are conducted through the certified service provider (CSP). Eliminates state audits and demand letters for remote sellers under \$5 million in gross annual receipts unless intentional misrepresentation or fraud. ⁵
Software Costs and Integration	No assistance is provided to remote sellers to comply with the additional collection and reporting requirements.	Provides software free of charge for remote sellers and potentially creates multiple state software systems. Integration costs are not included.	Allows remote seller to select its own software, the cost of which is paid for by the state. States' payment of set-up, installation, and maintenance costs is included. Software must work in all states qualified under the Act.
Liability	The remote seller is liable for the tax that is not properly collected.	Relieves remote sellers from liability to the state or locality for incorrect collection, remittance, or noncollection of sales and use taxes if the liability is a result of error or omission made by a certified software provider.	Ensures the certified software provider, not the remote seller, is held liable for all regulation and compliance burdens unless there is reasonable suspicion that the remote seller has engaged in intentional misrepresentation.
Economic Neutrality	Remote sellers would not collect the same tax rate or tax the same products as local sellers. The amount of tax collected from the consumer and taxability of products will differ based on where the seller is located.	All consumers would pay their home state's tax rate and on the same products, regardless of channel. All remote sellers would collect the same tax rate on a taxable item.	All consumers would pay their home state's tax rate and on the same products, regardless of channel. All remote sellers would collect the same tax rate on a taxable item.

¹ House Judiciary Committee Chairman Bob Goodlatte (R-VA) and Rep. Anna Eshoo's (D-CA) Online Sales Simplification Act draft bill released January 12, 2015 and revised April 15, 2015.

² S. 698, The Marketplace Fairness Act, sponsored by Senators Michael B. Enzi (R-WY) and Dick Durbin (D-IL), was introduced on March 10, 2015.

³ H.R. 2775, The Remote Transactions Parity Act, sponsored by Representatives Jason Chaffetz (R-UT) and John Conyers (D-MI), was introduced on June 15, 2015.

⁴ NOMAD – Five states that do not collect sales and use tax, and they are known as “Nomad States.” The list includes: New Hampshire, Oregon, Montana, Alaska and Delaware.

⁵ All sellers can be audited where they have a physical presence consistent with existing law.