

Expansion of SST to Include Telecom Fees, Taxes and Permitting Beyond The Original Sales Taxes

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We support the current Streamlined Sales Tax (SST) project and encourage its full implementation. We do not support the expansion of the agreement beyond the original purposes to address remote sales tax issues. We oppose the efforts of the telecom industry to insert non-germane tax, fee, and permitting issues into the SST agreement.

- Telecom issues are not like the difference between a duck and a goose, but the differences between a duck and a horse
- The telecom proposals would potentially impact cable fees, 911, wire lines, wireless telephone and ancillary services.
- In Oklahoma, laws allow some degree of local control over agreements and fees that are appropriate to their communities.
- The Oklahoma constitution provides municipalities with the right to adopt utility franchises when approved by a vote of the people. Would required changes to local franchises violate Oklahoma Constitutional provisions and possibly result in the removal of Oklahoma from the SST if it cannot comply with requirements that violate the constitution.
- While fees are a portion of the franchise agreement, other issues are of equal or greater importance, such as the local access channels or the number of channels in cable or public safety lighting in the case of an electric franchise.
- Local franchises work for better customer service and accountability.
- Prime is the ability of a municipality to control the timing and expense of the disruption of municipal rights of way
- Franchise agreements are negotiated to provide a certain level of return to the city. Would centralized collection result in reduced local revenues due to third party administrative fees?
- Local collection yields transparency and the ability to audit. Central collection can result in a “black box” outcome. Money comes into the black box and checks go out on a “trust me” basis.
- Concerns about 911 and wired and wireless

Approved as policy guidance by the Oklahoma Municipal League Board of Directors on August 12, 2009.

Update:

Streamlined Sale Tax & Telecom Update October 1, 2009

A proposed amendment to the Streamlined Sales Tax (SST) Agreement would dramatically change the agreement by inclusion of local Telecommunication fees in the SST including 911 fees for land lines, cell phones, pre-paid phones in addition to cable fees and taxes. If implemented federally, municipalities and counties would lose the ability to collect the local taxes directly. Instead each state would mandate one statewide agency to collect all of the fees and redistribute them to the local governments. Local governments would have to pay for the central administrative collection and would lose the ability to

conduct local audits. Audits could only be conducted by the central agency.

Due to OML's involvement in the policy issues surrounding the proposal, the National League of Cities named OML Director of Research, Cheryl Dorrance, to represent the NLC on the State and Local Government Advisory Board of the SST. That group had their national meeting in Oklahoma City, September 28-30 at the Skirvin Hotel. The National League of Cities is, also, opposing the inclusion of the amendment in the agreement. She will be working with NLC, GFOA, NACO, and the US Conference of Mayors.

The mission statement of the SST covers only excise - sales and uses taxes. This intrusion into local telecom non-excise taxes would be a cumbersome expansion of the SST at a time when the basic SST provisions have yet to be enacted into federal law.

OML and member cities have been working with Oklahoma Tax Commissioner Jerry Johnson to explore the consequences of the proposal on Oklahoma local governments since February, 2009. The OML board adopted a Streamlined Sales Tax & Telecom Policy recommended by the study group at the August, 2009 board meeting. The Policy opposes inclusion of the Telecom provisions in the basic SST as beyond the scope of the project. OML will continue to work with Commissioner Johnson to understand the issues. A little background: "The SST The effort that became the Streamlined Sales Tax Governing Board began in March 2000. The goal of this effort is to find solutions for the complexity in state sales tax systems that resulted in the U.S. Supreme Court holding (*Bellas Hess v. Illionis and Quill Corp. v. North Dakota*) that a state may not require a seller that does not have a physical presence in the state to collect tax on sales into the state. The Court ruled that the existing system was too complicated to impose on a business that did not have a physical presence in the state. The Court said Congress has the authority to allow states to require remote sellers to collect tax.

The result of this work is the Streamlined Sales and Use Tax Agreement. The purpose of the Agreement is to simplify and modernize sales and use tax administration in order to substantially reduce the burden of tax compliance.

Today twenty-two states (including Oklahoma) have adopted the simplification measures in the Agreement (representing over 31 percent of the population) and more states are moving to adopt the simplification measure." Source SST website

Many businesses are currently voluntarily remitting remote sales taxes under the voluntary agreement returning sales and use taxes to municipalities in Oklahoma.

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