National Tax Recovery, LLC

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State & Local Tax Newsletter

National Tax Recovery LLC (State & Local Tax Services)

State & Local Tax Refund Program identifies and recovers overpaid state and local taxes paid directly to the State through use taxes or tax paid to vendors.

State & Local Tax Audit Assistance Program helps clients to defend and lower their state tax audit assessment.

State & Local Tax Advisory Program helps clients develop and implement tax strategies that will make state and local taxes a controllable expense and explore every legitimate way to limit your tax obligation.

Income Tax Advisory Service gives clients the proper knowledge and expertise needed to interpret the complex and ever changing IRS regulations and laws.

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Texas Senate passes bill to cut franchise tax paid by businesses — later

The Texas Senate approved legislation Tuesday that aims to eventually slice — and possibly eliminate — the state's franchise tax, a levy on businesses earnings.

Senate Bill 17, authored by Sen. Jane Nelson, R-Flower Mound, would not cut the franchise tax during this tight-budgeted Legislative session, but it would do so in future years — as long as state revenue grows at a certain rate.

The proposal's supporters argue it will spur more economic activity and add jobs, but opponents fear the legislation would leave lawmakers with less money in future years to fund public education and other major state programs. A host of education groups are among those opposing the bill.

Texas' business community has long called the franchise tax an unnecessary burden, and high-profile Republicans have sought its demise. Often called a "margin tax," it taxes businesses' gross receipts.

The tax has played a major role over the last decade in supplementing public education funding.

Lawmakers in 2015 cut the tax rate by 25 percent, which gave them $2.6 billion less revenue to help craft a budget this year. The franchise tax still raised over $7 billion in the current biennium, according to a 2016 report from the Legislative Budget Board.

Senate Bill 17 would leave the tax program untouched for the coming two-year budget, but it could cut the tax in future years, as long as the comptroller expects state revenue to grow by at least five percent. Once that threshold is triggered, the legislation would dedicate half the excess revenue to franchise tax relief.

Supporters of the bill suggest it carries little risk because the franchise cuts would only kick in if the economy were growing.

"It has no impact on the current budget, it only triggers when revenue is available," Dale Craymer, president of the Texas Taxpayers and Research Association, said at a committee hearing last month. Acknowledging that the current legislative session, with lawmakers strapped for cash, was "a tough time to be talking about tax relief," Craymer called Nelson's bill "the most appropriate way to phase out this tax."

Critics aren't so sure and are particularly worried about the 5 percent threshold in the bill, which they say is too low, and easily triggered.

https://www.texastribune.org/2017/03/21/texas-senate-passes-bill-cut-franchise-tax-later/

HOSPITALITY NEWS

Texas could lose at least $407 million from just four cities in convention business if bathroom bill passes

The state's biggest cities stand to lose hundreds of millions of dollars in convention spending if Texas lawmakers pass the so-called bathroom bill and conventions make good on threats to take their business elsewhere.

So far, dozens of groups that have planned or are looking at the state for future meetings have threatened to pass over Texas should the bill become law, according to tourism officials in San Antonio, Austin, Dallas and Houston -- the state's four largest cities. Estimated losses for just those four cities on convention business come to a combined $407 million if those meetings cancel over the next few years.

http://www.hotel-online.com/press_releases/release/texas-could-lose-at-least-407-million-in-convention-business-if-bathroom-bi

YOU WIN BY WORKING HARD, MAKING TOUGH DECISIONS AND BUILDING COALITIONS. ***- John Engler***

RECENT TAX POLICY LETTER RULINGS & DECISIONS

Arkansas ~ Sales and Use Tax: Tax Incentive for Qualified Nonprofit Organizations Repealed

A bill has repealed the Nonprofit Incentive Act of 2005, which allowed qualified nonprofit organizations to receive refunds of Arkansas sales and use taxes as an incentive to locate in the state.

To qualify for a refund, a nonprofit organization had to meet certain payroll, wage, and employment thresholds and spend more than $250,000 on buildings, machinery, and equipment in a new or improved facility. The nonprofit also had to sign a financial incentive agreement with the Department of Economic Development prior to the start of any construction.

Hospitals, medical clinics, accredited academic educational institutions, and churches were excluded.
http://news.cchgroup.com/2017/02/27/arkansas-sales-use-tax-tax-incentive-qualified-nonprofit-organizations-repealed/

Illinois ~ Legislation spells out proposed services for sales tax

Illinois would charge sales tax on storage lockers, private detectives, lawn care and body piercing under new legislation introduced in the Senate in early March.

The measure would extend the state's 6.25 percent sales tax to self-storage units, including storage in apartments tenants pay for and lockers rented at amusement parks and recreational facilities.

Lawn and garden services including mowing, watering, tree- and shrub-care and patio installation would be subject to the tax.

Other services that would be subject to the tax are: laundry, dry-cleaning, pressing and linen services; private detective and alarm devices; cable television, audio and video streaming and satellite services; pest control; and "personal care services" such as cosmetics, tattoos, body piercing, tanning and massage. Hair removal would be taxed, but not haircuts.
http://www.sj-r.com/news/20170302/legislation-spells-out-proposed-services-for-sales-tax

Utah ~ Sales and Use Tax: Utah Enacts Transient Room Tax

Utah will impose a state transient room tax of 0.32% on transactions involving tourist home, hotel, motel, or trailer court accommodations and services that are regularly rented for less than 30 consecutive days, effective January 1, 2018.

The Tax Commission will administer, collect, and enforce the tax. Sellers collecting the tax may retain, as a commission, 6% of the amount the seller would otherwise remit. Certain sellers or service providers are not liable for failing to collect the tax when the seller or service provider relied on data provided by the Tax Commission or software certified for use by the Tax Commission.

Similarly, a purchaser will not be liable for penalties on tax owed by the purchaser should the purchaser's seller or service provider rely on faulty data provided by the Tax Commission or software certified by the Tax Commission. The tax will be repealed on January 1, 2023.
http://news.cchgroup.com/2017/03/24/utah-sales-use-tax-utah-enacts-transient-room-tax/?utm_campaign=Tax+News+Headlines+March+2017&utm_medium=EM-BRANDING&utm_source=TNH+March+24+2017

U.S. ~ States Splitting on Digital Sales Tax Strategy

States adopting revenue-recovery measures to capture untaxed remote sales aren't uniform in their tactics or long-term targets.

Massachusetts Gov. Charlie Baker (R) has proposed for the FY 2018 budget that remote retailers with $500,000 or more of annual sales in the state begin collecting a 6.25 percent sales and use tax.

Several states have adopted similar "economic nexus" regimes, where through administrative rule or statute, retailers satisfying a specified monetary threshold or volume of in-state sales must collect

"You rob from the rich and give to the poor, but you don't get any receipts?"

and remit sales tax. South Dakota and Alabama are already embroiled in litigation that state officials welcomed, aspiring to reach the U.S. Supreme Court and overturn a 25-year-old constraint on sales tax collection.

Other states are forging a different path, targeting "marketplace providers" with proposed measures imposing collection obligations on companies offering online platforms on which third-party retailers can peddle their wares. Prior efforts failed in New York and Washington, but both states have joined others by introducing bills this session that would hold marketplace providers liable for tax on sales facilitated through their platforms.

Texas appears to have jumped on this bandwagon with S.B. 1713 and H.B. 3875, filed March 9 and 10, respectively.
The bills provide that a marketplace provider "is not required to collect a use tax imposed under this subchapter that is due from a purchaser if the retailer for whom the marketplace provider facilitates the sale, lease, or rental collects the tax from the purchaser." The bills further build in a presumption that a retailer registered with the Texas comptroller collects the use tax.

Brian Fliflet, deputy general counsel with the Illinois Department of Revenue, said that proposed legislation challenging *Quill* may surface in Illinois.
https://www.bna.com/states-splitting-digital-n57982085537/