

# CSAC Issue Brief

## Sales and Use Tax Protections

### Background

The last thirty years of state sales tax policy translates to counties receiving about half of the revenue collected with nearly two-thirds dedicated by Constitutional Amendment to provide local public safety services and federal and state programs, including social services, incarceration, and rehabilitation.

Counties also benefit from the authority to seek voter-approved transactions and use taxes, which establishes a rate in addition to the statewide base (usually between 0.5% and 2%) This provides critical support for local service delivery.

Each year, legislative proposals seek to provide specific products with sales tax exemptions. While often well-intended, they are prefaced with a minor loss of revenue statewide. However, the impact to counties is

significant, especially when multiplied by the exemptions sought for numerous different product types. In 2015-16, various exemptions were proposed to apply to diapers, energy efficient appliances, school supplies, vending machine products, emergency preparedness goods, feminine hygiene products, and purchases made from a small business.

At the same time as Legislature is seeking to expand exemptions, the nature of sales tax collection is changing. Purchases are more frequently being made from online retailers where sales tax collection and remittance is very different from brick and mortar stores. The state and national economy as a whole area also shifting away from being goods based and towards service based.

### Talking Points

- **Counties oppose the erosion of sales tax revenue, especially when it is counter to voter-approved actions.**
- Proposals seeking statewide sales tax exemptions **should not interfere with locally approved rates or the county-dedicated portions** for public safety, health and social services, transportation or other local programs.
- CSAC supports the **modernization of current sales tax policy** to reflect current trends, including the prevalence of online retailers, and changes in the state and national economy.

### Where Does the Sales Tax Go?

