



TESTIMONY IN SUPPORT OF SENATE BILL 248

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The Missouri Budget Project supports Senate Bill 248. By implementing the “Wayfair Fix,” allowing the state to capture sales tax for online retail purchases, lawmakers can level the playing field for Missouri’s bricks-and-mortar retailers and their online competitors and provide much-needed resources our local communities need to prosper. Utilizing a portion of the projected state revenue gained from Wayfair to provide a targeted tax reduction for Missourians working for low wages can create a critical stimulative effect as Missouri families continue to recover from the economic fallout of the COVID pandemic.

The Supreme Court ruling in “South Dakota vs. Wayfair” in 2018 allowed the states to compel online retailers to capture and remit sales taxes due for online retail purchases. Nearly every state has taken advantage of the opportunity provided by the Supreme Court ruling, with the exception only of Missouri and Florida.¹ Over time, consumer habits have been shifting toward online retail. The pandemic accelerated this shift, making it more important than ever to close this outdated loophole in Missouri’s tax structure.

Many Wayfair proposals presented to the Legislature over the past five years have attempted to divert potential revenue gains to new tax reductions. The failing of those proposals is that they often overestimate the amount of state revenue that Missouri will gain from Wayfair and would result in significant revenue reductions. The uncertainty in estimating Wayfair gains, as demonstrated in the broad range provided in the fiscal note, is understandable. As more states have implemented policies to collect sales tax from remote sellers, many of the online retail giants have already begun to voluntarily capture and remit Missouri’s state sales tax. Amazon, for instance, comprises about 50% of the online retail market and began remitting state sales tax to Missouri in 2017.² Because of this, even the most reliable estimates often overstate the impact of the Wayfair Fix on state revenue.

The most recent estimate provided by the U.S. Government Accountability Office (GAO), was produced in 2017, at the same time Amazon was just beginning to implement collections in Missouri.³ As a result, the GAO estimates of revenue gains, as shown in the table below, are likely high compared to what Missouri might expect to collect.

¹ Tax Foundation, “Florida and Missouri, the Last Wayfair Holdouts, Consider Remote Sales Tax Bills”, February 5, 2021

² Governing, “Coming Soon to 6 States: Online Sales Taxes From Amazon”, January 27, 2017

³ United States Government Accountability Office (GAO), “SALES TAXES: States Could Gain Revenue from Expanded Authority, but Businesses Are Likely to Experience Compliance Costs”, November 2017

Potential State and Local Sales Tax Revenue for Missouri Resulting from Compelling Online Retail Collections	
State General Revenue (3% rate)	\$67.32 million
State Earmarked Revenue (1.225% rate)	\$27.45 million
Local Revenue (3.805% average rate)	\$85.23 million
TOTAL State and Local (8.03% combined average rate)	\$180 million

It's important to recognize that while the state is likely already capturing a significant portion of the state sales taxes due for online retail purchases, localities may be missing out on local tax revenue. Many online retailers, particularly smaller vendors, aren't yet able to easily calculate and remit sales tax. Implementing the collections mechanisms described in Senate Bill 248 will make it easier for those retailers - small independent sellers and large retail giants alike- to calculate and remit sales taxes that are due to the state and localities.

As Missourians return to work as the economy continues to recover from COVID, a Working Families Tax Credit would provide a much-needed boost for hardworking families – particularly those who were hardest hit by the economic fallout of the COVID crisis. This bottom-up tax cut builds the middle class, spurs local economic growth, and provides long-term benefits to families and communities. It is also targeted and cost-effective.

Senate Bill 248 Working Families Credit				
Number of Eligible Tax Returns:		256,000		
Cost:		\$50m		
Average Income	\$13,000	\$29,000	\$49,000	\$80,000
Average Credit	\$26	\$194	\$266	\$230

Source: Institute on Taxation & Economic, March 2019

256,000 households, in every county of the state, would benefit from the Working Families Credit. Because the credit is targeted at Missourians who are working for low-wages, its likely to be spent quickly on goods and services in local communities, it also creates an economic stimulative effect.

Working Families Credit – Impact by Senate District	
Senate District	Number of Households
2	8,769
5	20,983
15	6,139
17	13,038
18	14,192
23	8,618
29	17,576

With Senate Bill 248, lawmakers can level the playing field for Missouri's retailers, provide much-needed resources our local communities need to prosper and help Missouri families recover from the COVID pandemic. We encourage your support.