# Summary of Remote Transactions Parity Act

**Why is this bill needed?**

The Remote Transactions Parity Act ("RTPA") will close a tax loophole that actually rewards companies for limiting growth and investment in new states. By placing online businesses on the same footing as brick-and-mortar stores, RTPA simply provides a mechanism by which states can collect a tax that is already legally required. This bill places all retail businesses on equal footing and ensures parity at the point of sale.

**What does RPTA do?**

RTPA levels the playing field by allowing states that meet simplification requirements to require remote sellers to collect taxes due on items purchased by consumers in those states.

**How is RTPA different than Marketplace Fairness Act?**

RTPA includes several additions such as:

- Audit protection – sellers will not be audited by states where they do not have physical presence. Certified software providers will be audited.
- Statute of limitations – three years
- Small seller phase-in – small seller exception starts at $10 million and is phased out over three years
- Third party liability – allows remote sellers to avoid law suits for overcollection of sales taxes by enabling remote sellers to refund overpayment
- Free software – expands definition of free software to include installation
- Software certification – requires states to determine certification within 180 days of application and prohibits states from denying certification for arbitrary and capricious reasons
- Remote seller definition - incorporates language defining physical presence to clearly define what businesses qualify as a "remote seller"

**Does this create a new tax?**

No. It simply allows states to collect the use tax that is already due from consumers on purchases.

**What is the debate over "sourcing," and what is RTPA's sourcing requirement?**

There is a debate over whether destination or origin sourcing should be used to enforce sales tax collection. Our current state tax structure is based on destination sourcing - meaning that a consumer pays the sales tax rate at either the point of sale or, in the case of remote sales, at the place where they consume it, which would be the address of where the item is delivered. Origin sourcing has been explored as a possible solution to the remote sales tax problem - it would instead only require the seller to charge the sales tax at the point where the business is located. While the origin sourcing approach would make collection simple for some sellers, it would actually raise the tax owed by the consumer if the seller was located in a higher taxing jurisdiction than that consumer. For this and other reasons, RTPA employs destination sourcing.

**How does RTPA protect small businesses?**

RTPA includes strict audit protections for small businesses, such as raising the small business audit exemption to $5 million and requiring states to pay for most of the compliance costs - all while letting the sellers choose the software that works best for their business, all at the cost of the state.

**What is a certified software provider?**

"Certified Software Provider" is the term used for the companies certified by states to provide and manage installation of tax collection software states are required to offer sellers under RTPA. Except in the case of intentionally misrepresentation or fraud, states will conduct audits of remote sellers only through the CSPs. By forcing states to request audits through the CSPs, the RTPA creates another protective barrier between sellers and states requiring they collect and remit the sales and use taxes.

**Does RTPA create new, burdensome compliance costs on small businesses?**

No. RTPA has significant protections and requirements that make the state provide and pay for virtually all of the compliance requirements - by not only footing the states with the bill for the software, but also forcing states to pay integration and maintenance costs so that businesses don't have to pay for the cost associated with making sure the software works within their existing checkout and shopping cart systems.