



HARRISBURG REGIONAL CHAMBER & CREDCSM

POSITION STATEMENT Proposed Elimination of the 1% Sales Tax Discount

Background:

Pennsylvania currently has a one percent discount for the timely remittance of sales tax collected by licensed vendors. Vendors collect sales tax on behalf of the state on goods and services that are subject to the Pennsylvania sales and use tax. The Governor has proposed eliminating this discount in order to generate additional revenue for the 2010-2011 State Budget.

Reasons to Oppose:

- Vendors collect the sales tax on behalf of the state, as well as various other forms of taxes, and therefore have an increased burden of responsibility.
- The discount provides a justifiable compensation to cover a small portion of the actual costs incurred by the business acting on the state's behalf, not a bonus to the vendor. For example, if a business owner generates \$500,000 in sales a year, the owner would collect about \$30,000 in sales tax. According to the *Pricewaterhouse Coopers 2005 Joint Cost of Collection Study*, it could cost the business \$3,900 in administration costs, but the vendor allowance would only reimburse them \$300. Therefore, the business still incurs a substantial net cost to collect sales tax for the state after receiving the vendors' discount.

Summary:

The Harrisburg Regional Chamber & CREDC opposes the elimination of the one percent sales tax discount given to vendors for timely remittance of sales tax they have collected on behalf of the Commonwealth.

Chamber Position: OPPOSE

Date: March 4, 2010

Chair: Scott Shearer

Committee: Tax

Date: April 1, 2010

Chairs: Sheilah Borne, Deb Suder

Committee: Government Relations

Harrisburg Regional Chamber Board of Directors: April 14, 2010