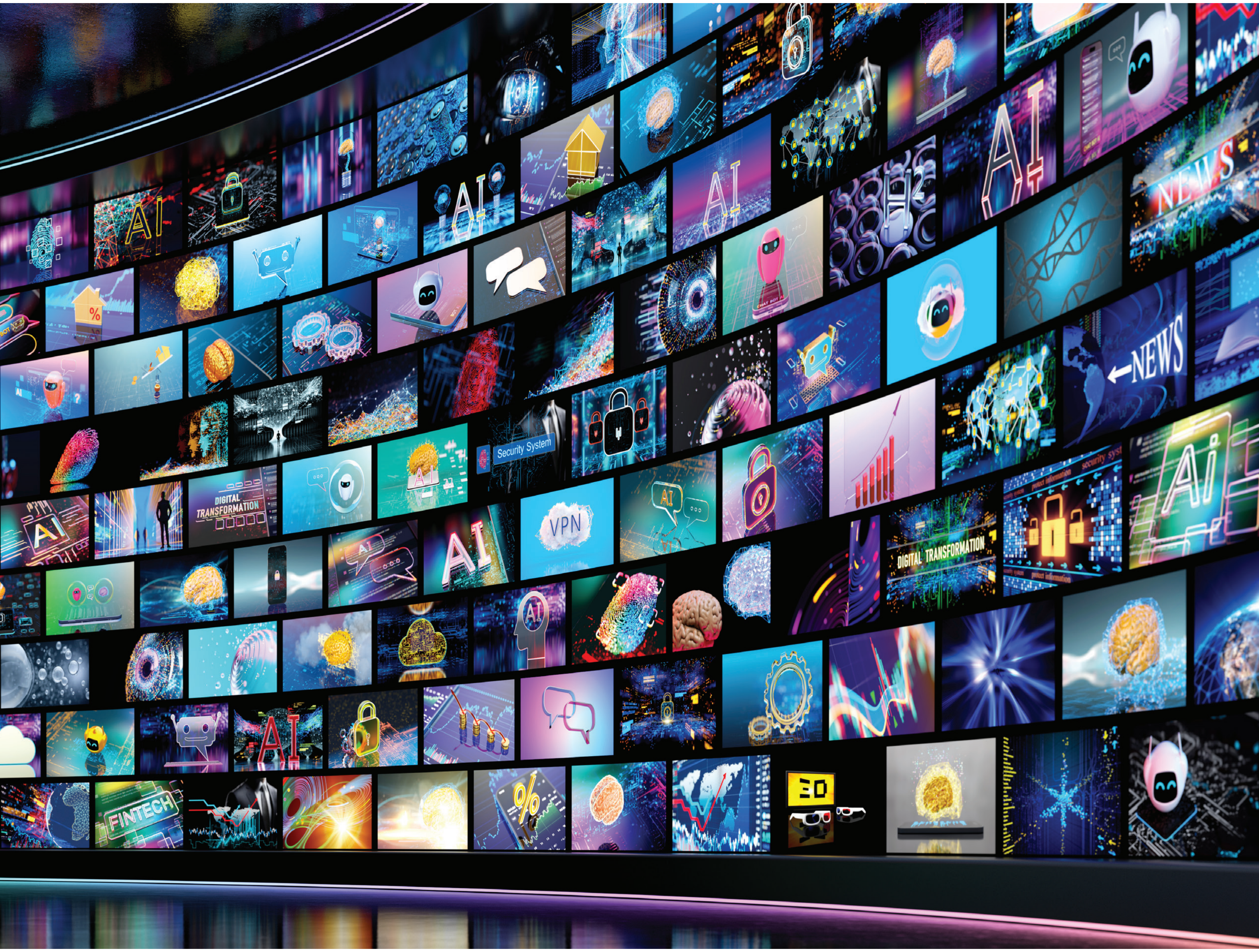
NCSL SALT TASK FORCE POLICY BRIEF

Taxation of Digital Products



NCSL
NATIONAL CONFERENCE OF STATE LEGISLATURES

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Taxation of Digital Products

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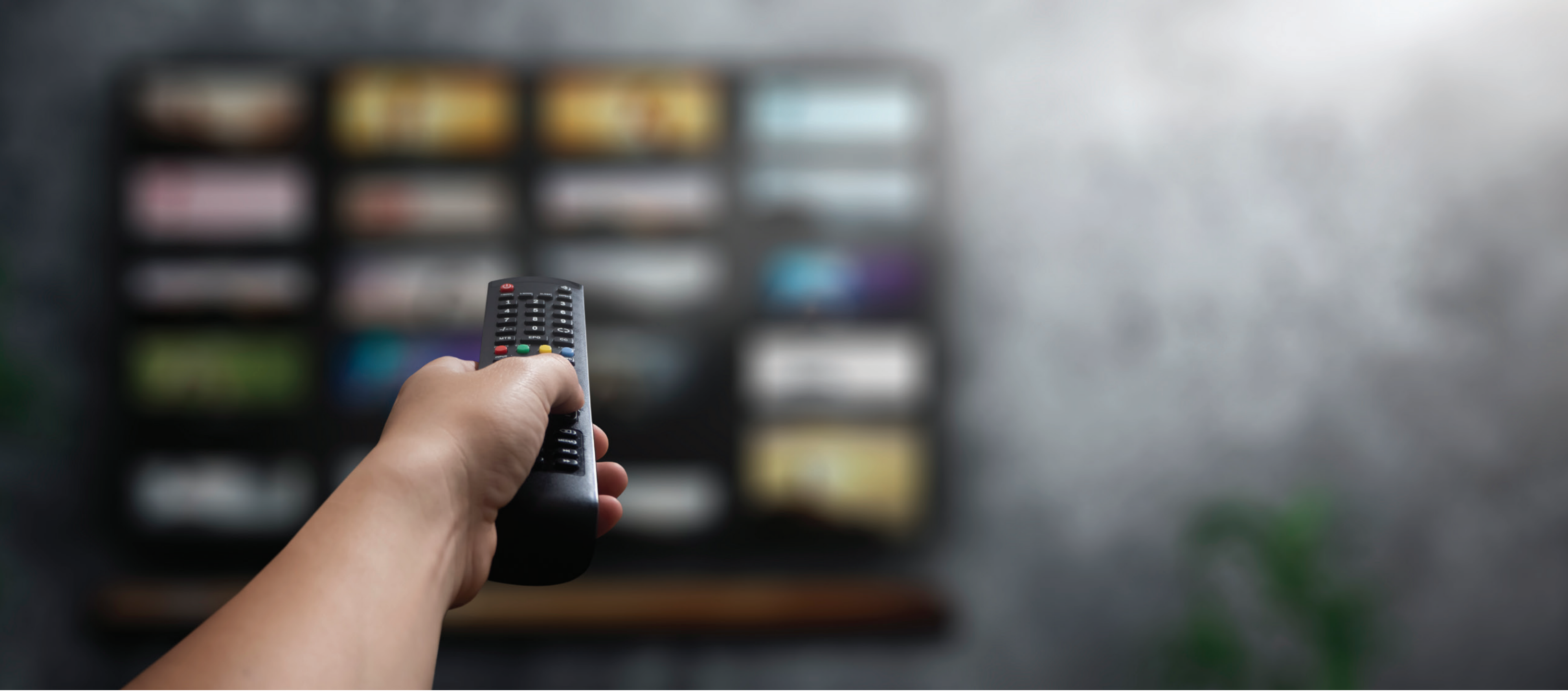


Executive Summary

The sales tax is one leg of the three-legged stool of public finance, with the other two legs being income and property taxes. How states apply their sales tax to sales of so-called "digital products" (which includes both digital goods and digital services) is a topic that has gained increasing attention by state legislators. This primer assumes state policymakers are considering including digital products in their state's tax base for various factors important to their state. The purpose of this "primer" is to provide state legislators with an overview of the issues that arise with legislation taxing digital products.

There are two main approaches states use in setting the breadth of their sales tax. Most states take a narrower approach by subjecting to tax sales of only (1) tangible personal property and (2) certain services specifically enumerated by statute. These states frequently exempt a handful of categories of tangible personal property from sales tax, such as food and medicines. On the other hand, a limited number of states take a broader approach, taxing all sales of tangible personal property while exempting by statute often long lists of products.

States that take the broader approach to sales taxation, by default, would already subject sales of digital products to tax. States that take the narrower sales tax approach might include sales of digital products if their definition of "tangible personal property" is broad enough to include them or if there is a specifically enumerated service category broad enough to include a digital service.

Most of the 24 full and associate member states that are members of the Streamlined Sales and Use Tax Agreement ("SST") apply the narrower approach to sales taxation. With respect to digital products, SST member states are not allowed to include so-called "specified digital products" or other products "transferred electronically" in their definitions of "tangible personal property." Instead, the SST approach to imposing sales tax on digital products uses a product-by-product methodology. The SST contains definitions for three specific types of digital products: electronically transferred movies, music and books, and a catchall category of "other products transferred electronically." Member states are free to pick and choose which products to include in their sales tax base and there is flexibility to include other types of digital products not on the SST's menu. The SST separately characterizes electronically delivered prewritten computer software as tangible personal property and outside the scope of the digital products regime.

Notably, under the SST approach, a sales tax imposition on sales of specified digital products and other products transferred electronically only applies to downloaded products unless the imposition statute clearly states that the tax applies even if the buyer must make continued payments (i.e., the sale is of a subscription) or the buyer's right to use the digital product expires when a subscription ends. Many states that are not members of the SST have adopted its methodology and borrowed its definitions and imposition standards.

The SST approach also addresses the concept of a "bundled transaction," i.e., a purchase for a single charge where a customer receives multiple taxable and non-taxable items. While bundled transactions have long been common (for example, the purchase of a shrink-wrapped taxable cheeseboard that includes tax exempt foods such as cheeses), they have become more common in the digital realm as a number of businesses offer subscription services that bundle taxable and non-taxable products . The SST sets forth clear rules for determining when a transaction is a bundle. For instance, if the prices for the taxable and nontaxable products are made available to the customer at time of the sale, the sale is not a "bundled transaction" because the products are not treated as having been sold for a single price. If a sale is a "bundled transaction" it is taxable by default unless, using objective standards, the taxable elements of the bundle represent a *de minimis* amount of the value of the entire bundle. The SST approach minimizes controversy over taxation of bundled transactions, while other state approaches have created unnecessary confusion.

Regardless of the approach taken in imposing a sales tax, state legislatures should be cognizant of the federal Internet Tax Freedom Act ("ITFA"). ITFA bans state and local taxes on "internet access" and discriminatory taxes on electronic commerce. A tax discriminates against electronic commerce if it is imposed on a product or service provided using the internet but not on similar products or services provided offline. A possible pitfall with legislation expanding the sales tax to digital products or services is retaining exclusions or exemptions for sales of products or services that are similar to products within the proposed expansion. An example would be a proposed expansion of the sales tax to digital newspapers and magazines when sales of print newspapers and magazines are exempt. This could result in a discriminatory tax on electronic commerce barred by ITFA.

Finally, any expansion of the sales tax that reaches digital products risks taxing sales of so-called "business inputs." In theory, the sales tax is imposed only on the final consumer of a product or service. Imposing the sales tax on sales of products or services consumed in a manufacturing process or that become a part of manufactured goods should be avoided because it results in tax "pyramiding." Tax "pyramiding" happens when a consumer buys a good or service and pays sales tax on the sale while participants in the production and distribution chains also paid sales tax on their business input purchases. Those upstream sales taxes become part of the cost of the good or service and, thus, part of their price. A sales tax on a final consumer price that includes previously taxed business inputs will result in the consumer paying a hidden tax-on-tax. States taxing sales of digital goods or services should apply similar input exemptions as are applied to similar tangible property. Additionally, to the extent business inputs of digital services are not to be excluded or exempt, legislators should consider including rules that permit allocation of services that might be used in more than one state.

This primer makes four principal recommendations to legislators drafting bills related to imposing sales tax on sales of digital products:

- Use the SST approach by clearly identifying which specific digital products or services will be included in the tax base. The legislative language should clearly delineate whether streaming services are included in the tax base or whether only downloads are covered. What is important is making the law as clear and simple as possible such that compliance is less burdensome.
- Avoid ITFA problems upfront by conducting an analysis of existing sales tax exemptions and exclusions and considering whether they could cover products or services similar to those included in any expansion of the sales tax covering only digital products.
- Use the SST approach for determining the taxation of bundled transactions.
- Avoid taxing business inputs and tax pyramiding by confining the expansion to consumer sales only by making it clear sales of business inputs are not included in the expansion.

State legislatures seeking passage of legislation consistent with these recommendations should consider providing drafts of proposed digital products sales tax legislation to business taxpayer groups and asking them for their views on whether a tax proposed by a bill is administrable, improperly taxes business inputs, or could result in a tax banned by ITFA.

Approaches Taken By States That Currently Tax Digital Products

States that tax sales of digital products generally have done so through their existing sales tax regimes. Unless a statutory exemption applies, most states typically impose sales tax on all sales of tangible personal property. In most states, the sales tax treatment of services typically is different than for sales of tangible personal property; sales of services generally are not subject to the sales tax unless there is a statute specifically subjecting its sale to tax. On the other hand, a few states (e.g., New Mexico and South Dakota) have broad sales tax regimes that apply to sales of nearly every good and service, but, by statute, explicitly exempt specific categories from tax. Some states with typical sales tax regimes have amended their laws to tax sales of specifically identified digital products, while states with broad sales tax regimes typically rely on their existing regimes to tax digital products unless a specific statutory exemption applies.

Some states with typical sales tax regimes broadly expanded their tax bases to reach digital products, while others simply wanted to preserve their existing tax base by taxing only those digital products that would be taxable if sold in a tangible form. For example, many states taxed sales of physical albums (i.e., cassettes, vinyl records, and compact discs), but when sales by download on a per-song basis became prevalent, some began taxing sales of downloaded songs to prevent what otherwise would have been a revenue loss. States imposed these taxes either by adopting the SST approach or by crafting their own approach.

Streamlined Sales and Use Tax Agreement Approach

BACKGROUND

In 2007, with extensive input from the business community, the Streamlined Sales Tax Governing Board amended the SST to include new sections detailing how its member states could impose their sales tax on sales of certain digital products. At the time, the primary digital products on the market were songs, movies, and digital books that could be downloaded from the internet for a set price (e.g., $0.99 per song), while subscription-based internet streaming business models were nascent and mostly limited to music streaming services (nevertheless, the SST drafters were aware these new models were developing).

Resulting SST amendments specifically defined certain categories of "specified digital products" (basically movies, music, and books), along with a catchall category for other "products transferred electronically." The SST allows states to pick and choose which digital products they will tax and those they won't and provides flexibility for states to expand the list of taxable digital products beyond the ones specifically listed in the SST.

Separately, the SST includes a definition of "tangible personal property" that includes "prewritten computer software." "Prewritten computer software" is not considered a specified digital product or a product "transferred electronically" under the SST or any member state's law. This definition also allowed states to impose tax on prewritten computer software regardless of how it was delivered to the customer or exempt sales of prewritten computer software if the software was "delivered electronically" or by "load and leave" (i.e., when software is installed on-site by a seller on a purchaser's computer without providing physical copies of disks storing the software).

The difference between digital products "transferred electronically" and prewritten computer software "delivered electronically" is important. The former is broader and allows for taxation of streaming services (as discussed further below) while the latter is more restrictive and only allows for taxation of software downloads. As such, the requirement that a copy of prewritten computer software had to be "delivered" to be taxable as a sale of "tangible personal property" prevents states from taxing so-called "cloud computing" services as the sale of prewritten computer software (e.g., TurboTax's tax online tax preparation service versus its downloaded software). To tax sales of cloud computing services and remain SST compliant, a state would, instead, need to expand its list of taxable services.

The SST also prevents member states from taxing digital products as sales of "tangible personal property." Instead, a member state's legislature is required to pass legislation that expressly imposes tax on sales of digital products. In addition, under the SST approach, a statute imposing tax on sales of a specified digital product will be treated as only reaching downloads. To reach subscription-based streaming services, where access to digital content ends when the subscription expires, the member state's sales tax imposition statute on digital products must contain language explicitly establishing that such services are taxable.

STATE IMPLEMENTATION OF SST APPROACH

While the SST approach might seem restrictive due to its statutory specificity requirements, it affords states great flexibility by allowing them to include or exclude a wide array of digital product sales within their tax bases and helps the legislature be very clear about which sales of digital products it intends to impose the tax on and those which it does not. States are also free to add to the SST's short list of taxable digital products and some of the SST states have already done that.

There are 23 SST full member states and one associate member state that follow the SST approach. Several non-member states (e.g., Connecticut and Mississippi) also follow the SST approach. Some state legislatures have adopted the digital products amendments to the SST, while others (e.g., Kansas and Oklahoma) have not and do not tax sales of digital products. Some states have taken advantage of the SST's flexibility that allows them to pick and choose which products on the SST's menu of digital products will be taxable. For instance, Kentucky taxes a variety of digital products, including digital photographs and periodicals (which are not on the SST's menu), but excludes movies (which are on the menu).

OTHER APPROACHES

Those states that tax sales of digital products without following the SST approach use varied approaches and, other than requiring some form of electronic delivery, have no common theme among them. For example, Maryland takes a broader approach, defining "digital product" as "a product that is obtained electronically by the buyer or delivered by means other than tangible storage media" which "include[s] a sale, subscription, or license to access content online." If states adopt the broad approach like Maryland, it may give a state taxing authority license to tax just about anything that is delivered for a fee over the internet as a digital product, which may (or may not) have been the legislature's intent.

In contrast, other states, such as Colorado, use a bare-bones approach to taxing digital products by defining them as "any item of tangible personal property that is delivered or stored by digital means, including but not limited to video, music, or electronic books." The use of "tangible personal property" in this statute has led to litigation over its scope, with a court ruling it did not apply to video streaming.

Still other states, such as New Mexico (which has a broad sales tax statute that arguably did not need to specifically address digital goods in the first place), treat digital goods as intangible property but use a vague open-ended approach that generally describes the nature of the products included within the definition. In New Mexico, digital good "means a digital product delivered electronically, including software, music, photography, video, reading material, applications, and ringtones." From a business perspective, this definition lacks clarity over whether it is limited to downloads or captures streaming services, and by providing a nonexclusive list of taxable items it leaves sellers guessing what other products may be included but left unstated. It is extremely important to the business community and state taxing authorities that the intent of the legislature, and which products it intends to impose tax on, be clear.

Conclusion

When expanding a state's sales tax regime to reach digital products, clarity about what is (and is not) taxable is essential. Taxpayers need to understand their obligations, especially since most states impose sales tax on customers while requiring that sellers collect and remit tax to the state taxing authorities. If tax imposition statutes are unclear, sellers risk collecting too much tax (potentially exposing themselves to consumer class actions for over-collecting) or too little tax (making them liable for the buyer's unpaid tax). Unclear tax laws also increase administrative costs and the likelihood of disputes with taxpayers.

Therefore, non-SST states considering expanding their sales tax regimes to reach digital products should

consider looking to the SST approach for guidance. The SST approach has much to offer in terms of certainty. The SST approach has been around for over 15 years and it has generated few, if any, taxpayer disputes.

Consistent with the SST approach, states considering going down this road should enact statutes that explicitly impose tax on specific digital products. Legislators should carefully consider whether to tax only purchases of digital products that can be downloaded and used in perpetuity or to also tax temporary access to subscription-based streaming services.

Similarly, if a legislature intends to tax cloud computing services (as opposed to just taxing software that is electronically downloaded), it should consider passing explicit legislation. Expanding the sales tax to sales of cloud computing services is fraught with complexity due to the federal ITFA prohibition on state taxes that discriminate against electronic commerce. (See ITFA discussion elsewhere in this primer). Unless offline equivalents of cloud computing services are also subject to the tax, a conflict with federal law could arise. One option that states may want to consider in preventing ITFA from coming into play is to enact an exemption for the sales of these products delivered or transferred electronically, if the sale of such products sold in a tangible form is exempt from or not subject to tax.

States looking to expand their sales tax to sales of digital products should consider avoiding the ad hoc approaches used by non-SST states and, instead, look to the time-tested SST approach that identifies specific digital products for taxation. Using the SST approach adds the advantage of consistency across states and provides clarity and certainty for both taxpayers and tax administrators.

Impact of the Internet Tax Freedom Act

Any state considering the taxation of digital products must carefully navigate ITFA's constraints on state taxing power. Enacted in 1998 as a temporary measure, ITFA has since been extended, expanded, and made permanent. Most relevant to legislators considering the taxation of digital products, under ITFA, state taxes on:

- "internet access" are barred outright and
- electronic commerce are barred if they are "discriminatory."

Taxes on 'Internet Access'

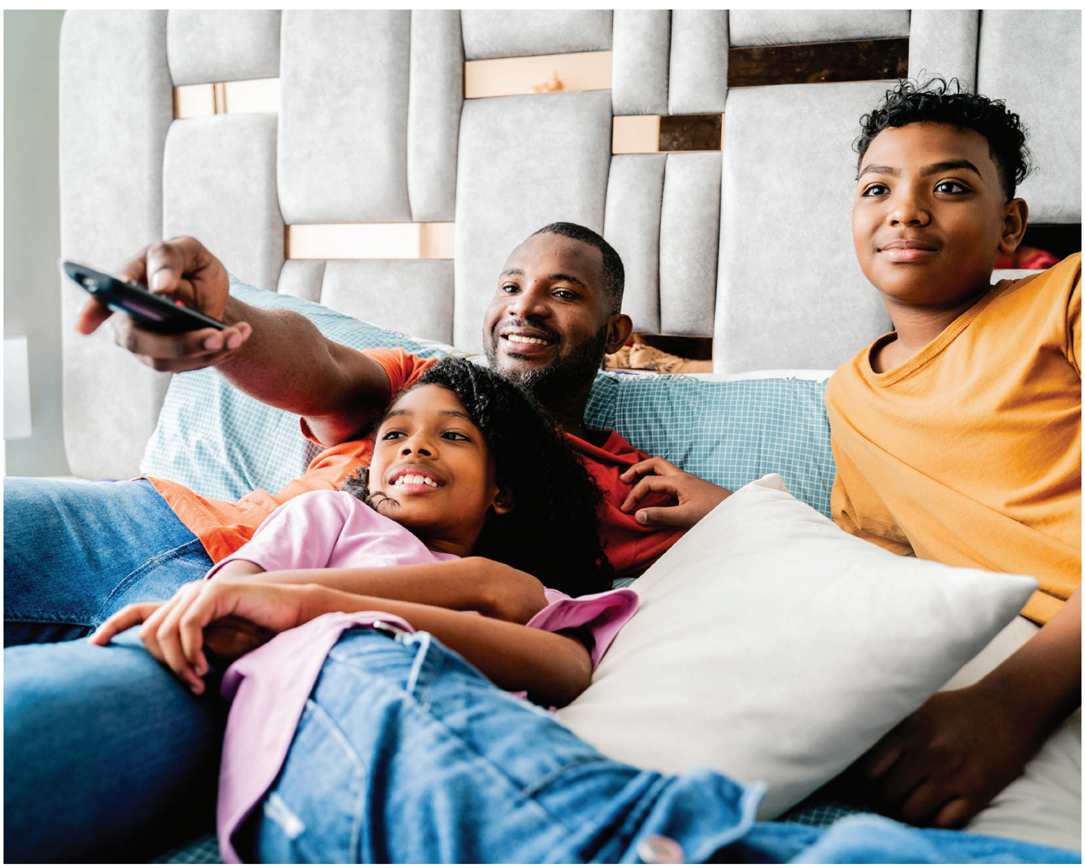
ITFA prohibits state taxes on "internet access." The scope of the original enactment was narrow and generally only banned taxes on services that allowed actual access to "content, information, electronic mail, or other services offered over the Internet." It only applied to charges by the provider of the access, and did not apply to charges for other services provided by third parties.

However, Congress expanded the definition of "internet access" in 2007. Under the expanded version, which is in force today, "internet access" includes:

- services that are incidental to the provision of ...[access to the internet] ... such as a home page, electronic mail and instant messaging (including voice- and video-capable electronic mail and instant messaging), video clips, and personal electronic storage capacity.

These services constitute "internet access" and their sale may not be taxed regardless of whether they are sold as part of a service that allows access to the internet or are sold independently by others.

ITFA does not define any of the specific services that now are included within the definition of "internet



access." For instance, it is not clear how the ban on taxes on sales of "personal electronic storage capacity" applies to business purchases of such services. Most states define the term "person" as including corporations and other business entities. Therefore, when considering an expansion of a state's sales tax regime, legislators would be well served by crafting laws that do not encroach on these additional categories of services constituting "internet access," the sale of which may not be taxed. Otherwise, the state risks time-consuming litigation and potential refund claims, which could render the anticipated revenue from a sales tax expansion speculative or illusory.

Discriminatory Taxes on Electronic Commerce

ITFA also bars state taxes that discriminate against electronic commerce, i.e., commerce taking place over the internet. A tax is considered discriminatory if it applies to online activity but not to similar offline activity. An example of a tax that likely discriminates against electronic commerce would be one imposed on sale of digital newspapers and magazines but not on sales of print newspapers and magazines.

Sales tax statutes that impose tax on online and cloud-based services, unless paired with an imposition on similar offline services, will be ripe for ITFA challenges by taxpayers. Traps for the unwary also lie in existing sales tax exemptions. In some cases, amending certain existing exemptions may be necessary to reduce the risk of ITFA preemption.

It might reduce the odds of an ITFA discriminatory tax challenge if the imposition of tax on sales of digital products was limited to those transferred to the purchaser electronically only if their sale in a tangible form would be subject to tax as a sale of tangible personal property under the state's law. Utah is an example of a state that uses this type of formulation.

Conclusion

Recognizing the constraints of ITFA is essential when designing sales tax imposition statutes on digital products. Any expansion of the sales tax base requires a thorough understanding of what sales currently are subject to tax and what exemptions exist. Failure to account for ITFA's restrictions could lead to unintended consequences, including litigation and tax refunds. Legislators seeking to expand the sales tax base to sales of digital products should consider proceeding with caution by both ensuring compliance with federal law and understanding that doing so may require expanding the tax base to sales of other, non-digital, products.

Bundled Transactions Treatment

Subscription services offering customers a "bundle" of digital products for a single monthly or yearly charge have become increasingly popular in e-commerce. Such digital subscription services typically offer subscribers a combination of free or discounted shipping of products, a streaming television service, a streaming music service, a streaming video gaming service, and/or downloadable e-books, among other things. And while the popularity of subscription bundles may be relatively new, the concept of bundling is not. As just one example, during the holidays, grocery stores long have offered a cheeseboard together with an assortment of cheeses for a single price (making a convenient last-minute gift).

A "bundled transaction" may include a combination of taxable and non-taxable items for a single price. For example, in the holiday cheeseboard bundle example, most states would treat the cheeseboard as a taxable sale of tangible personal property, while excluding the sale of foods such as cheeses from taxation. As such, bundled transactions create a common source of controversy between taxpayers and tax administrators on audit. Such controversy is enhanced because states take many different approaches to determining the taxability of bundled transactions. Most problematically, if a seller wrongly judges whether (or the extent to which) a bundled transaction is taxable and fails to collect tax from a customer, the incidence of the tax would shift from the buyer to the seller in the form of an assessment for failure to collect the tax.

Fortunately, the SST provides clear and administrable rules that minimize controversy over both traditional bundled sales (i.e., the holiday cheeseboard) and new bundled subscription services. States thus would be well served by adopting the SST bundled transaction approach in their own sales tax laws. In addition, both ITFA and the Mobile Telecommunications Sourcing Act contain bundling provisions that States also should take into account.

For example, ITFA provides its own bundling rule for certain bundled transactions that include non-taxable "internet access" services. Under this rule, if taxable products and non-taxable "internet access" services are bundled for a single charge, the entire bundle is subject to tax unless the seller can reasonably separate the charges for the non-taxable internet access using its books and records. ITFA Sec. 1106. The ITFA bundling rule appears similar to that part of the SST bundling rule that permits the use of separate selling prices to unbundle a transaction into its taxable and non-taxable components.

The SST bundling rules are consistent with these federal laws.

How the SST Approach Works

The SST's definition for "bundled transactions" provides clear rules for when a transaction is a "bundled transaction." If a sale qualifies as a "bundled transaction," the SST has a default rule providing that inclusion of a single taxable item in a bundle makes the full charge for the bundle taxable. However, the SST approach also provides objective and administrable rules that: (1) exclude from "bundled" transaction treatment transactions where the seller makes information available to the customer at time of the sale establishing the prices of the separate elements of the bundle such that they are not sold together for a single price and (2) exclude from tax those bundles that include taxable items representing a *de minimis* value (i.e., 10 percent or less) as compared to the rest of the items in the bundle.;

The following examples illustrate application of the SST approach to the tax treatment of a bundled transaction that includes digital products:

■ **SCENARIO 1**

Seller offers a package of electronically delivered products that includes music streaming, movie streaming, an online news service offering access to newspaper and magazine content and online access to electronic games that allows gameplay both online and offline. The package is invoiced for $15.00. The seller identifies the value of the components in documentation available to the customer online.

The package is not a bundled transaction under SST as it is not sold for one non-itemized price. The separate prices in the online documentation are treated as follows for sales/use tax purposes:

PRODUCT	TAXABLE	PRICE AS PART OF ONLINE IDENTIFIED PRICES
Movie Streaming	No	$3.00
Music Streaming	No	$2.25
Online News	No	$1.50
Downloadable and stream-able games	Yes	$8.25
Total		**$15.00**

Because the price of each element of the package is made available to the purchaser, the sale is not for "one non-itemized price" and therefore the transaction does not meet the SST definition of a "bundled transaction." The seller only needs to charge tax on the $8.25 price attributable to the games. The seller need not charge tax on the remainder of the price.

■ **SCENARIO 2**

Seller has a catalogue of electronically delivered products, including music streaming, movie streaming, an online news service offering access to newspaper and magazine content and online access to electronic games that allows gameplay both online and offline.

Seller offers each of these products for sale on a monthly subscription basis either separately or together for one non-itemized price that is less than the sum of the prices of the individual products. The prices for the individual products when sold together are not made available to the customer at the time of sale.

In "State A," the items in the bundle are priced and treated as follows for sales/use tax purposes:

PRODUCT	TAXABLE	PRICE IF PURCHASED SEPARATELY	PRICE AS PART OF AN $8 BUNDLE
Movie Streaming	No	$4.00	$3.20
Music Streaming	No	$3.00	$2.40
Online News	No	$2.00	$1.60
Downloadable and stream-able games	Yes	$1.00	$0.80
Total:		**$10.00**	**$8.00**

Seller sells the bundle for $8, a 20% discount from the separate prices.

Under the SST approach, the digital subscription bundle could constitute a "bundled transaction" and normally would be presumed taxable. However, in this case, the subscription bundle would not be taxable because the otherwise taxable element in the bundle (the downloaded and streamed games) comprising only 10 percent (i.e., 80 cents) of the price of the bundle (i.e., $8), falls within the SST's *de minimis* bundled transaction exception.

Conclusion

The SST approach is the rule in the 24 states and has been so for approximately 20 years. It has produced little, if there is any controversy. Further, adoption of the SST approach by a state expanding its sales tax to sales of digital products would foster state-to-state consistency making tax compliance less burdensome.

Business Input Exemptions

Retail sales and use taxes are intended to tax end-user consumption. In an optimal design, consumption taxes should be imposed only on final consumption by consumers; not on "business inputs," the intermediate (rather than final) goods businesses use to produce other goods or services for sale. Most state sales tax regimes provide some level of exemption that avoids (or minimizes) sales tax "pyramiding" or "cascading." These include exemptions for goods used in manufacturing, as component parts, for research and development and purchases for resale. Some SST states limit the taxation of digital goods to only sales to end users.

When considering the expansion of a state's sales tax base to digital products, and especially digital services, consideration of providing an exclusion or exemption for business-to-business ("B2B") purchases that mirrors the inclusion of business-to-consumer ("B2C") purchases is appropriate. Without such exclusions or exemptions, the tax burden on these inputs is passed along at each stage of the production/supply chain, ultimately increasing the costs imposed on final consumption. This "pyramiding" effect raises the overall effective sales tax rate consumers pay, making goods more expensive than they would be if business inputs were exempt from taxation.

Sales taxation of business inputs increases costs to producers and other intermediaries before a sale is made to an end-user consumer. To maintain profit margins, businesses raise prices to account for these added tax costs. Ultimately, the price charged to the final consumer reflects not only the cost of the goods or services but also the embedded sales taxes imposed on the business inputs. Taxing business inputs can create a competitive disadvantage for goods subject to those taxes, especially when similar goods (such as foreign made goods), do not bear similar taxes on business inputs.

In contrast, most foreign countries use a value-added tax ("VAT") regime that only taxes final consumption and avoids this pyramiding effect. Under a VAT, tax is imposed incrementally at each stage of production, but businesses can deduct the tax paid on their inputs, ensuring that only final consumers bear the tax. Goods move through the production and distribution chains without any "tax-on-tax" accumulating along the way. Exported goods are also exempt from VAT, giving foreign-made goods a price advantage over domestically produced goods that may have been burdened by sales taxes at multiple stages of production and distribution. For this reason, state tax policymakers should strive to design expansions of their sales tax base to digital products in a way that excludes business inputs.

Unlike VATs that utilize a multiple stage process that avoids tax pyramiding, retail sales taxes are designed to impose the tax at the last "retail" stage and exempt intermediate B2B purchases. States expanding their sales tax to digital goods often recognize the negative effects of taxing business inputs. A common practice is to match the digital B2B exemption to the digital B2C base inclusion. For instance, when Iowa, Connecticut, and Maryland expanded their tax bases to include digital goods and/or services, each state's legislature included exemptions for B2B transactions in their laws, mitigating these impacts. An exclusion or a special exemption for digital products may be needed, preventing this type of tax on business inputs.

Excluding or exempting B2B sales of digital products from the sales tax also helps reduce many ITFA-related concerns. For instance, the ITFA discussion elsewhere examined how the inclusion of "personal electronic storage capacity" in the definition of "internet access" might be construed in the context of business-level online storage services. If the state excluded B2B sales of digital products, that issue would never arise because the sale would be exempt from the tax.

Conclusion

State policymakers expanding their sales tax base to digital products should consider to either exclude or exempt B2B transactions (i.e., business inputs) to avoid negative effects on consumer prices and retain the ability of in-state businesses to compete globally.

NCSL's State and Local Taxation Task Force

This policy primer was developed by NCSL's State and Local Taxation (SALT) Task Force. The Task Force was created to analyze emerging tax issues and provide guidance to state legislators confronting the complexities of the 21st century economy and consists of legislators, legislative staff, and NCSL Foundation members.
Acting in a bipartisan and balanced manner, the task force identifies critical issues legislatures need to address and provides practical guidance to states by developing principles and best practices for tax reform and modernization.

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