

Talking Points/Oral Testimony
Sales Taxes on Professional Services
To the _____ Committee

1. My name is _____; I am a CPA and am representing the _____ [Society of CPAs, Business Coalition, TAC etc.].
2. _____ CPA Society is the primary professional association representing CPAs with over _____ members active in _____ chapters all across the state. [or description of coalition being represented]
3. We recognize your committee's charge to study sales tax exemptions and exclusions and we appreciate this opportunity to express our views with regard to sales taxes on accounting, auditing and other professional services.
4. In addition to my brief comments, we have provided more detailed written testimony for your consideration.
5. _____ CPA Society [or coalition being represented] believes that our state should retain its current exclusion of accounting, auditing and other professional services from sales taxes.
6. [Use a state specific example of past consideration of this issue if available, e.g., Texas legislatures have been studying this issue off and on at least since the 1980s and every time it has been considered the legislature has made the wise choice to continue the exclusion.]
7. Most other states have reached similar conclusions. In 2009, approximately 7 states introduced legislation proposing a tax on services; none of those bills made it through to law.
8. In Florida, Massachusetts and Michigan implementation difficulties, in part, caused those states to repeal sales taxes on services either before or shortly after they were implemented.
9. There is no major industrial state that levies sales taxes on professional services.
10. The rationale for the exclusion has not changed in all these years and it may be even more valid today than in the past.
11. For the most part, accounting, auditing and other professional services are business-to-business transactions. There are a number of "good tax policy" reasons so called "business-to-business" sales should not be included in the sales tax:
 - a. The sales tax is designed to be a tax on consumption; when business-to-business services are taxed, it becomes a tax on production.
 - b. Taxes on professional services will result in tax pyramiding, hidden taxes and a general lack of tax transparency.
 - c. Such taxes are particularly harmful to, and disadvantage, small businesses.
 - d. These taxes impede overall economic development and put the state at a competitive disadvantage. These taxes can impair competitiveness, especially with professional services firms that operate in a state without such taxes – **which is most states.**
12. It is extremely difficult to source where "sale" of services occurs. It is often difficult, if not impossible, to determine where the "sale" of accounting services occurs – creating the likelihood that the same service could be subject to tax in multiple jurisdictions.
13. It is an unfair taxation on the very services necessary to comply with tax law. Both individuals and businesses depend on accounting services to comply with federal and state tax laws – taxing compliance with these laws compounds the tax burden borne by individuals and businesses in this state.
14. A sales tax on some professional services such as tax return preparation would likely face significant taxpayer backlash. A sales tax on any service that the consumer has to purchase because of our complex laws and regulations will seem like double taxation to the taxpayer.
15. Sales taxes on accounting, auditing and tax preparation services may drive consumers to use out of state professionals. With today's Internet world, many such services, tax return preparation for

example, can be performed anywhere regardless of where the individual resides. That would be bad for CPAs in our state. *[Note – Depending on specific state law we may not want to use this point. With well drafted tax rules the recipient of the services will potentially still need to accrue use tax for the benefit of the service received in the state the same as if they purchased property from a non-registered/online vendor.]*

Those are the highlights of why _____ Society of CPAs [or coalition represented] believes sales taxes should not be levied on accounting, auditing and other professional services. There is more detail in my written testimony. Thank you for your time and I'll be happy to answer any questions.