



NEW YORK STATE SENATOR

Liz Krueger

## Krueger Holds Forum On Modernizing Sales Tax Collection

LIZ KRUEGER April 6, 2016

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Albany – Today, State Senator Liz Krueger held a forum on modernizing sales tax collection in New York State. The state's current system of sales tax collection has not kept up with changes in retail payment methods and technological innovation. The forum evaluated proposals for modernizing the collection of sales tax to improve its efficiency for retailers and reduce the potential for fraud through sales tax suppression.

"Good government requires the efficient collection of taxes, and a good business environment requires everyone to play by the rules," said Senator Krueger. "If a business is not paying their share, not only do they have an unfair advantage over their competitors, but everyone else has to pick up the tab for the lost revenue. At a time when we're scraping the bottom of the barrel to fund vital services, fixing our outdated sales tax collection will bring in additional revenue without the need to increase taxes."

Sales tax evasion is a significant problem throughout the U.S., costing states billions of dollars each year. In New York State, one tax researcher has estimated that sales tax suppression leads to a loss of \$1.7 billion in revenue annually. Electronic sales suppression techniques, including software known as "phantomware" and "zappers," can be used by retailers in their point of sales (POS) systems to modify records and under-report sales. As a

result, states and localities are unable to collect the appropriate amount of sales taxes from those businesses. A number of other states and counties have adopted or are exploring the adoption of new technologies to address these issues.

In introducing the forum, Senator Krueger stated that its purpose was to identify effective ways to reduce fraud, increase sales tax revenue, provide a more even playing field for businesses, and simplify the process of tax collection and remittance for everyone.

Professor Richard Ainsworth of Boston University, an expert on international sales tax collection and fraud prevention, offered an overview of the extent of the problem. According to Ainsworth, New York State loses around \$1.7 billion each year due to sales tax suppression. "Zapper" software, which allows users to falsify sales receipts, previously came in the form of CDs or USB thumb drives, but increasingly sophisticated software is now available to download online, making it nearly impossible to track down producers. Professor Ainsworth's written statement can be [viewed here](#).

Ted Potrikus, President of the Retail Council of New York State, agreed that there is a definite need to reduce sales tax suppression, stating that the issue is not arguable. He pointed out that sales tax avoidance creates challenges and unfair competition for those legitimate businesses that are following the law, though he expressed wariness that proposed solutions should not impose an undue burden on business owners.

Bernard Gilles, Directeur Principal of Revenu Québec, and Marie Ivaarson, Vice President of Retail Innovation HTT AB of Sweden, provided an international perspective. Mr. Gilles discussed a program of mandatory billing that Québec's government has begun phasing in for the restaurant industry. Revenu Québec estimates that sales tax evasion leads to \$3.5 billion in lost tax revenue. To address these losses, Québec introduced secure sales recording

module (SRM) technology to 20,000 restaurants throughout the province, as well as providing a subsidy to restaurant owners for implementation. Revenu Quebec estimates that by 2019, the program will have recovered more than \$2 billion in taxes that would otherwise have been lost. The SRM technology was designed to be applied to other industries as well, and Québec is slowly expanding the program. A PowerPoint presented by Mr. Gilles can be [viewed here](#).

Assistant District Attorney Jill Mariani spoke on behalf of Manhattan DA Cyrus Vance. She pointed out that 25 other states have laws addressing sales tax suppression software, and offered several proposals for tackling sales tax avoidance. These included imposing felony charges and fines on individuals that manufacture, sell, buy, or use tax suppression software, creating a crime of conspiracy for those who work with businesses to defraud the government of taxes, and making those who perpetrate tax fraud liable for the expenses involved in investigating and prosecuting them. Ms. Mariani also recommended a mandate that all merchants use a standard piece of equipment for recording sales. Her complete statement can be [viewed here](#).

Speakers at the forum are listed below:

- Jill Mariani, ADA, Office of Manhattan District Attorney Cyrus Vance
- Warren Klomp, District Administrator, California Board of Equalization
- Bernard Gilles, Directeur Principal, Revenu Québec
- Ted Potrikus, President and CEO, Retail Council of New York State
- Professor Richard Ainsworth, Director, Graduate Tax Program, Boston University
- Marie Ivaarson, Vice President, Retail Innovation HTT AB – SWEDEN
- William Gordon and Pino Luongo, Stac Media

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