



January 10, 2006

The Honorable Dave Freudenthal
Governor of Wyoming
State Capitol, Room 124
Cheyenne, WY 82002

Dear Governor Freudenthal:

On behalf of the 350,000 members of the National Taxpayers Union (NTU) nationwide and our more than 1,000 members in Wyoming, I write to thank you for publicly expressing your concerns about the proposed Streamlined Sales Tax Agreement (SSTA). As the Legislature begins what will undoubtedly be a busy session, it is exceedingly important for the state's elected officials to closely examine Wyoming's potential role in the creation of this sales tax collection cartel and the impacts this ambitious project will have on Wyoming businesses.

The experience of Kansas should provide a cautionary tale as to the costs to small businesses and the unpopularity of the changes needed to adopt a destination-based tax system. In 2002, legislation was enacted authorizing the Kansas Department of Revenue to become a signatory to the SSTA and make preparations for its implementation. In 2003, separate legislation was passed that initiated the destination-based mechanisms necessary for compliance with the SSTA. Costs for retailers of conforming to the new system were estimated to be \$50 million annually.¹ The destination-based scheme was immediately unpopular and enforcement was delayed for six months. Legislation to repeal the entire destination-based sourcing mechanism was passed by the Kansas House in 2004 only to die in the Senate in part due to repeated veto threats from the Governor.²

Aside from the very real concerns small business owners may have over the adoption of the destination-based regime, NTU and its members are deeply concerned about the impact the SSTA will have on interstate competition and federalism should it be adopted nationwide. It is our belief that in their single-minded desire to collect a small portion of lost revenue – approximately two percent of all sales are made over the Internet and a significant portion of resulting sales taxes are indeed collected – some states are asking Congress to adopt a plan that demolishes the very cornerstone of federalism devised by our Founding Fathers. One of the great strengths of our Constitutional system is the fact that states compete every day to enact policies that are favorable to economic development. Coordinating sales tax policies among the states is the fastest way to undermine that process that has served us so well for more than 200 years.

¹ Calculations by Kenneth Daniel, appearing in "Costs of Streamlined Sales Tax Project Compliance for Kansas Retailers," February 13, 2004.

² *Kansas City Business Journal*, "Kansas House Ok's Bill to Repeal Tax Law Changes," March 9, 2004, <http://www.bizjournals.com/kansascity/stories/2004/03/08/daily23.html>.

NTU and our members have long shared many of your concerns over the SSTA. To that end, we congratulate you for taking such a proactive stance on this issue and we look forward to working with you in opposing its implementation in the state of Wyoming. I have enclosed some additional documents that buttress our case as to the lack of need for, and inadequate workability of, the proposed system.

Sincerely,

A handwritten signature in black ink, appearing to read "John Berthoud", with a stylized flourish at the end.

John Berthoud
President