

# **UTAH STATE TAX COMMISSION**



**REVENUE & TAXATION INTERIM COMMITTEE**  
**AUGUST 23, 2017**

# SOURCING VS. DISTRIBUTION

**Sourcing** = Point of sale (POS) for purposes of determining the sales tax rate that applies to a particular sale.

**Distribution** = How 1% local sales tax revenue is distributed among local jurisdictions.  
(50% POS & 50% Population)

**\*The Sourcing and Distribution Rules are not the same.**

\*Sourcing rules must comply with Streamlined Sales Tax (SST) but distribution rules are not subject to SST.

# SOURCING

## Origin Sourcing vs. Destination Sourcing

Origin Sourcing = If a customer purchases AND receives goods in Utah.

Destination Sourcing = If a customer purchases OR receives goods outside of Utah.

Approx. 12% of total sales are sourced to the destination with the remainder being sourced to the origin.

# SOURCING SCENARIOS



Purchase occurs in Utah (Sourced to Origin)

---



Purchase occurs outside Utah (Sourced to Destination)

# SOURCING SCENARIOS



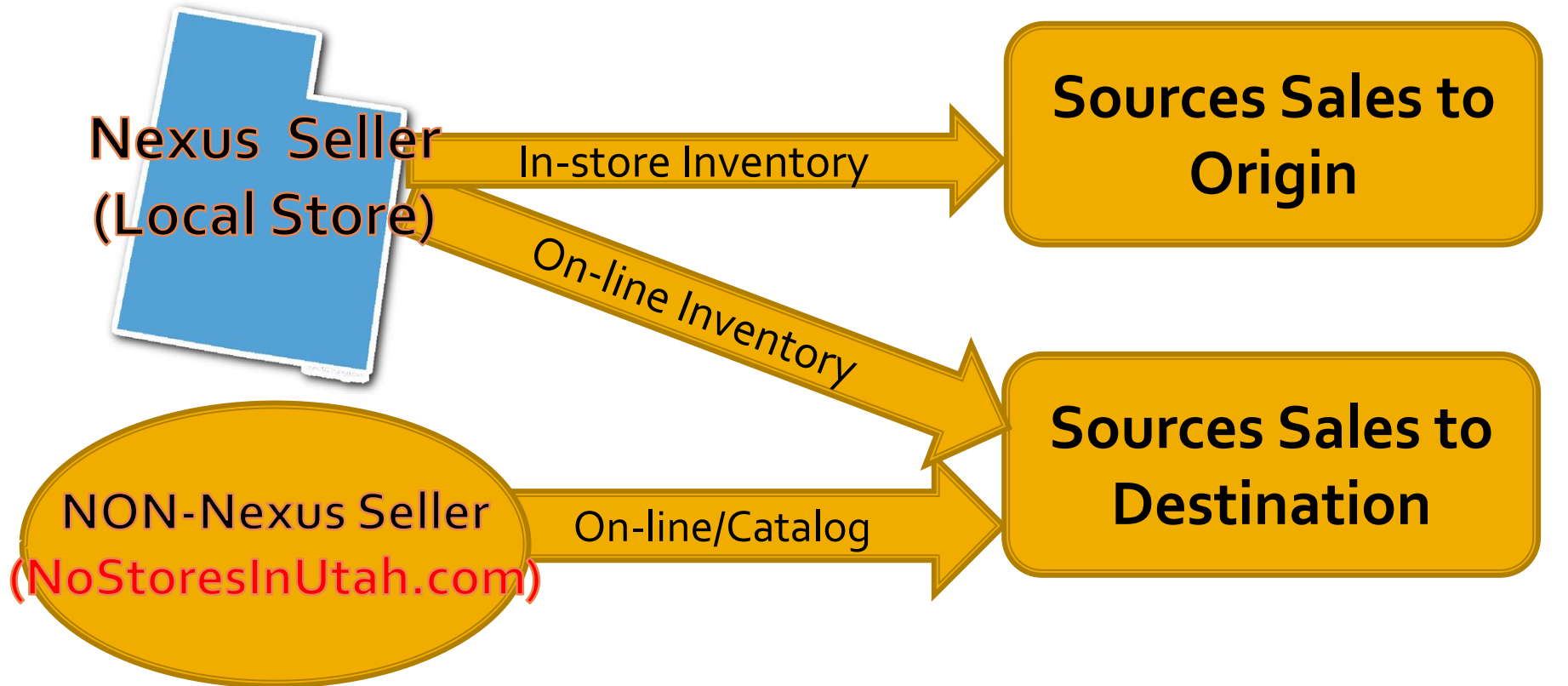
Purchase occurs in Utah (Sourced to Origin)



Purchase occurs outside Utah (Sourced to Destination)

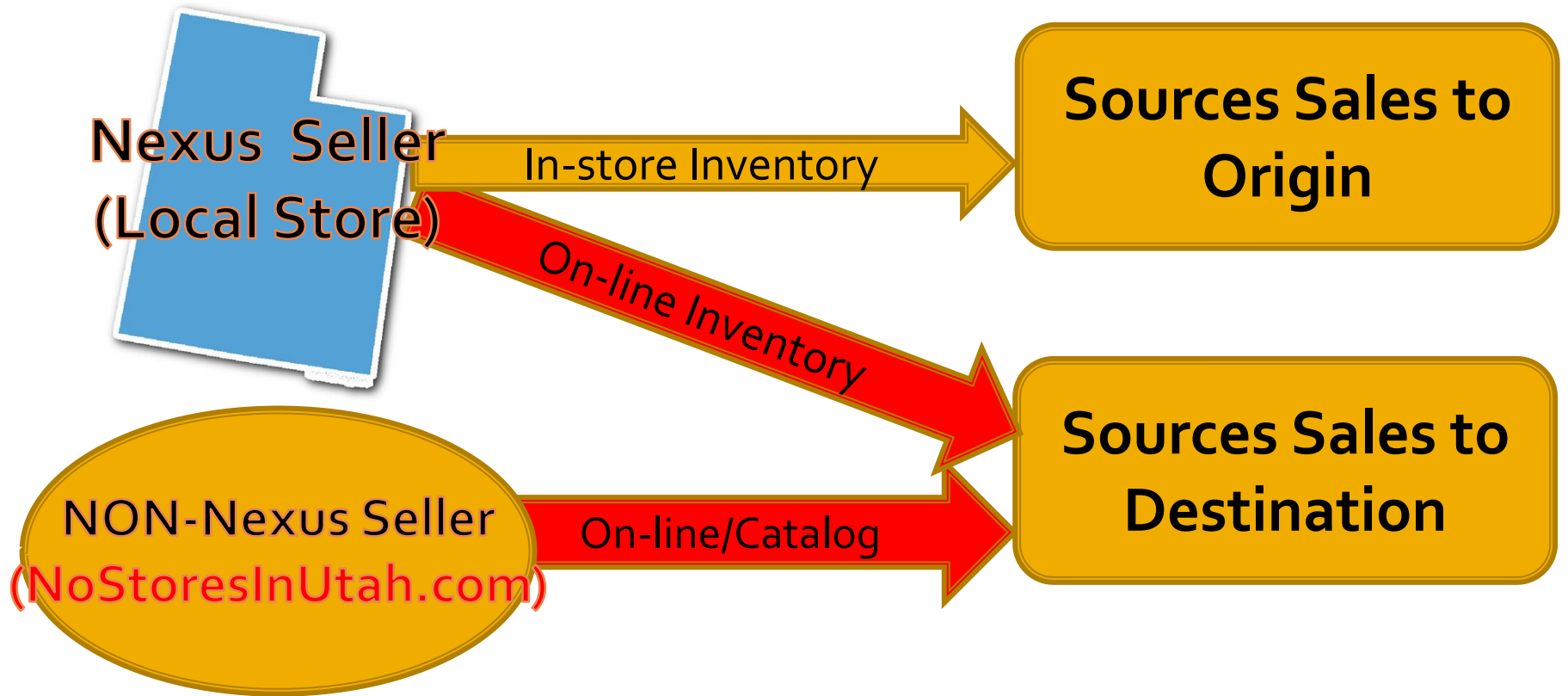
\*This could include servers in Utah

# NEXUS VS. NON-NEXUS



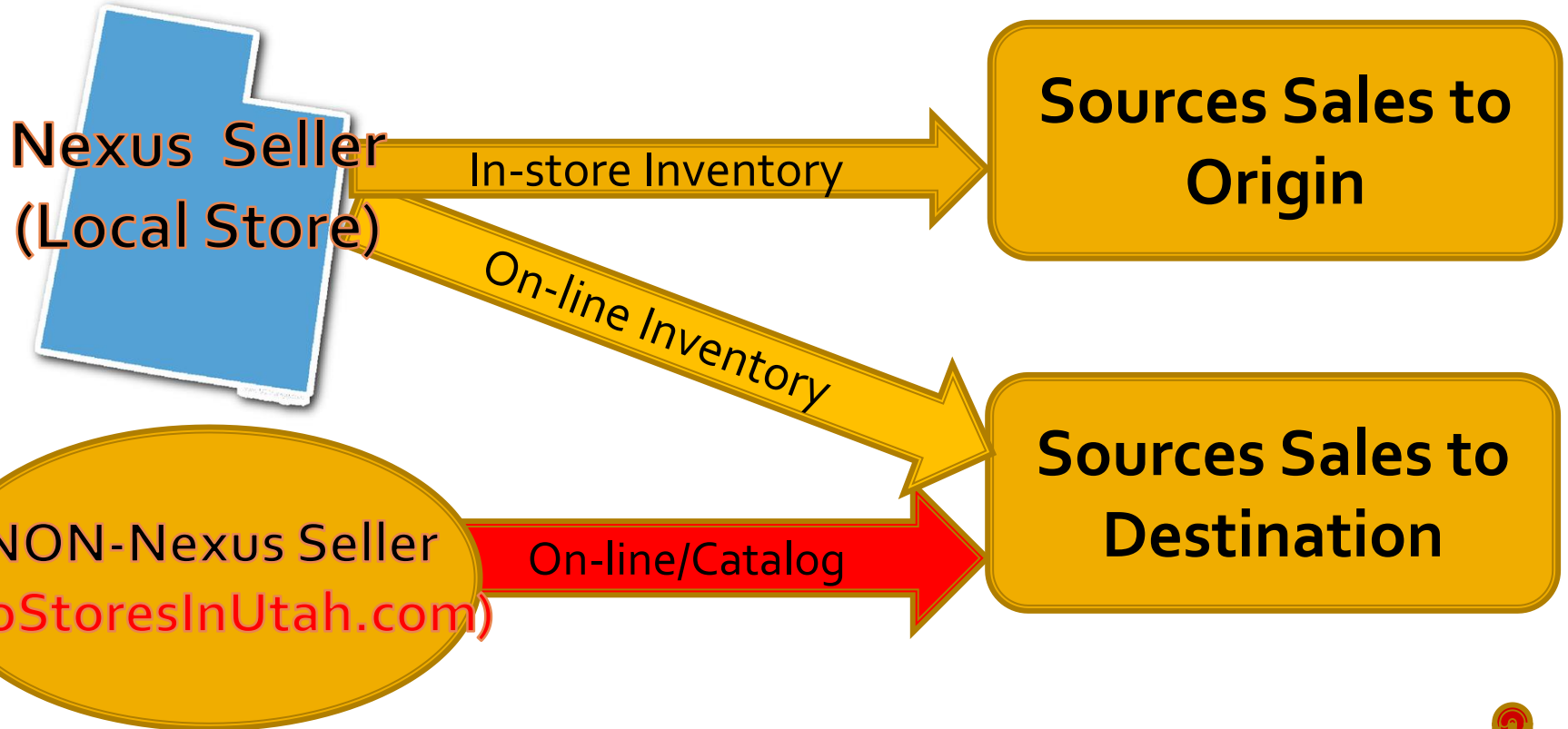
Sales are sourced to the destination by both Nexus and Non-Nexus Sellers.

# NEXUS VS. NON-NEXUS



Destination sourced sales represent about **65 million** in Local Option Sales Tax revenue.

# NEXUS VS. NON-NEXUS



Destination sourced sales reported by sellers without Utah nexus represent about **3.5 million** in Local Option Sales Tax revenue.  
(Approx. 5% of total destination based revenue.)



# CONCLUSION

- Destination based sourcing includes both nexus and non-nexus sales.
- 95% of destination sourced sales are reported by sellers with Utah Nexus.
- If the goal is to only redistribute revenue collected from non-nexus sellers, distribution based on destination sourcing is overly broad.

# CONCLUSION

- Non-nexus sales represent only 3.5 million of local option sales tax revenue. All local option sales tax revenue is already distributed under a 50% population distribution. Therefore, the net effect of changing to a 100% population distribution is a redistribution of 1.75 million among all local jurisdictions.
- It is possible to separately distribute revenue collected from non-nexus sellers but it will require system reprogramming and possible changes to returns.
- Nexus status is self reported.

# CONCLUSION

- Changing the distribution formula to 100% population will create winners and losers.
- Local Jurisdictions with higher than average per-capita online spending will get less revenue
- Local Jurisdictions with lower than average per-capita online spending will get more revenue.

# QUESTIONS?

