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To: State Chamber Tax Committees and State Taxpayer Organizations

From: COST Advocacy Team

Date: April 8, 2020

Re: COST's Recommendations for State and Local Tax Compliance Relief

In response to the COVID-19 pandemic, COST continues to hear concerns from our members regarding compliance issues caused by extreme disruptions to the economy and a shelter-in-place workforce. These issues are not just issues of concern for the business community, but also for taxing authorities who are dealing with their own issues caused by closed offices and employees working remotely.

Although many states are already addressing extensions for state income tax filings, many local jurisdictions are not yet offering any type of relief or guidance for taxpayers struggling with obsolete compliance requirements. Please find the latest version of COST's State and Local Tax Relief Tracker [here](#). **If you have any updates for actions taken by your state and/or local jurisdictions, please let us know.** Note that the entire second half of the Tracker is dedicated to local government filing relief and state court actions.

When addressing local tax items, compliance is particularly difficult since administration and decision-making is so often decentralized. If we can assist your association in implementing any of our suggested state and local relief items (see below), please let us know. Additionally, if you have any contacts for statewide local government associations in your state that could assist us, we would appreciate that information as well.

Our suggestions for local jurisdiction compliance relief (in addition to state relief) during the pandemic are listed below:

- **Extend Filing and Payment Deadlines.** Localities should follow the lead of states and the federal government and broadly postpone all tax filing and payment deadlines for local taxes, preferably by statewide action to ensure consistency among local governments.
 - **Calendar and Fiscal Filers.** States and localities should apply extended filing and payment deadlines to fiscal-year filers as well as to calendar-year filers.
 - **Estimated Payment Extension.** States and localities should include estimated tax payments with postponed tax filing and payment deadlines.
 - **Sales, Use, Property and Other Tax Extensions.** In addition to corporate income taxes, states and localities should postpone deadlines for other types of taxes, including sales, use, property, and other business activity taxes.
- **Waive Interest and Penalties for Late Payment or Late Filing.** During tax periods encompassing emergency declarations and or periods of severe economic disruption, penalties and interest for late filing or late payment (absent fraud) should be waived.
- **Eliminate Difficult Compliance Requirements for Shelter in Place Employees.** Since most business employees are working from home, states and their localities should consider eliminating administrative requirements that are difficult to achieve when working remotely, to include:

- **Paper Filing.** To the extent not already allowed, state and local tax jurisdictions should implement some sort of electronic filing, even if it's an email of a .pdf return.
 - **Wet Signatures.** To the extent not already allowed, state and local tax jurisdictions should allow electronic signatures.
 - **Requirements to Use Certified Mail.** To the extent currently required, state and local tax jurisdictions should consider suspending any requirement that items be sent via certified mail.
 - **Paper Checks.** To the extent not already allowed, state and local tax jurisdictions should consider allowing electronic payment with no additional fees.
- **Option to Continue Withholding at Employer Location While Employees Shelter in Place.**
Many individuals live in a jurisdiction different from where they work. State and local taxes based on the location of an employee should allow employers the option of continuing to treat employees as working at their regular work location for payroll tax purposes, including withholding personal income tax.
 - **Limit Nexus Opportunism.** State revenue departments should specify that the presence of an employee working in a state due to shelter-in-place restrictions will not create nexus for tax purposes in that state.
 - **Extend Appeal Deadlines.** State and local tax jurisdictions should also extend appeal deadlines.
 - **Exempt Sales/Use Tax for Donated Products.** By our count, 23 states (AL, AZ, AR, FL, GA, ID, IL, IA, KS, KY, LA, MD, MI, MS, MO, NE, PA, RI, SC, TN, VA, WI, and WY) require a business that donates products to a charity or governmental entity to pay and remit use taxes on that donated product. During this crisis and longer term, we would encourage states that do not exempt donated products from their sales/use taxes to provide specific relief. (We commend Indiana Governor Eric Holcomb for waiving the use tax on donated COVID-19 supplies on March 19).

We look forward to working with you. For more information, please contact Doug Lindholm (Tel: (202) 484-5212, email: dlindholm@cost.org) or Fred Nicely (Tel: (202) 484-5213, email: fnicely@cost.org) at COST.