

Dear Governor Baker,

On behalf of the Electronic Transactions Association (“ETA”), we urge you to re-consider the proposal requiring third-party payment processors to receive and remit sales tax from retail merchants on a real-time basis, which would adversely affect millions of consumer credit or debit card payments and electronic funds transfers. ETA supports an alternative proposal, which would require the largest merchants to make an estimated prepayment of sales tax to Massachusetts and would get sales tax revenue to Massachusetts faster than the current system. This represents the most balanced and least disruptive approach among those currently under consideration. However, if given a choice, ETA would prefer to use the existing structure already in place for remittance of sales tax by merchants, because the system works.

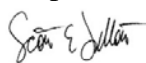
ETA has unanimous consent on support of this alternative proposal from our membership of over 500 companies, which includes small and large merchants, financial institutions, acquiring banks, merchant service providers and payment processors, and payment card networks.

There are other proposals being considered which have been scored to bring in the same amount of revenue for Massachusetts, as the alternative proposal, but represent significant infrastructure challenges and ultimately would cost more for retailers, payment processors, networks, card issuers and the Department of Revenue. For example, the Senate Ways & Means Committee’s budget that would, require the Department of Revenue to conduct a cost benefit analysis and then promulgate rules to make either an accelerated sales tax remittance or a sales tax prepayment system for companies. The House Ways & Means Committee’s budget would direct the Commissioner of Revenue to formulate rules and regulations to require payment processors to receive and remit sales tax from retail merchants on a real-time basis – a task that would affect millions of consumer credit or debit card payments or electronic funds transfers.

Both House and Senate proposals would be an expensive operational nightmare for payment processors, payment networks, card-issuing financial institutions and merchants alike. Additionally, the bi-partisan National Conference of State Legislators’ Executive Committee Task Force on State and Local Taxation carefully examined “real-time” remittance of sales taxes by parties other than the taxpayer and concluded “...’real time’ sales tax process is not a solution.”

For those reasons, we support an alternative proposal, which would require the largest merchants to make an estimated prepayment of sales tax to Massachusetts and would get sales tax revenue to Massachusetts faster than the current system without the need to reinvent the existing electronic payment structure. If you any questions, you can contact me at stalbott@electran.org.

Respectfully,



Scott Talbott
Senior Vice President, Government Affairs
Electronic Transactions Association