



Issue 1

2014

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Dear Monika,

I hope you are having a great start to your year!

In this issue of States of Affair, we take a look at what you should do now that California's Enterprise Zones programs have come to an end.

And there's new buzz surrounding the Marketplace Fairness Act. Find out what the rumor mill is talking about.

There have also been many exciting things happening at Labhart Miles. I'll tell you about my trip to New York University's 32nd Annual Institute on State and Local Taxation conference. Plus,

Connect With Us



Contact Us

Address: 3150 Almaden
Expressway, Suite 234
San Jose, CA 95118

Phone: 408.266.2259
Fax: 408.266.6284

Email:
Monika@LabhartMiles.com

Join Our Mailing List!

:: (408) 266-2259

Labhart Miles has joined ProVisors. Continue reading to learn all about it.

If you want to know more about any of the items in this month's e-newsletter or what we do at Labhart Miles, please contact us at 408.266.2259 or email us today.

All the best,
Monika Miles
Labhart Miles Consulting Group, Inc.



Hot News

EZ Programs: Get Your Vouchers Now

California's Enterprise Zones (EZ) program may have come to an end as of 12/31/13, but it's not too late to voucher qualified employees to get the benefit. We at Labhart Miles are recommending businesses that qualify for the EZ programs submit their vouchers voucher requests within the next 6 months. Clients can also file amended returns to obtain the benefit retroactively. Here are three other things you should know about the expired EZ program.



- All EZ credits, including the hiring credits, sales/use tax credits, NOL carryover, and net interest deduction are repealed effective Jan. 1, 2014.
- Businesses may apply for vouchers for qualified employees hired on or before December 31, 2013. And benefits continue to accrue for up to 5 years for qualified employees vouchered under the EZ program.
- Businesses have 10 years to claim any unused EZ credits - meaning businesses have 10 years to use what they've earned before 2014. However, businesses can't continue to earn new credits after January 1, 2014 (except to the extent of qualified employees already vouchered and still employed by the business).

Effective January 1, 2014 there are three new programs that replace the EZ program:

- **New Employment Credit** - Open to businesses located in former EZs as well as areas with high

unemployment/poverty. Excludes temporary help agencies, retailers and food services, unless those businesses have less than \$2 million in gross receipts (which means they are a "small business" as defined by the legislations). It is effective January 1, 2014 through January 1, 2021. While this credit has been touted by the Governor's office as an incentive to replace the EZ program, very few companies are likely to see ANY benefit as the qualification hurdles are simply too high. ·

- **New Sales Tax Exemption Program for Qualified Purchases** - This program is very similar to a sales tax exemption enacted in 1993 for small manufacturers. It is effective beginning July 1, 2014 through July 1, 2022 for businesses statewide and not restricted to former EZ boundaries. ·
- **The California Competes Fund** - Intended to be used as a one-time tax incentive to encourage companies to relocate or expand in California, this economic incentive tool represents a pool of funds that will be subjectively doled out to businesses that apply for them. To read the proposed regulations click here: <http://business.ca.gov/Programs/CaliforniaCompetes.aspx>

If you still have questions about how to take advantage of these new benefits or how to file for the eliminated EZ programs, please contact us at 408.266.2259.

The Marketplace Fairness Act & Amazon

If you shop on Amazon (or other Internet retailers), no doubt part of the reason you do is for the perceived "cost-saving benefit" of no sales tax on your order. However, with the New Year, that came to an end in three more states, as Amazon began collecting sales tax from sales to customers in Indiana, Nevada and



Tennessee. Amazon

already collected tax in 16 states as a result of either state click-through laws or increased physical presence. And in 2016, South Carolina will join the [growing list](#). State officials expect the new levies to generate more than \$50 million a year collectively.

Technically, customers are supposed to report web purchases and pay taxes on them, but people rarely do.

In May 2013, the U.S. Senate passed the Marketplace Fairness Act (MFA), but it has stalled in the House of Representatives, and it is not yet law. The [Marketplace Fairness Act](#) would grant states the authority to compel online and catalog retailers or remote sellers, no matter where they are located, to collect sales tax at the time of a transaction. This is what local (brick and mortar) retailers are already required to do. The bill's backers, including Amazon, contend that if all online retailers are required to collect sales tax, it

would level the playing field among competitors. The company acknowledged that there should be exemptions for small online businesses, but asked Congress to consider keeping that threshold low.

Now there is new buzz surrounding the MFA with rumors that the House Judiciary Committee's Bob Goodlatte (Rep - VA) plans to hold a hearing in the first half of this year to explore the legislation. David French, Senior Vice President for Government Relations at the National Retail Federation, which backed the Marketplace Fairness Act said, Goodlatte has "made clear the kind of bill he's looking to do," and is "rethinking how to assemble these pieces."

Goodlatte has said he plans to consider the issue carefully and has released a set of seven principles that an online sales tax bill would have to meet in order to be considered by his committee including:

- An online sales tax bill should not create a new or discriminatory tax.
- It should not create greater burdens for online retailers than brick-and-mortar stores.
- It should give online retailers "direct recourse" to challenge taxes and compliance burdens.
- An online sales tax bill should be simple enough for small businesses to easily follow.
- It should encourage states to compete on tax structures.
- It should respect state sovereignty.
- It should protect customer privacy.

A Judiciary aide for Goodlatte has said, "The committee is not actively drafting legislation at this time, but continues to welcome ideas consistent with the principles from interested parties." Few people involved in the push expect the committee to move quickly on the bill, especially since there is other legislation that is taking precedence.

To see how passage of the Marketplace Fairness Act could impact your company or your clients, please contact us.

For alternative perspectives about the Marketplace Fairness Act, visit www.marketplacefairnessnow.org and www.emainstreet.org.

What's Up at Labhart Miles?

This Cali-Girl braced the cold weather in New York City as Monika attended [New York University's 32nd Annual Institute on State and Local Taxation conference](#) on December 12 & 13. The annual conference addresses all major areas of state taxation, provides high-level updates, practical advice, and in-depth analysis of the latest developments and current issues in all areas of state and local taxation. Topics are presented from leading authorities across the profession.



Monika in NYC

We've also been talking! Monika Miles co-presented a Strafford Webinar, "Sales Tax Intricacies for Retailers: Tackling Online Sales, Coupons, Rebates, Nexus, Sourcing and More," on January 8th. The webinar provided tax professionals with a detailed briefing on the critical latest state developments and tax trends affecting retailers. You can check out the full webinar recording [here](#).

Monika was interviewed by one of Labhart Miles' vendors, Initial Call, last month and featured on their blog. She discussed some of the biggest challenges she faces as a boutique consulting firm and what she wishes people understood about her business. You can read the full story on the [Initial Call website](#).

Labhart Miles also provided some customized [training sessions](#) to local CPA firms in January. If you are interested in customizing your own training session contact us at 408.266.2259.

Joined! Labhart Miles joined ProVisors (Group SJ1) in January. ProVisors is a network of business professionals throughout California that support and refer one another to colleagues and clients. We look forward to actively participating in both Bay Area and Southern California groups. [Click here](#) to check out Monika's profile.

And stay tuned! There are more exciting changes coming to Labhart Miles in the New Year!

About Labhart Miles

Labhart Miles Consulting Group is a professional services firm specializing in multi-state tax solutions. We address state and local tax issues for our clients, including general state tax consulting, nexus reviews, credits and incentives maximization, income tax and sales/use tax planning, and other special projects. We also specialize in California Enterprise Zone projects, including the EZ Hiring and Sales/Use Tax Credits, and the EZ Net Interest Deduction for Lenders. For more information visit, www.LabhartMiles.com.

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Labhart Miles Consulting Group Inc. | 3150 Almaden Expressway | Suite 234 | San Jose | CA | 95118