MICHIGAN

OFFICE OF THE AUDITOR GENERAL

AUDIT REPORT

PERFORMANCE AUDIT
OF THE

SALES, USE, AND WITHHOLDING TAXES PROCESS

TAX PROCESSING BUREAU
DEPARTMENT OF TREASURY

April 2014

THOMAS H. MCTAVISH, C.P.A.
AUDITOR GENERAL

271-0201-13

The auditor general shall conduct post audits of financial transactions and accounts of the state and of all branches, departments, offices, boards, commissions, agencies, authorities and institutions of the state established by this constitution or by law, and performance post audits thereof.

– Article IV, Section 53 of the Michigan Constitution

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Office of the Auditor General
REPORT SUMMARY

Performance Audit
Sales, Use, and Withholding Taxes Process
Tax Processing Bureau
Department of Treasury

Report Number:
271-0201-13

Released:
April 2014

The Tax Processing Bureau is responsible for processing the sales, use, and withholding (SUW) tax returns and payments as well as responding to taxpayer inquiries received through correspondence, telephone calls, and Web-based contacts. As of July 10, 2013, the Bureau had 42 employees directly responsible for SUW taxes with an annual budget of $4.2 million.

Audit Objective:
To assess the effectiveness of the Bureau's efforts to ensure that SUW accounts accurately reflect the returns filed, payments received, and results of correspondence received.

Audit Conclusion:
We concluded that the Bureau's efforts to ensure that SUW accounts accurately reflect the returns filed, payments received, and results of correspondence received were moderately effective. We noted two reportable conditions (Findings 1 and 2).

Reportable Conditions:
The Bureau did not follow up unreconciled SUW taxpayer accounts in a timely manner (Finding 1).

The Bureau did not monitor manual SUW taxpayer account adjustments in accordance with Bureau policy (Finding 2).

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Audit Objective:
To assess the effectiveness of the Bureau's efforts to ensure that registered businesses file the required SUW returns.

Audit Conclusion:
We concluded that the Bureau's efforts to ensure that registered businesses file the required SUW returns were effective. However, we noted one reportable condition (Finding 3).

Reportable Condition:
The Bureau could improve controls to help ensure and verify that all registered SUW taxpayers file the required annual return (Finding 3).

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Agency Response:
Our audit report contains 3 findings and 3 corresponding recommendations. The Department of Treasury's preliminary response indicates that the Bureau agrees with all of the recommendations.

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THOMAS H. MCTAVISH, C.P.A.
AUDITOR GENERAL

April 22, 2014

Mr. R. Kevin Clinton
State Treasurer
Richard H. Austin Building
Lansing, Michigan

Dear Mr. Clinton:

This is our report on the performance audit of the Sales, Use, and Withholding Taxes Process, Tax Processing Bureau, Department of Treasury.

This report contains our report summary; a description of agency; our audit objectives, scope, and methodology and agency responses and prior audit follow-up; comments, findings, recommendations, and agency preliminary responses; and a glossary of abbreviations and terms.

Our comments, findings, and recommendations are organized by audit objective. The agency preliminary responses were taken from the agency's response at the end of our audit fieldwork. The *Michigan Compiled Laws* and administrative procedures require that the audited agency develop a plan to comply with the audit recommendations and submit it within 60 days after release of the audit report to the Office of Internal Audit Services, State Budget Office. Within 30 days of receipt, the Office of Internal Audit Services is required to review the plan and either accept the plan as final or contact the agency to take additional steps to finalize the plan.

We appreciate the courtesy and cooperation extended to us during this audit.

Sincerely,

Thomas H. McTavish

Thomas H. McTavish, C.P.A.
Auditor General

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SALES, USE, AND WITHHOLDING TAXES PROCESS
TAX PROCESSING BUREAU
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Description of Agency

The processing of sales, use, and withholding (SUW) tax returns and payments and responding to SUW taxpayer inquiries received through correspondence, telephone calls, and Web-based contacts is the responsibility of the Tax Processing Bureau, Department of Treasury. Act 122, P.A. 1941, as amended (the Revenue Act), provides the Department of Treasury with the authority to collect taxes and identify tax deficiencies for assessment. Act 167, P.A. 1933, as amended, outlines the sales tax requirements; Act 94, P.A. 1937, as amended, outlines the use tax* requirements; and Act 281, P.A. 1967, as amended, outlines the withholding tax requirements.

During our audit fieldwork, the Bureau reorganized and moved staff from a division that was eliminated to the Business Taxes Division. Also, the Support Services Division was created within the Bureau.

As of January 12, 2013, the Bureau maintained approximately 320,000 SUW taxpayer accounts. Approximately 60,000 of the accounts related to taxpayers who make SUW payments through electronic funds transfer (EFT), while the other 260,000 accounts related to taxpayers who make SUW payments using a paper check and return. Also, 24.2% of the SUW taxpayers file annually and 75.8% file quarterly, monthly, or more frequently (accelerated).

For calendar years 2011 and 2012, the Bureau collected approximately $15.6 billion and $16.2 billion and refunded approximately $59.6 million and $74.0 million, respectively, of SUW taxes from business taxpayers. In addition, for calendar years 2011 and 2012, the Individual Income Tax Division collected approximately $5.6 million and $6.2 million, respectively, of personal use tax from individual taxpayers.

The Bureau records SUW tax return and payment information by taxpayer account number in the Tax Audit and Collection System* (TACS). The Bureau also maintains

** See glossary at end of report for definition.*

other taxpayer information in TACS, such as address, filing frequency, status, and tax responsibility. TACS has the capability to automatically:

- Identify errors during the processing of the tax returns.
- Assess penalty and interest on late or delinquent tax returns.
- Generate refund requests to be issued through the Michigan Administrative Information Network* (MAIN) (refund requests of less than $2,500 will automatically be issued).
- Issue a partial payment assessment and notify the State Treasury Accounts Receivable System* (STAR) of the unpaid tax, plus penalty and interest.
- Generate pre-intent letters and delinquency notices.
- Notify STAR when taxpayers do not respond to the pre-intent letter or the delinquency notice.

The Bureau also uses Oracle's Siebel Contact Center to track the status of taxpayer inquiry related telephone calls and correspondence. Also, the Bureau uses FileNet to electronically store any correspondence or paper tax returns received from a taxpayer. This allows staff to have immediate access to these documents when working on errors or adjustments.

The Business Taxes Division, which has primary responsibility over SUW taxes, has assigned staff who are specifically responsible for SUW tax returns and payments and perform the following tasks:

- Handle telephone calls and correspondence related to taxpayers, including disputed assessments.
- Adjust taxpayer accounts.
- Correct errors identified during processing.
- Review delinquency notices for accelerated taxpayers.
- Reconcile annual returns with all taxpayer accounts.

** See glossary at end of report for definition.*

The Support Services Division also has staff who provide support to the processing of SUW tax returns and payments in addition to the other taxes administered by the Bureau. These support functions include:

- Processing EFT applications.
- Scheduling tax return and payment files to be uploaded into TACS.
- Registering and discontinuing taxpayer accounts.
- Scheduling programs in TACS to identify, generate notices for, and/or assess delinquent accounts.

As of July 10, 2013, the Bureau had 42 employees directly responsible for SUW taxes with an annual budget of $4.2 million.

Audit Objectives, Scope, and Methodology and Agency Responses and Prior Audit Follow-Up

Audit Objectives

Our performance audit* of the Sales, Use, and Withholding (SUW) Taxes Process, Tax Processing Bureau, Department of Treasury, had the following objectives:

1. To assess the effectiveness* of the Bureau's efforts to ensure that SUW accounts accurately reflect the returns filed, payments received, and results of correspondence received.

2. To assess the effectiveness of the Bureau's efforts to ensure that registered businesses file the required SUW returns.

Audit Scope

Our audit scope was to examine the sales, use, and withholding taxes process and records related to the Tax Processing Bureau. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. Our audit procedures, which included a preliminary survey, audit fieldwork, report preparation, analysis of agency responses, and quality assurance, generally covered the period October 1, 2009 through July 31, 2013.

Audit Methodology

We conducted a preliminary survey of the Bureau's SUW taxes process to formulate a basis for establishing our audit objectives and defining our audit scope and methodology. Our preliminary survey included interviewing the Bureau's personnel; observing tax system screens and restrictions; and reviewing applicable State laws, administrative codes, and the Bureau's policies and procedures. We reviewed the prior performance audit report from the Office of the Auditor General. We also reviewed monthly staff evaluation reports along with monthly correspondence and exception

** See glossary at end of report for definition.*

status reports. We obtained SUW tax collection and taxpayer statistics. We also obtained and reviewed taxpayer account balances along with tax refund and adjustment information.

To accomplish our first objective, we interviewed Bureau management responsible for oversight of error correction, account adjustments, and outstanding correspondence. We obtained tax system downloads related to account adjustments, out-of-balance accounts with annual return errors, and outstanding correspondence balances. We also obtained monthly SUW proficiency reports and exception status reports, biweekly electronic funds transfer status reports, and the related exception policies. We tested a randomly and judgmentally selected sample of adjustments to the taxpayer accounts to determine that the Bureau adequately documented the adjustments and that the adjustments were in accordance with Bureau policies and practices. We analyzed the adjustments and followed up on significant trends. We also analyzed the impact that staff regular work hours and overtime had on the outstanding correspondence balance. We recalculated monthly SUW exception status report balances and compared the reports with the exception code policies to determine the consistency and completeness of the reports. We selected a sample of SUW taxpayer accounts that did not reconcile to the taxpayers' annual returns to identify potential refunds to and payments from taxpayers. Our sample selection included the use of a cutoff amount to identify significant accounts and a random sample of the remaining population. This sampling methodology provided us with sufficient coverage of the populations to project the value of the potential payments and potential refunds.

To accomplish our second objective, we interviewed Bureau staff involved in the process of receiving the required SUW returns and identifying and assessing taxpayers who did not file the required returns. We researched filing requirements and reviewed monthly, quarterly, and annual tax return forms. We obtained a download from the Tax Audit and Collection System (TACS) of accounts with assessments and that were required to file monthly and quarterly returns. We traced a sample of these accounts to the State Treasury Accounts Receivable System (STAR) to ensure that the Office of Collections could follow up on delinquent accounts. We calculated the total number of monthly, quarterly, and annual returns that taxpayers were required to file for calendar year 2011. We obtained the number of monthly and quarterly returns that taxpayers filed for calendar year 2011. Also, we obtained and analyzed calendar year 2011 annual return data. We estimated the number of taxpayer accounts that did not have an annual return filed and calculated the penalty that the Bureau could have assessed.

When selecting activities or programs for audit, we use an approach based on assessment of risk and opportunity for improvement. Accordingly, we focus our audit efforts on activities or programs having the greatest probability for needing improvement as identified through a preliminary survey. Our limited audit resources are used, by design, to identify where and how improvements can be made. Consequently, we prepare our performance audit reports on an exception basis.

Agency Responses and Prior Audit Follow-Up

Our audit report contains 3 findings and 3 corresponding recommendations. The Department of Treasury's preliminary response indicates that the Bureau agrees with all of the recommendations.

The agency preliminary response that follows each recommendation in our report was taken from the agency's written comments and oral discussion at the end of our audit fieldwork. Section 18.1462 of the *Michigan Compiled Laws* and the State of Michigan Financial Management Guide (Part VII, Chapter 4, Section 100) require the Department of Treasury to develop a plan to comply with the audit recommendations and submit it within 60 days after release of the audit report to the Office of Internal Audit Services, State Budget Office. Within 30 days of receipt, the Office of Internal Audit Services is required to review the plan and either accept the plan as final or contact the agency to take additional steps to finalize the plan.

We released our prior performance audit of the Sales, Use, and Withholding Taxes Division, Department of Treasury (27-200-96), in December 1996. Within the scope of this audit, we followed up 3 of the 5 prior audit recommendations. We repeated 1 prior audit recommendation in Finding 3 of this audit report, we rewrote 1 prior audit recommendation for inclusion in Finding 2, and we determined that 1 prior audit recommendation was no longer applicable.

COMMENTS, FINDINGS, RECOMMENDATIONS, AND AGENCY PRELIMINARY RESPONSES

EFFORTS TO ENSURE THE ACCURACY OF SUW ACCOUNTS

COMMENT

Audit Objective: To assess the effectiveness of the Tax Processing Bureau's efforts to ensure that sales, use, and withholding (SUW) accounts accurately reflect the returns filed, payments received, and results of correspondence received.

Audit Conclusion: We concluded that the Bureau's efforts to ensure that SUW accounts accurately reflect the returns filed, payments received, and results of correspondence received were moderately effective.

Our audit conclusion was based on our audit efforts as described in the audit scope and audit methodology sections and the resulting reportable conditions* noted in the comments, findings, recommendations, and agency preliminary responses section.

We noted two reportable conditions in the three areas reviewed. In our professional judgment, these matters are less severe than a material condition* but represent deficiencies in internal control that are significant within the context of our audit objective. The two reportable conditions related to accounts with annual return errors and monitoring of adjustments (Findings 1 and 2).

We determined that the potential uncollected taxes and unpaid refunds for calendar years 2009, 2010, and 2011 of $71.2 million and $104.6 million represent approximately 0.2% and 0.3%, respectively, of the combined total SUW taxes collected for fiscal years 2008-09, 2009-10, and 2010-11 of $38.6 billion.

In addition, we evaluated qualitative factors such as the lack of known instances of fraud and the public's perception of SUW taxes.

In reaching our conclusion, we considered the two reportable conditions that related to the three areas subject to audit and the quantitative and qualitative factors previously described. We believe that the results of our audit efforts provide a reasonable basis for our audit conclusion for this audit objective.

** See glossary at end of report for definition.*

FINDING

1. Accounts With Annual Return Errors

The Bureau did not follow up unreconciled SUW taxpayer accounts in a timely manner. As a result, we estimated that the Bureau did not timely assess SUW taxpayers up to $71.2 million of SUW taxes potentially owed to the State, did not timely refund SUW taxpayers up to $104.6 million of SUW taxes potentially owed to the taxpayer, and may have lost potential interest earnings up to $5.0 million associated with the calendar year 2009, 2010, and 2011 unreconciled accounts. Also, because of the statute of limitations, the State may have lost the opportunity to assess up to $15.8 million associated with the calendar year 2009 unreconciled accounts if these accounts were not reconciled before February 28, 2014.

Section 205.27a of the *Michigan Compiled Laws* stipulates that a deficiency, interest, or penalty shall not be assessed after the expiration of 4 years after the due date or the date the return was filed.

The Bureau's SUW tax system reconciles the SUW taxpayers' accounts to the SUW taxpayers' annual returns. However, accounts may not reconcile for various reasons, including the submission of inaccurate tax returns or returns for the wrong account. In these cases, Bureau staff must manually review the accounts to identify and correct the errors and either process a refund or notify the SUW taxpayer of the amount assessed.

We analyzed a sample of 65 calendar year 2010 SUW taxpayer accounts representing 70.7% of the potential assessments and a sample of 60 calendar year 2010 SUW taxpayer accounts representing 58.7% of the potential refunds. We projected the results of our sample analyses into the calendar year 2009, 2010, and 2011 SUW taxpayer accounts that were unreconciled as of May 31, 2013 and summarized the potential assessments, potential lost interest earnings, and potential refunds as follows:

Unreconciled SUW Taxpayer Accounts

Calendar Year	Number of Accounts	Potential Assessments (in millions)	Potential Lost Interest Earnings (in millions)	Number of Accounts	Potential Refunds (in millions)
2009	1,513	$ 15.8	$1.6	7,518	$ 13.9
2010	2,131	17.9	1.6	9,432	38.4
2011	2,672	37.5	1.8	10,777	52.3
	6,316	$ 71.2	$5.0	27,727	$ 104.6

Significant turnover of supervisory employees may have contributed to the delay in the review of the unreconciled accounts.

RECOMMENDATION

We recommend that the Bureau follow up unreconciled SUW taxpayer accounts in a timely manner.

AGENCY PRELIMINARY RESPONSE

The Bureau agrees with the recommendation and will continue to process unreconciled SUW accounts as efficiently as possible. The Bureau noted that the current SUW legacy system, which is over 30 years old, has significant limitations. It also indicated that the SUW legacy system has been scheduled for replacement multiple times, but those efforts stalled due to competing projects; i.e. in 2006, to implement the Michigan Business Tax and in 2010 to implement the Corporate Income Tax; and that system enhancement requests were routinely denied due to lack of resources. Also, the Bureau emphasized that, as is presented under the audit conclusion for the first objective, the potential uncollected taxes and unpaid refunds represented only 0.2% and 0.3%, respectively, of the combined total SUW taxes collected. The Bureau stated that, as it is committed to continuous improvement, it is currently developing a new SUW processing system that is expected to be operational on January 1, 2015 and include the following significant enhancements:

- **Ability to e-file returns, improved business rules, improved computed assessment process:** The Bureau indicated that these enhancements will result in a greater number of returns processed without manual intervention, improving the timeliness of processing the accounts needing manual reconciliation.

- **Improved work lists and reporting:** The Bureau indicated that this will enhance its ability to prioritize staff work and effectively manage backlogs.

FINDING

2. Monitoring of Adjustments

The Bureau did not monitor manual SUW taxpayer account adjustments in accordance with Bureau policy. As a result, the Bureau may not have assessed proper tax liabilities and interest and may not have issued proper tax refunds.

Bureau staff manually adjust SUW taxpayer accounts to correct data entry errors, to add information identified through taxpayer correspondence, or to apply overpayments to a subsequent tax period. Bureau policy EC-32001 requires that supervisors select a minimum of four work days per month to review the accuracy and appropriateness of manual adjustments that staff made to SUW taxpayer accounts.

During calendar year 2012, the Bureau reported that staff made 102,602 manual adjustments to SUW taxpayer accounts; 60,749 adjustments that increased the taxpayers' payments by approximately $44.6 million; and 41,853 adjustments that decreased the taxpayers' liabilities by approximately $495.7 million.

We reviewed a sample of 73 manual SUW taxpayer account adjustments made during calendar year 2012. In 5 (6.8%) instances, Bureau staff did not fully complete the necessary manual adjustments, therefore understating the payments reflected in the taxpayers' account by as much as $16 million and overstating the payments reflected in the taxpayers' account by as much as $55,000.

Significant turnover of supervisory employees and reorganization within the Bureau may have contributed to the unreviewed manual adjustments.

RECOMMENDATION

We recommend that the Bureau monitor manual SUW taxpayer account adjustments in accordance with Bureau policy.

AGENCY PRELIMINARY RESPONSE

The Bureau agrees with the recommendation. The Bureau indicated that it is reviewing procedures to ensure consistent and regular monitoring of staff adjustments not subject to the systematic approval process. Also, the Bureau indicated that the following actions will improve the oversight of manual adjustments and return processing in general:

- **Reorganization:** The Bureau indicated that the Department of Treasury recently combined two SUW areas that were formerly part of two different bureaus. This combination will allow for uniform oversight and greater ability to apply policies and procedures consistently.

- **Formal quality assurance:** The Bureau indicated that the recent reorganization included the establishment of a bureau-wide quality assurance section to provide objective reviews of all taxes administered within the Bureau.

- **Supervisory review:** The Bureau indicated that it is currently instituting a manual, random review process to confirm that staff adjustments are properly supported and explained.

- **System replacement:** The Bureau indicated that it is currently developing a new SUW processing system that is expected to be operational on January 1, 2015 and include significant enhancements that will improve overall processing efficiency and customer service. Once the new system is implemented, the Bureau will begin development of any additional or enhanced procedures needed related to this finding.

EFFORTS TO ENSURE THAT REGISTERED BUSINESSES FILE THE REQUIRED SUW RETURNS

COMMENT

Audit Objective: To assess the effectiveness of the Tax Processing Bureau's efforts to ensure that registered businesses file the required SUW returns.

Audit Conclusion: We concluded that the Bureau's efforts to ensure that registered businesses file the required SUW returns were effective.

Our audit conclusion was based on our audit efforts as described in the audit scope and audit methodology sections and the resulting reportable condition noted in the comments, findings, recommendations, and agency preliminary responses section.

We noted one reportable condition in the one area reviewed. In our professional judgment, this reportable condition is less severe than a material condition but still represents an opportunity for improvement within the context of our audit objective. The reportable condition related to annual returns (Finding 3).

We determined that approximately 28,200 (8.5%) of approximately 330,000 SUW taxpayers did not file their required annual return for calendar year 2011. Also, we determined that nearly 76% of the SUW taxpayers file SUW returns on a quarterly, monthly, or other accelerated basis, primarily making the required annual return a reconciliation return.

In addition, we considered qualitative factors such as the lack of known instances of fraud, the public's sensitivity to taxes, and the public's reliance on the Department of Treasury to accurately and timely collect SUW taxes from all responsible taxpayers.

In reaching our conclusion, we considered the reportable condition that related to the area subject to audit and the significant qualitative factors. We believe that the results of our audit efforts provide a reasonable basis for our audit conclusion for this audit objective.

FINDING

3. Annual Returns

The Bureau could improve controls to help ensure and verify that all registered SUW taxpayers file the required annual return. We estimated that 28,154 (8.5%) of the 329,967 SUW taxpayers did not file their annual return required for calendar year 2011 and may owe the State up to $2.9 million in additional taxes and $8.9 million in penalties or may be due up to $6.0 million in refunds or credits.

The Department of Treasury's SUW tax instruction booklet requires all SUW taxpayers to file an annual return by February 28 of the subsequent calendar year. Also, the Revenue Act allows the Bureau to assess interest and penalties on late filed returns.

We noted a similar situation in our prior audit. In response to that audit report, the Department of Treasury stated that it generally agreed with the finding; however, it indicated that the primary function of the annual return was for reconciliation purposes for the vast majority of SUW accounts. We noted that the Bureau had collected approximately $31.5 million from 48,350 (16.0%) of the 301,813 annual SUW returns filed for calendar year 2011 and that another 16,048 (5.3%) of the filed returns resulted in requests for refunds or credits to future tax periods totaling $64.5 million, indicating that the annual returns have often resulted in additional tax collections, refunds, and credits.

RECOMMENDATION

We again recommend that the Bureau improve controls to help ensure and verify that all registered SUW taxpayers file the required annual return.

AGENCY PRELIMINARY RESPONSE

The Bureau agrees with the recommendation. The Bureau noted that the existing SUW processing system is over 30 years old and does not have annual return delinquency functionality, and as a result, efforts to identify annual return delinquencies are manual and subject to resource limitations. The Bureau stated that, although some SUW taxpayers did not file an annual return, these same taxpayers remitted tax payments throughout the year and materially paid their tax liabilities. Therefore, the Bureau also noted that, based on information from the audit report and its analysis of the SUW annual returns filed for the 2011 tax year, this finding impacts less than 2% of the registered SUW taxpayers. However, the Bureau stated that, as it is committed to continuous improvement, it is currently developing a new SUW processing system that is expected to be operational on January 1, 2015 and include an automated, annual return delinquency process to address this finding.

GLOSSARY

effectiveness	Success in achieving mission and goals.
EFT	electronic funds transfer.
material condition	A matter that, in the auditor's judgment, is more severe than a reportable condition and could impair the ability of management to operate a program in an effective and efficient manner and/or could adversely affect the judgment of an interested person concerning the effectiveness and efficiency of the program.
Michigan Administrative Information Network (MAIN)	The State's automated administrative management system that supports accounting, purchasing, and other financial management activities.
mission	The main purpose of a program or an entity or the reason that the program or the entity was established.
performance audit	An audit that provides findings or conclusions based on an evaluation of sufficient, appropriate evidence against criteria. Performance audits provide objective analysis to assist management and those charged with governance and oversight in using the information to improve program performance and operations, reduce costs, facilitate decision making by parties with responsibility to oversee or initiate corrective action, and contribute to public accountability.

reportable condition	A matter that, in the auditor's judgment, is less severe than a material condition and falls within any of the following categories: an opportunity for improvement within the context of the audit objectives; a deficiency in internal control that is significant within the context of the audit objectives; all instances of fraud; illegal acts unless they are inconsequential within the context of the audit objectives; significant violations of provisions of contracts or grant agreements; and significant abuse that has occurred or is likely to have occurred.
State Treasury Accounts Receivable System (STAR)	An automated information system used by the Office of Collections, Department of Treasury, to maintain delinquent tax account and assessment data.
SUW	sales, use, and withholding.
Tax Audit and Collection System (TACS)	An automated information system used by the Tax Processing Bureau, Department of Treasury, to maintain SUW tax return and payment information by taxpayer account number. The Bureau also maintains other taxpayer information, such as address, filing frequency, status, and tax responsibility.
use tax	A tax on certain goods used by consumers on which sales tax has not been paid. This is most often associated with goods purchased in other states or with goods purchased for resale that are instead used by the business in the same manner as any consumer. This tax allows State businesses to compete equitably with out-of-State mail-order and Internet businesses.

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