The legislation requires marketplace facilitators to collect and remit sales tax for marketplace sellers as part of the state’s expansion of remote seller sales tax collection efforts.

As written, the definition of marketplace facilitator could inadvertently capture payment processing entities, whose only participation is to process the purchaser’s electronic payment.

We do not believe the intent of the legislation is to incorporate payment processors into the marketplace sales tax collection process. Therefore, we are seeking clarity by requesting an exclusion for payment processing entities from the definition of marketplace facilitators.

This is because, the infrastructure of the electronic payment ecosystem does not support the collection and remittance of sales tax.

In the U.S., there are an estimated ten million merchant locations, more than a dozen payment card networks, hundreds of payment processors, and over 8,000 card-issuing financial institutions.

The infrastructure that facilitates electronic payment transactions transmits thousands of transactions per second between these entities.

Payment processors send and receive payment authorization messages as single units of code, routing only the necessary information required to authorize a transaction.

Because payment processors do not see details around the goods purchased, we have no ability to identify the appropriate sales tax that should be applied to the transaction.

Merchants, processors, payment networks and card issuers would need to change the entire payment ecosystem to capture detailed data about each sale to accurately identify sales tax.

For payment processors to remit sales taxes they would need to receive separate tax amounts for each debit or credit card transaction.