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Legacy Retailer Rebates Costing States Billions Under Scrutiny.

- **Illinois, Missouri consider reform to vendor discounts**
- **Retailers fight back pointing to sales tax complexity**

When states started levying sales taxes almost a century ago, some gave shopkeepers small rebates for manually collecting and submitting the money. Now those rebates cost states more than $1 billion a year, and critics say they make no sense in the age of automated tax systems.

Budget hawks in a handful of states are exploring options to either jettison or trim these "vendor discount" arrangements, which were intended to compensate sellers for serving as agents of state revenue departments. Illinois Gov. J.B. Pritzker (D) often refers to the programs as "corporate tax loopholes." And Missouri's state auditor, Nicole Galloway, worries that her state offers the most generous vendor discount in the country.

"Missouri's discount gives the biggest benefits to the wealthiest retailers just for turning over sales tax paid by consumers," Galloway said in a recent statement. "Ordinary citizens don't get a discount for paying taxes on time."

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by Michael J. Bologna

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