

Simplified Sellers Use Tax: A Growing Problem for Alabama



Data Sources

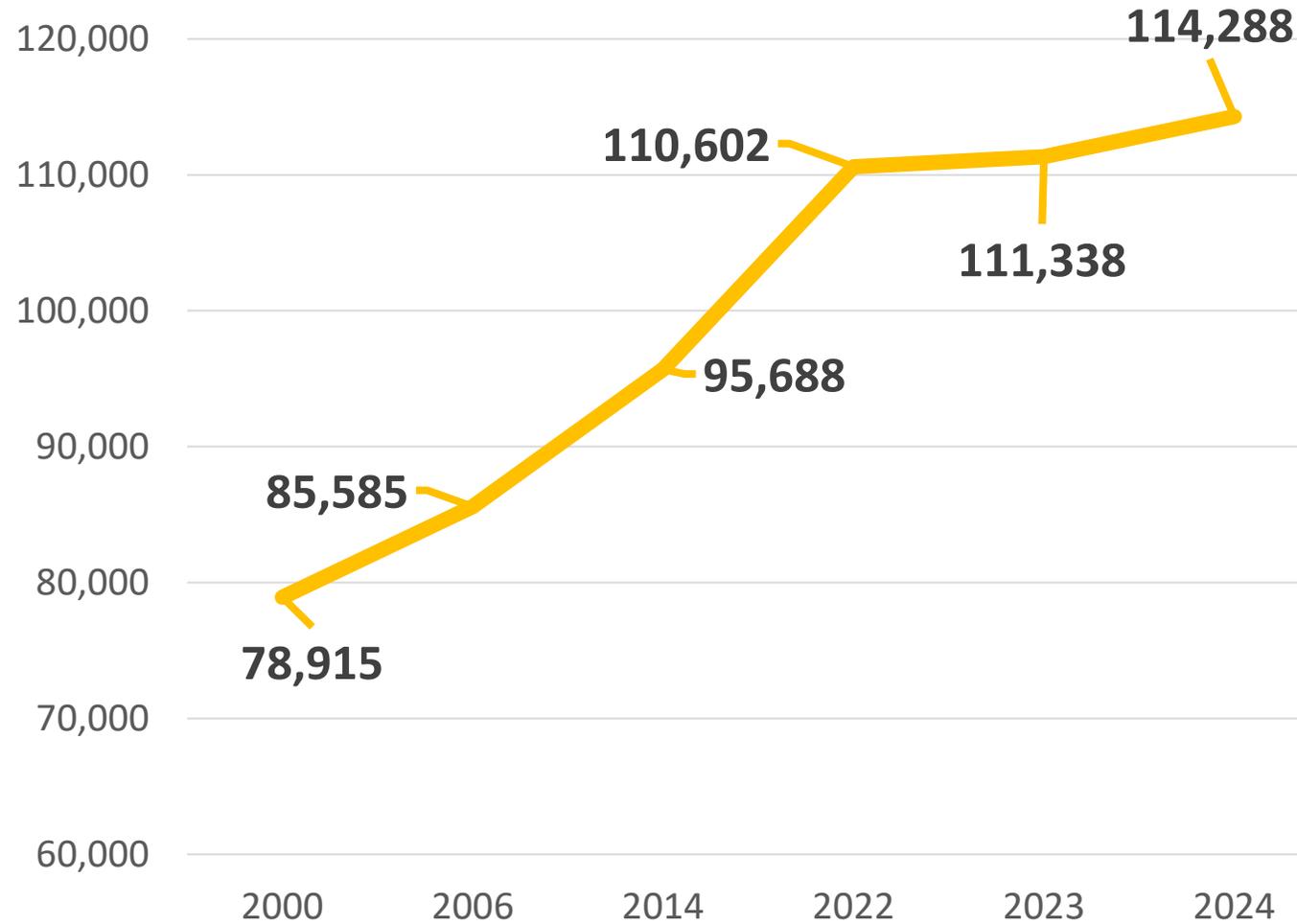
- Cities (ELKL Coalition)
 - ESRI ArcGIS Business Analyst Pro and MRI-Simmons
 - Public Affairs Research Council of Alabama (PARCA)
 - US Department of Commerce
 - US Census Bureau
 - City of Tuscaloosa: Accounting and Finance Department
 - Alabama Department of Revenue (ADOR)
 - Alabama Department of Education (ALSDE)
 - Wall Street Journal (WSJ)
 - Al.com
 - World Population Review
- 
- An aerial photograph of a city at sunset. The sky is a mix of blue, purple, and orange. A river flows along the left side of the frame. A multi-lane highway runs diagonally from the bottom right towards the center. The city is filled with buildings, parking lots, and green spaces. The lighting is warm, highlighting the silhouettes of buildings and the textures of the landscape.



Simplified Sellers Use Tax: Tuscaloosa's Greatest Threat

“Seeing and believing are both often wrong.” Robert McNamara

Tuscaloosa’s Population



Population change in every city and town in Alabama

The total and percent change in population for every city and town in Alabama, from 2023 to 2024 and from 2020 to 2024.

Search in table

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City or town	Population (2024)	Change since 2023	Percent change (23-24)	Change since 2020	Percent change (20-24)
Huntsville	230,402	4,174	1.8%	15,323	7.1%
Mobile	201,367	-553	-0.3%	-5,565	-2.7%
Birmingham	196,357	-461	-0.2%	-4,185	-2.1%
Montgomery	195,818	-289	-0.1%	-4,770	-2.4%
Tuscaloosa	114,288	1,272	1.1%	13,301	13.2%
Hoover	93,013	426	0.5%	442	0.5%
Auburn	83,757	1,310	1.6%	7,172	9.4%
Dothan	71,650	333	0.5%	582	0.8%
Madison	64,029	3,007	4.9%	7,053	12.4%
Decatur	57,974	198	0.3%	653	1.1%
Florence	42,716	274	0.6%	2,538	6.3%
Prattville	40,139	803	2%	2,408	6.4%
Phenix City	38,509	-4	-0%	-308	-0.8%
Vestavia Hills	38,151	52	0.1%	-1,009	-2.6%
Opelika	35,005	1,313	3.9%	4,000	12.9%
Alabaster	34,460	294	0.9%	1,118	3.4%
Gadsden	33,086	-111	-0.3%	-825	-2.4%
Athens	32,587	1,641	5.3%	7,153	28.1%
Northport	31,492	280	0.9%	294	0.9%
Daphne	30,751	360	1.2%	3,279	11.9%



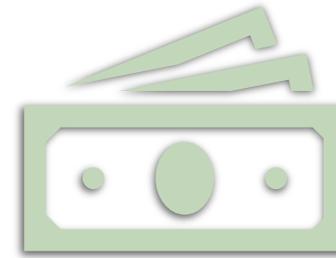
In FY 2023, Tuscaloosa lost over
\$12.1 million in **EARNED**
sales tax revenues



For FY 2025, Tuscaloosa is
projected to lose over
\$14.6 million in **EARNED**
sales tax revenues



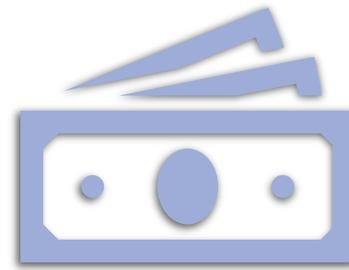
In FY 2023, TCS lost over
\$4.4 million in **EARNED**
sales tax revenues



For FY 2025, TCS is projected to lose over
\$5.3 million in **EARNED** sales tax
revenues



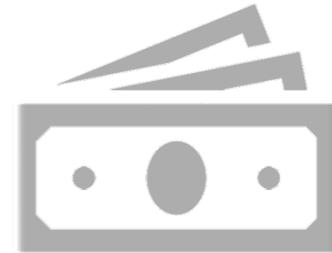
In FY 2023, Northport lost over
\$2.7 million in **EARNED**
sales tax revenues



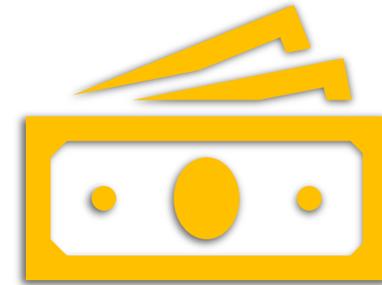
For FY 2025, Northport is
projected to lose over **\$3.2**
million in **EARNED** sales tax
revenues



In FY 2023, TCSS lost over
\$5.5 million in **EARNED**
sales tax revenues

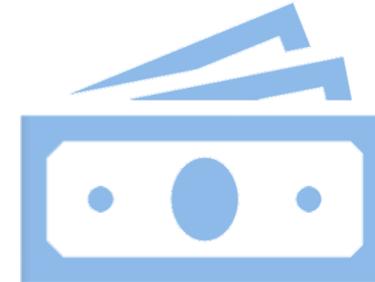


For FY 2025, TCSS is projected to lose over
\$6.6 million in **EARNED**
sales tax revenues



In FY 2023, TCRIC lost over
\$2.2 million in **EARNED** sales tax revenues

For FY 2025, TCRIC is projected to
lose over **\$2.6 million** in **EARNED**
sales tax revenues



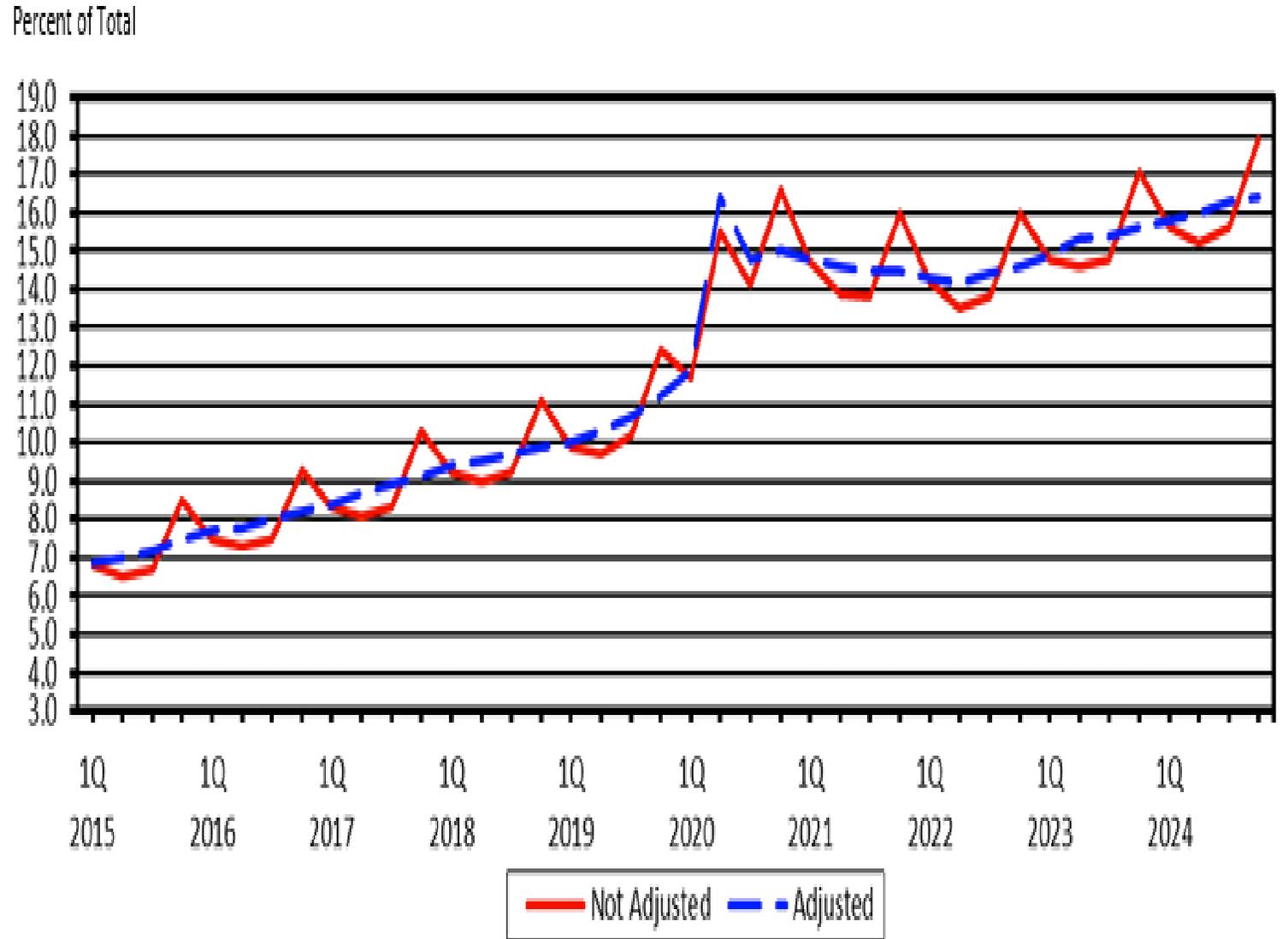
In FY 2023, DCH lost over
\$1.4 million in **EARNED** sales tax revenues

For FY 2025, DCH is projected to lose
over **\$1.7 million** in **EARNED** sales
tax revenues



According to the US Department of Commerce, **16.4% of all retail sales in the fourth quarter of 2024 were online.**

Estimated Quarterly U.S. Retail E-commerce Sales as a Percent of Total Quarterly Retail Sales:
1st Quarter 2015 – 4th Quarter 2024





Simplified Sellers Use Tax (SSUT)¹

2015

Alabama Legislature passed an “internet sales tax” known as SSUT. SSUT was designed to **mirror sales taxes** by replacing lost revenues due to online sales. The law was initially voluntary.

2019

South Dakota v. Wayfair provided states the ability to “tax” out-of-state internet-based companies.

¹Established by **Act 2015-448**, Alabama’s SSUT went into effect January 2016 with a rate of 8 percent. “The Simplified Sellers Use Tax Remittance Act allowing eligible sellers to voluntarily collect, report, and remit remote sales tax”

Traditional Sales Tax Rates

	Population	City	County	State	Combined
Mobile	201,367	5%	1%	4%	10%
Huntsville	230,402	4.5%	.5%	4%	9%
Dothan	71,650	4%	1%	4%	9%
Decatur	57,974	4%	1%	4%	9%
Birmingham	196,357	4%	2%	4%	10%
Auburn	83,757	4%	1%	4%	9%
Madison	64,029	3.5%	.5%	4%	8%
Hoover	93,013	3.5%	2%	4%	9.5%
Montgomery	195,818	3.5%	2.5%	4%	10%
Tuscaloosa	114,288	3%	3%	4%	10%

Traditional Sales Tax Rates: Three Percent Countywide Sales Tax

	Percentage
Tuscaloosa County Schools	25%
Tuscaloosa City Schools	20%
City of Tuscaloosa	19%
Tuscaloosa County	14.3%
Tuscaloosa County Road Improvement Commission	10%
DCH Healthcare System	6.7%
City of Northport	5%

FY 2025: General Fund Operating



	FY 2025	
Sales Taxes (3.57%)	\$93,944,386	41%
Business Licenses	\$24,681,000	11%
Property Tax	\$23,643,000	10%
Lodging Tax	\$10,474,000	5%
SSUT	\$8,243,000	4%
WS - Reimbursement	\$9,121,154	4%
Rental Taxes	\$7,632,000	3%
Use Tax	\$6,168,000	3%
ESD Fees	\$3,162,291	1%
Other	\$41,406,262	18%
Total	\$228,475,093	

41% of the City's GF Operating budget is **sales taxes**

SSUT reduced the City's budget capacity by

6.4%

The City is **Constitutionally and/or statutorily prohibited** when it comes to occupational taxes, property taxes, business licenses and gas taxes

Traditional



10% - State and Local	Sales Tax Rate	Sales Tax Amount
State of Alabama	4%	\$ 4.00
City of Tuscaloosa	3%	\$ 3.00
Tuscaloosa County	3%	\$ 3.00

3% - Tuscaloosa County	County Sales Tax Distribution	Sales Tax Amount
Tuscaloosa County Schools	25%	\$ 0.75
Tuscaloosa City Schools	20%	\$ 0.60
Tuscaloosa County	14.3%	\$ 0.43
City of Tuscaloosa	19%	\$ 0.57
City of Northport	5%	\$ 0.15
Tuscaloosa County Road Improvement Commission	10%	\$ 0.30
DCH Regional Health Care Authority	6.7%	\$ 0.20
Total	100%	\$ 3.00

3% - City of Tuscaloosa	Sales Tax Amount
City Sales Taxes	\$ 3.00
City's Share of County Sales Taxes	\$ 0.57
Total	\$ 3.57



\$3.57

8%

SSUT Tax Rate

State of Alabama: 4%

General Fund (75%): 3%

Education Trust Fund (25%): 1%

Alabama's Constitution requires,
94 percent of traditional sales
tax revenue to be earmarked for
the Education Trust Fund (ETF)

Local Governments: 4%

Counties (40%):	1.60%	67
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Municipalities (60%):	2.40%	463
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SSUT Info for Local Governments

\$4.00

(4% Local)



Municipalities

\$2.40



\$4.00

(4% State)



3.52%

(111,338 / 3,167,059)



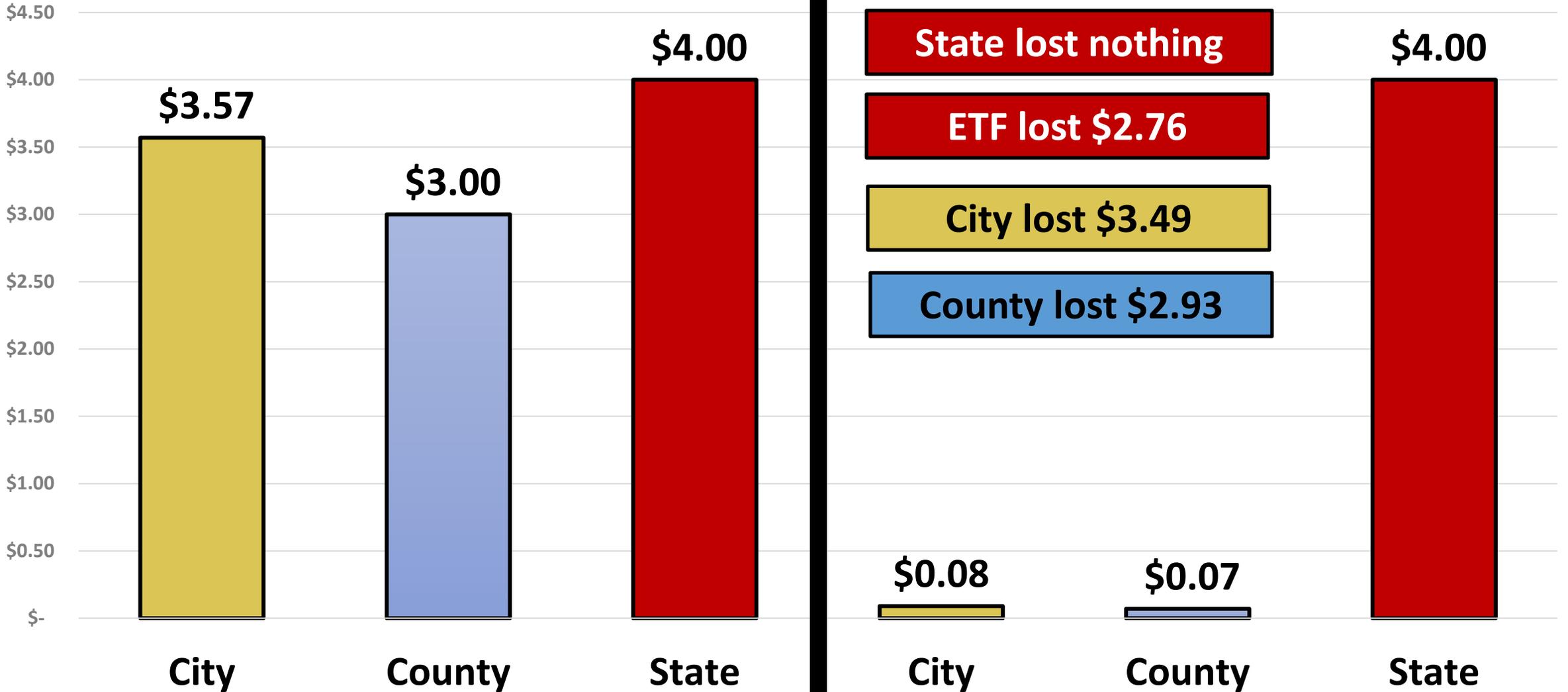
\$0.08

(\$2.40 X 3.52)



10%
Local Tax Rate

8%
SSUT Tax Rate



Destination Sourcing

Sales are taxed at the location where the buyer takes possession of the item sold



SSUT is a flawed scheme

1. Shortchanges businesses who support our communities
2. Penalizes investments and growth
3. Ignores who is purchasing online
4. Redistributes earned sales taxes (current SSUT formula)
5. Takes from our schools



Shortchanges businesses



Opened in 1985

15 Full-Time Employees

Generates **significant** sales taxes

Donates tens of thousands annually to charities, adopt-a-school programs, and DCH Cancer Center



Primary competition is Diamond Direct who charges an 8 percent sales tax rate

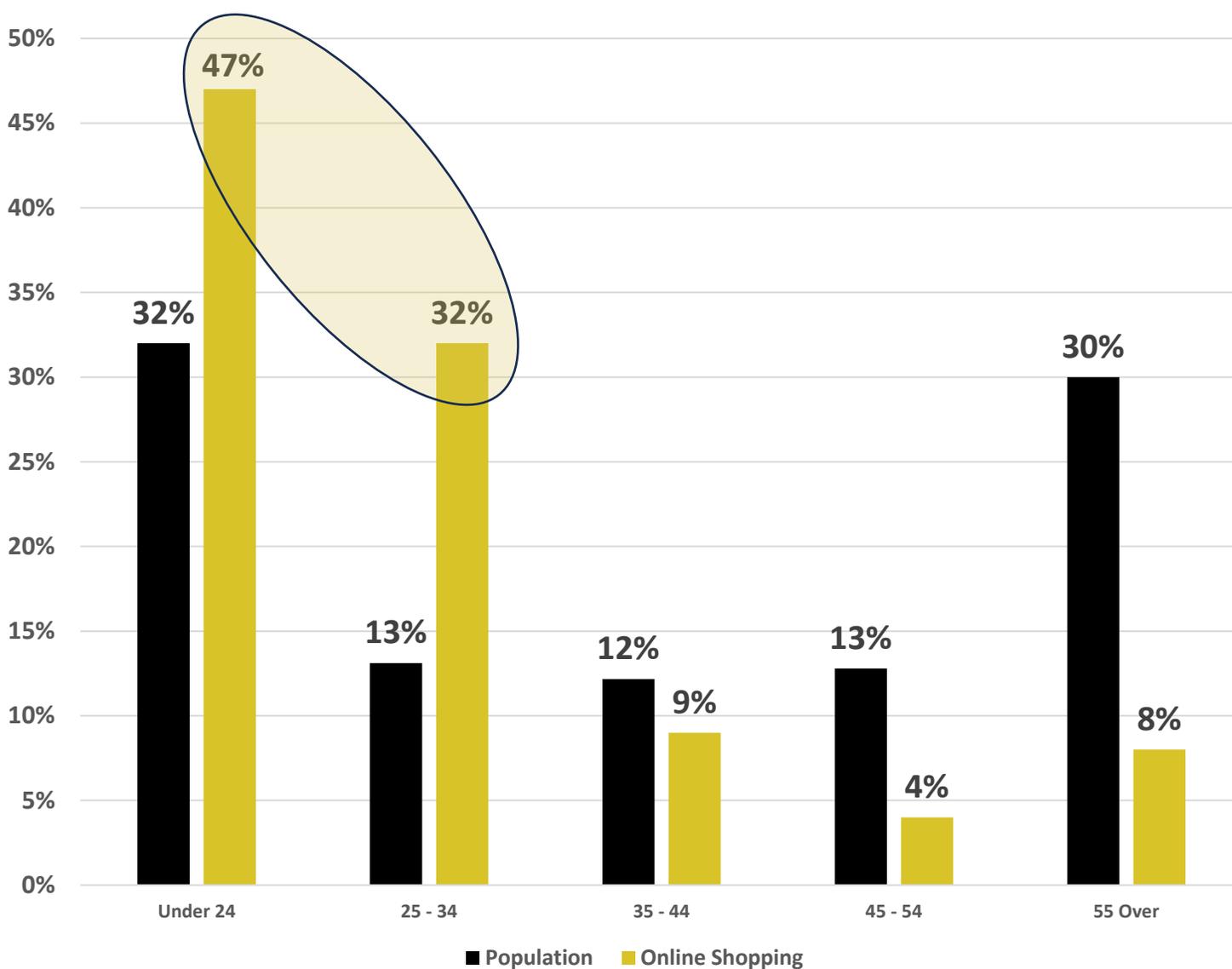
Penalizes investments and growth

Time period	Population Growth %	Sales Tax Growth %	Sales Tax Growth Per 1% of Population Growth
1990-1999 ¹	5%	75%	15%
2000-2009	20%	30%	1.5%
2010-2020	10%	24%	2.4%
2021-2024	12%	23%	1.9%

Population growth does **NOT** equal sales tax growth - Since the 2000, the City's population has grown by 35,373 people

1. According to US Census Bureau, 1% of all retail sales in 1999 were online

Ignores who is purchasing online: Age



	Median Age
City of Tuskegee	23.6
City of Troy	24.7
City of Auburn	25.6
City of Jacksonville	26.9
City of Tuscaloosa	28.2
Tuscaloosa County	33
City of Birmingham	35.9
City of Montgomery	36.2
City of Huntsville	36.2
City of Mobile	37.7
City of Madison	37.9
City of Hoover	38.3
State of Alabama	39.3
City of Decatur	40.4
City of Dothan	40.4

Ignores who is purchasing online: Tourism

In 2023, Alabama's beaches attracted approximately **6.5 million visitors**, contributing nearly \$6.7 billion in spending which was 28.5 percent of Alabama's total spending (for tourism).



 DoorDash

Order Lulu gulf shores - Gulf Shores ...

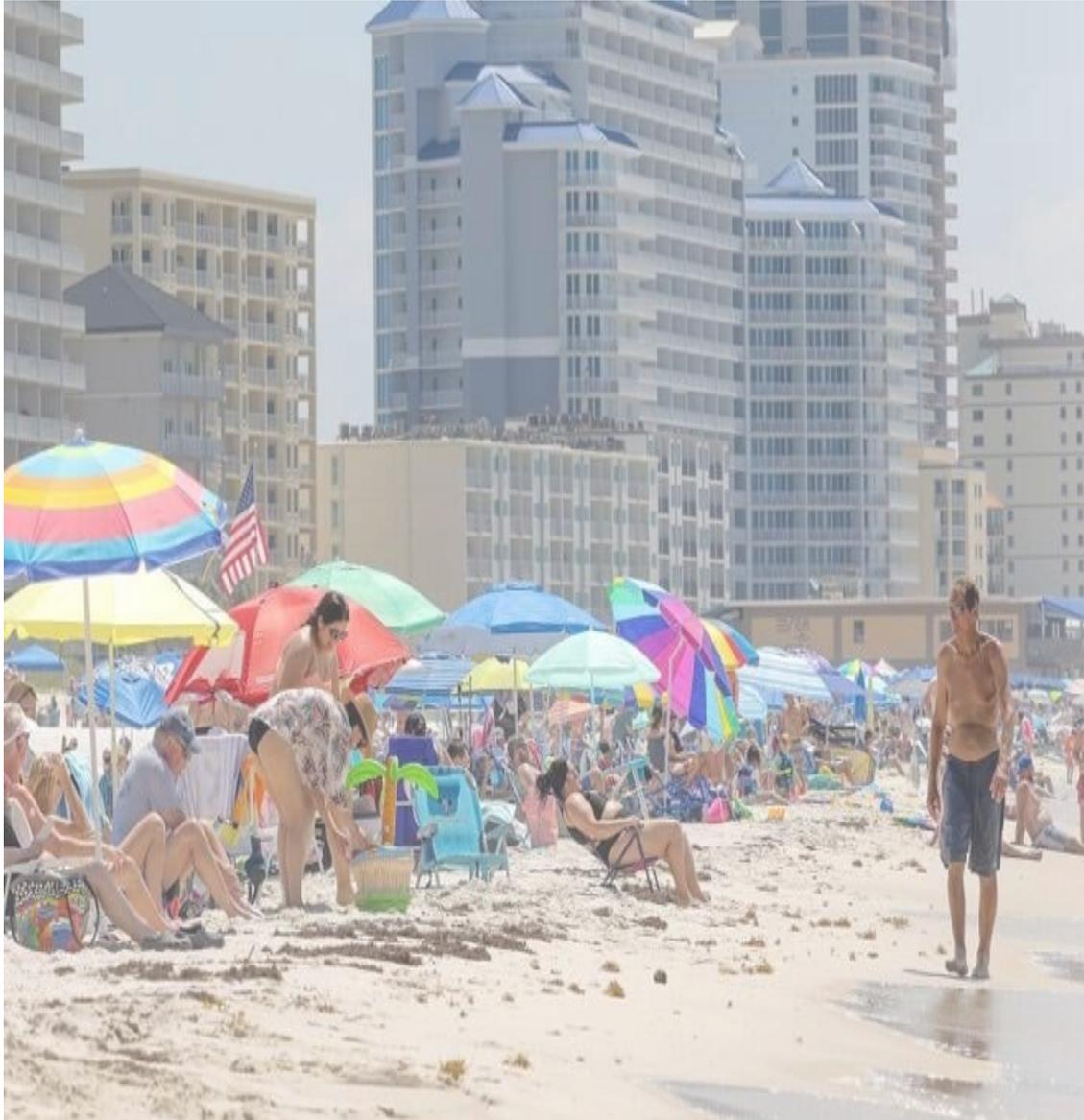
Instacart / Grocery Delivery / Alabama / Gulf Shores, AL

Shop your favorite stores for grocery delivery in Gulf Shores, AL



 Publix ⚡ Delivery by 2:00pm • Pickup	 Sam's Club Delivery	 ALDI ⚡ Delivery by 2:00pm • Pickup
 ALDI Express ⚡ Delivery by 1:35pm	 CVS® ⚡ Delivery by 1:35pm	 Lowe's ⚡ Delivery by 1:45pm
 Petco Delivery	 THE FRESH MARKET Delivery • Pickup	 Greer's Delivery
 ROUSES MARKETS Delivery	 Greer's LIQUOR WINE & BEER Delivery	 Winn-Dixie ⚡ Delivery by 1:35pm

Ignores who is purchasing online: Tourism



Population (2024)

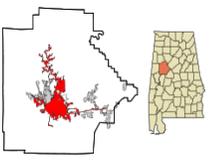
Gulf Shores: 17,431

Orange Beach: 8,543

In FY 2024, their SSUT appropriations were \$1,230,248 and \$663,359 respectively.

Gulf Shores nor Orange Beach received their local tax shares because of SSUT's flawed methodology that **ignored the 6.5 million in annual visitors, who require police and fire protection plus other essential services on a massive scale.**

Redistributes EARNED sales taxes (current SSUT formula)



FY 2024 SSUT Distribution from the State		
Tuscaloosa	\$ 8,161,897.99	42%
Tuscaloosa County	\$ 7,619,420.03	40%
Northport	\$ 2,550,593.11	13%
Lake View	\$ 291,730.48	2%
Brookwood	\$ 205,194.71	1%
Vance	\$ 171,432.65	>1%
Coaling	\$ 166,761.68	>1%
Coker	\$ 74,079.88	>1%
Total	\$ 19,241,110.53	

	Businesses	SSUT
City of Tuscaloosa	68%	42%
Tuscaloosa County ¹	18%	40%
City of Northport	14%	13%

	Population	SSUT
City of Tuscaloosa	47%	42%
Tuscaloosa County	35%	40%
City of Northport	13%	13%

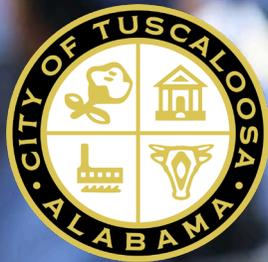
	Sales Tax	SSUT
City of Tuscaloosa	3.57%	42%
Tuscaloosa County	0.429%	40%
City of Northport	3.15%	13%

Redistributes EARNED sales taxes

3% Countywide Sales Tax	\$117.6M
TCSS (25%)	\$29.4
TCS (20%)	\$23.5
Tuscaloosa (19%)	\$22.3
Tuscaloosa County (14.3%)	\$16.8
TCRIC (10%)	\$11.8
DCH (6.7%)	\$7.9
Northport (5%)	\$5.9

Countywide SSUT	\$7.6M
TCSS (25%)	\$0.00
TCS (20%)	\$0.00
Tuscaloosa (19%)	\$0.00
Tuscaloosa County (14.3%)	\$7.6
TCRIC (10%)	\$0.00
DCH (6.7%)	\$0.00
Northport (5%)	\$0.00

Takes from our Schools



FY 2025 Funding: \$7,583,024

Takes from our schools

Traditional



4.00
(4% State)



ETF
\$3.76

GF
\$0.24

Alabama's public schools are losing **\$2.76** per \$100 transaction

SSUT



4.00
(4% State)



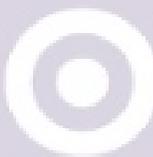
ETF
\$1.00

GF
\$3.00

Public school systems are losing funding, and they will be turning to cities to make up the difference



From bad to worse

 **circle**
360TM

ADOR's Expansion of Eligible Sellers – “The Door Dash Loophole”

Prior to 2018, the original definition of an eligible seller excluded sellers with a physical presence in the Alabama. To accommodate Amazon, SSUT was amended to include marketplace facilitators as an “eligible seller”.

ADOR, utilizing their regulatory powers, has designated delivery network companies like DoorDash, Shipt, Walmart Marketplace, and many others as marketplace facilitators.

In layman's terms, ADOR is **ignoring** local, physical nexus.





\$300 Groceries per month

Traditional: \$10.71

SSUT: \$0.24

\$10.47



Takes from our schools

Traditional



12.00
(4% State)

ETF
\$11.28

GF
\$0.72

The average Alabamian spends **\$300 per month** on groceries

When you see a “Door Dasher” delivering groceries, the Education Trust Fund is losing:

SSUT – ADOR Loophole



12.00
(4% State)

ETF
\$3.00

GF
\$9.00

\$8.28

Consequences of not fixing SSUT

1. Impacts budgets for city services, schools and agencies
2. Jeopardizes elite credit ratings
3. Suffocates economic development (**jobs**)
4. Eliminates quality-of-life investments
5. Erodes rural economies

Impacts budgets



THE CITY OF TUSCALOOSA

SAFE • STRONG • RESPONSIBLE

ADOPTED BUDGET

40% of GF is public safety

8% of GF budget is outside agencies



FISCAL YEAR 2025

Jeopardizes elite credit ratings

	Fitch	Moody's	Standard & Poor
City of Tuscaloosa	AAA	Aa1	AA
City of Auburn	-	Aa2	AA+
City of Birmingham	AA-	Aa3	AA
City of Hoover	-	Aa1	AAA
City of Huntsville	AAA	Aaa	AAA
City of Mobile	-	Aa2	AA
City of Montgomery	AA	Aa1	AA
Auburn University	-	Aa2	AA-
University of Alabama	AA+	Aa2	AA
University of Alabama, Birmingham	-	Aa3	AA

Quality of Bond	Fitch	Moody's	Standard's and Poor
Prime	AAA	Aaa	AAA
High Grade	AA+	Aa1	AA+
High Grade	AA	Aa2	AA
High Grade	AA-	Aa3	AA-
Upper Medium Grade	A+	A1	A+
Upper Medium Grade	A	A2	A
Upper Medium Grade	A-	A3	A-
Lower Middle Grade	BBB+	Baa1	BBB+
Lower Middle Grade	BBB+	Baa2	BBB+
Lower Middle Grade	BBB-	Baa3	BBB-
Non-Investment Grade	BB+	Ba1	BB+
Non-Investment Grade	BB	Ba2	BB
Non-Investment Grade	BB-	Ba3	BB-
Highly Speculative	B+	B1	B+
Highly Speculative	B	B2	B
Highly Speculative	B-	B3	B-
Substantial Risks	CCC	Caa1	CCC+
Extremely Speculative		Caa2	CCC
Default With Little Recovery		Caa3	CCC-
Default With Little Recovery		Ca	CC
Default	DDD		D
Default	DDD		
Default	D		

Suffocates new jobs



Case Study: Mercedes-Benz U.S. International

City's total investment: \$92.3 Million

City's direct tax revenues: \$0.00

MBUSI Employees	
City of Tuscaloosa (includes PJ)	24%
City of Northport (includes PJ)	10%
Tuscaloosa County	48%
Out of Tuscaloosa County	19%



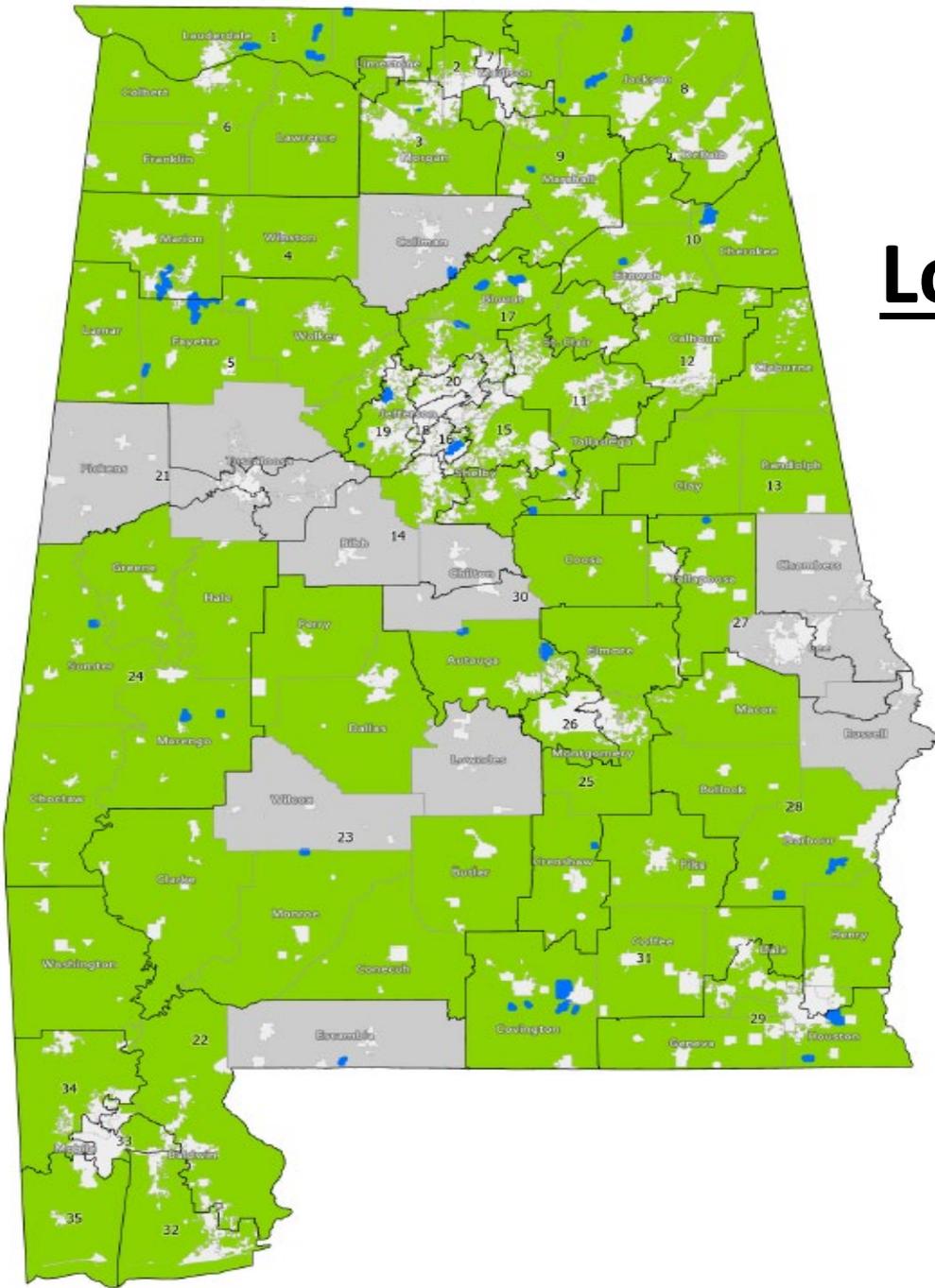
*Includes the City reducing its sales tax in 1997 (\$52 million) for County infrastructure investments

Eliminates quality-of-life









Local Taxation without Representation

A significant majority of Alabama's Senate and House districts are being **OVERTAXED** by SSUT



Questions