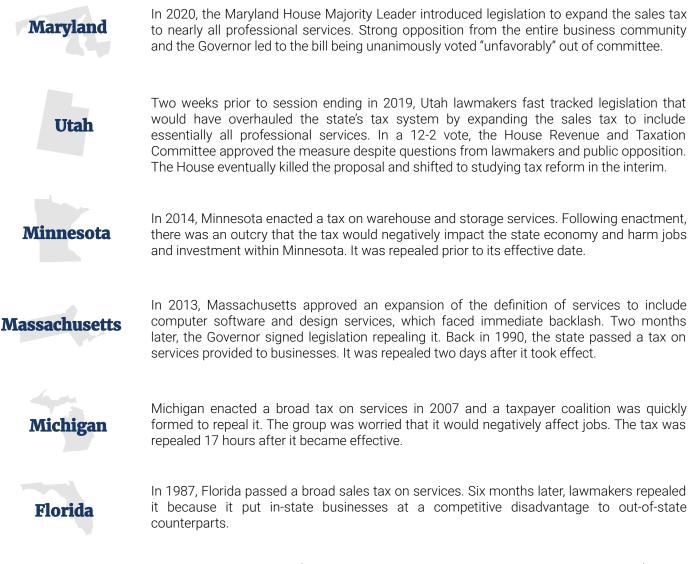


## Past attempts to expand sales tax to services have failed.

Although many states tax a few select services, there is no trend of states successfully and broadly expanding their sales tax base to include professional services. Even at the height of the recession, most states looking at a sales tax on professional services rejected the idea as inherently unworkable. Over the past few years, many states have introduced legislation containing language that would impose tax on services, but none of the bills have succeed in expanding the tax base to a broad number of professional services. Below are the most notable examples of failed attempts to enact a tax on services, where states repealed them shortly after enactment or moved away from them after public outcry.



No major industrial state levies a sales tax on professional services. Only three states tax services broadly (Hawaii, New Mexico, and South Dakota), but all three of these are low population states with unique tax systems and state economies. Each of them has a population of two million or less, and each have a unique revenue system. For example, South Dakota goes without an income tax, depending much more heavily on sales tax, and Hawaii is geographically isolated, leading to less interstate competition.