

Professional Services Tax
State Laws

State	Has Professional Services Tax	Expecting Consideration	Had and Repealed	Best Arguments Against
Alabama	No	No	No	
Alaska	No	No	No	
Arizona	No	No	No	
Arkansas	Yes, but engineers are exempt	No	No	
California	No	Periodically discussed	No	New tax would be harmful in an already tough state economy
Colorado	No	Possibly	No	
Connecticut	No	Considered in 2015 but rejected	Yes	Tax imposed and repealed in the 1980s was difficult to collect from out-of-state firms; in 2015, inflated revenue estimates because governmental clients do not pay sales tax
Delaware	No	No	No	
Florida	No	No	Yes	Pressure from business groups, advertisers, attorneys
Georgia	No	No	No	
Hawaii	Yes	No	No	
Idaho	No	No	No	
Illinois	No	No	No	PST gives competitive advantage to out-of-state firms
Indiana	No	Bills have been introduced in the last few years	No	Government clients are tax-exempt; would negatively affect employment levels in private industry
Iowa	No	No	No	PST gives competitive advantage to out-of-state firms; confusion about how to apply the tax to subcontracted work
Kansas	No	State sales tax revised in 2015 but engineering	No	PST gives competitive advantage to out-of-state firms

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		exemption remains intact		
Kentucky	No	No	No	
Louisiana	No	Included in Governor's 2013 tax reform proposal	No	
Maine	No	Governor proposed in 2015 but legislature rejected	No	Inflated revenue estimates because governmental clients do not pay sales tax
Maryland	No	No	No	Point-of-sale issues; PST gives competitive advantage to out-of-state firms
Massachusetts	No	No (but keeping an eye on it)	No	
Michigan	No	No	Yes	Michigan passed a services tax in 2008 and repealed it 6 months later. Best arguments against: drives business out of state; increased costs to consumers
Minnesota	No	Governor proposed in 2013	No	PST gives competitive advantage to out-of-state firms; large firms could reduce subcontracted work, which would hurt small firms
Mississippi	No	No	No	
Missouri	No	No	No	
Montana	No	No	No	
Nebraska	No	Debated in 2013	No	Cash flow impact; competitive advantage to out- of-state firms; nexus problems; impact on small firms
Nevada	No	Is discussed regularly	No	
New Hampshire	No	No	No	
New Jersey	No	No	No	

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New Mexico	Yes—gross receipts tax	No	No	
New York	No	No	No	
North Carolina	No	Possibly	No	
North Dakota	No	No	No	
Ohio	Yes – gross receipts tax on all businesses	Included in Governor's budget proposal in 2013	No	
Oklahoma	No	No	No	Last considered in 2002
Oregon	No	No	No	
Pennsylvania	No	Under consideration in 2015	No	
South Carolina	No	No	No	
South Dakota	Yes – gross receipts tax	No	No	
Tennessee	No	No	No	Last considered several years ago; broad coalition of professionals worked to defeat the tax; competition with out-of-state firms a key argument
Texas	No	Yes	No	Administrative burden; competition with out-of-state firms
Utah	No	Was under consideration in 2010 and could be in the future	No	Government clients would be tax-exempt and that would reduce potential revenues; information in Ernst & Young report prepared for ACEC-MD
Vermont	No	Could be considered again	No	Need for additional state government employees to implement; increased consultant rates; out-of-state firms would have an advantage
Virginia	Yes—gross receipts tax (BPOL)	No	No	At some point VA considered adding a sales tax; many clients tax-exempt; hard to administer; would duplicate the BPOL

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Washington	Yes—gross receipts tax		No	Firms cannot afford to pay increased taxes during this economic downturn; the last time the rate was increased employment levels declined by 9%, even though the economy was strong
West Virginia	No	No	No	
Wisconsin	No	Not currently	No	
Wyoming	No	No	No	Considered and defeated in the 1980s; arguments against included competitive advantage to out-of-state firms, increased prices to clients, and the administrative nightmare

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