



AMERICAN COUNCIL OF ENGINEERING COMPANIES

Professional Services Taxes: Reporting and Payment

ISSUE

Complying with a sales tax on professional services would have significant cash flow impacts on engineering firms. There would also be substantial administrative costs for firms that had to report sales tax payments to several different states and local governments.

KEY POINTS

- Many states require sales taxes to be reported and paid to the government at the time the business invoices the client. However, engineering firms typically wait at least 120 days to be paid by their clients. This gap would create significant cash flow problems for engineering firms.
- Firms that provide engineering services would have to file reports with the state government, adding to their paperwork burden.
- In addition, many states allow cities, counties, or other local jurisdictions to add a local option sales tax in addition to the statewide tax.
- Firms would have to bear the administrative costs of extensive reporting requirements at multiple levels of government in order to be in compliance with a professional services tax.
- Smaller firms traditionally work for smaller, private clients and hence would incur more of the administrative burden than larger firms that traditionally do more government and municipal work.

ACEC POSITION

ACEC is concerned about the cash flow impact on A/E firms, particularly small firms, of a professional services tax. In addition, the Council is concerned about the administrative burden on firms of complying with the tax. ACEC opposes levying sales taxes on firms that provide professional engineering services to their clients.