

Alabama Embraces Program That Would Aid Sales Tax Collection, Help Reduce State Deficit

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MONTGOMERY, ALABAMA, April 12, 2011 –At a time when state debts are soaring, the state of Alabama has recognized the effectiveness of sales tax escrow programs, which will enable the state to automatically collect sales tax revenue from state merchants and will help to decrease the state’s deficit.

Due to out-dated procedures and technologies, most states currently permit merchants to receive and use sales tax funds collected from their customers, with the expectation that these merchants will pay their tax obligation when taxes are due. Competing obligations for the use of this sales tax money sometimes take precedence, and instead of paying their tax debt to the state, merchants often use it to pay other pressing business obligations.

In Georgia, for example, there is more than \$1.6 billion in uncollected sales tax revenue from the past decade. California, New York, Florida, Michigan, New Jersey, Pennsylvania and most other states are experiencing similar delinquencies, which only adds to state budget deficits. It is in both the merchant’s and the state’s best interest to pay the sales taxes as close to the point of sale date as possible.

Pay My Taxes, LLC is the first such company offering a sales tax escrow program. The company has partnered with First Data Corporation, a global leader in electronic commerce and payment processing, to offer Pay My Taxes™, a new tax collection program capable of automatically diverting a certain percentage of a merchant’s gross credit and debit card revenue to a separate escrow account at the merchant’s bank on a daily basis. The automatic escrowing ensures that the money is available to pay the sales tax liability when it is due. For merchants, it alleviates the worry of not having enough cash flow to meet their sales tax obligations, reduces the probability of non-compliance, late tax payments and litigation, and reduces tax accounting and legal service costs. In the end, Pay My Taxes increases the efficiency for businesses, tax authorities and the legal system alike.

Peter Pavlidis, owner of Christie’s Diner in Torrington, Connecticut, is a typical merchant who struggled to find the money to pay his monthly sales tax obligation. Pavlidis became very delinquent and stood to lose his business to the state. “I had a eureka moment when I realized that if I could escrow my sales taxes just like I escrow my real estate taxes, I wouldn’t find myself in this jam,” said Pavlidis. Soon after his epiphany, Pay My Taxes, LLC was born.

After more than a year of testing, the Pay My Taxes program is now available to all merchants nationwide via an easy sign-up process on the company's website, www.paymytaxes.com.

Nick Paindiris, Managing Member of Pay My Taxes, LLC, has been traveling the country educating state revenue departments about the benefits of Pay My Taxes. "Most states like the idea, but consistently there have been bureaucratic concerns that prevent them from signing on. Alabama, however, saw the value of the program right away and is the first state to embrace the program."

"What is so important and significant about these escrow programs, is that it can easily transition to real time collection of sales taxes. Once the sales tax funds are in a separate account, the states could sweep such accounts and be paid their taxes daily," said Paindiris.

In addition to Alabama, the state of Missouri has also recognized the benefits and effectiveness of Pay My Taxes, and each state has provided a link to www.paymytaxes.com on its Department of Revenue web page.

For more information about Pay My Taxes, or to register to participate, visit www.paymytaxes.com.