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Illinois Affiliate Tax Will Harm Small Businesses and Reduce Tax Revenue
State poised to enact legislation that has failed in other states

(Washington, D.C.) – The Illinois State Senate is on track to adopt a new tax provision that will reduce state tax revenue and harm small businesses. Passage of the so called “Amazon Tax” included in Senate Amendment 3 to HB 3659 would require out-of-state retailers to collect Illinois sales tax if customers were referred by any website operated by Illinois businesses or residents.

Illinois would only worsen its budget gap if this became law.

“In other states that have tried this approach, including North Carolina and Rhode Island, large online e-retailers who pay affiliate commissions simply canceled their affiliate programs,” said Steve DelBianco, executive director of NetChoice. “The same reaction will undoubtedly happen in Illinois, resulting in no new sales tax for the state. Worse, the lost affiliate commissions would mean that those Illinois small businesses would pay lower state income taxes.”

It's all pain and no gain, which is exactly what happened in other states that passed similar laws.

What should Illinois lawmakers do to close their budget gap? Illinois legislators and tax collectors should instead look for ways to collect sales tax that's already due under current law.

The fastest growing online sales are happening at retailers who also have local stores where shoppers can see merchandise and easily return or exchange items they bought online. A recent economic study <<http://www.netchoice.org/library/new-estimate-of-uncollected-taxes-from-e-commerce/>> showed that 22 of the top 25 e-retailers (and 82 of the top 150) already have stores in Illinois. That includes e-retailers where Illinois consumers did a lot of their Christmas shopping, like Apple, Victoria's Secret, Williams & Sonoma, Eddie Bauer, and LL Bean.

Illinois lawmakers should ensure that these retailers are already collecting sales tax on sales to Illinois residents. That makes infinitely more sense than passing a new law that brings in no revenue while slashing commissions earned by small businesses in Illinois.

NetChoice is an advocacy organization that fights threats to online commerce and promotes policies that protect Internet innovation and communication on a state, federal and international basis. The Washington, DC-based group protects Internet commerce-driven competition and battles rules that hinder consumer choice and hurt small businesses. For more information, see www.netchoice.org <<http://www.netchoice.org/>>.

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