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NetChoice Warns of Small Business Tax Threat in State Online Tax Expansion

Bipartisan Resolution by Representative Hodes seeks to mitigate threat

(Washington, D.C.) – Today, Representative Paul Hodes (D, NH) introduced a bipartisan resolution to protect small businesses from tax collection burdens that would be imposed by the Streamlined Sales Tax. The resolution (H. Res. 1570), titled "*Supporting the Preservation of Internet Entrepreneurs and Small Businesses*," holds that Congress should not impose unfair tax collection burdens that would hurt the US economy and consumers.

The resolution is a response to legislation introduced in July 2010 by Representative Bill Delahunt (D, Mass.) which would force all retailers across the nation to become tax collectors for states that have joined the Streamlined Sales Tax Project (SSTP).

The legislation would force out-of-state sellers to collect taxes for states where they have no physical presence, overturning a Supreme Court ruling that tax systems are so complex that they represent an unreasonable burden on interstate commerce.

"Don't believe it when tax collectors say their software makes it trivial for tiny sellers to collect everyone's sales tax," said Steve DelBianco, executive director of NetChoice. "Small sellers will spend thousands of dollars making changes to their website software, plus endless time and accounting fees to handle exceptions, customer questions, and state tax audits."

Large retailers like Walmart and Target support SSTP legislation because their physical presence already requires them to collect tax on their web sales. Even just a little simplification helps these big-box stores, while SSTP imposes brand new costs on their small online competitors. SSTP advocates have failed to meaningfully simplify their tax system and have now done away with small business protections that were initially promised.

In the ten years that states have been trying to meet the challenge laid down by the Supreme Court, SSTP advocates have shown that simplification was only a slogan, not a standard. Gone are promises of one tax rate per state and a single rule for sourcing sales.

Instead, SSTP advocates have abandoned simplicity whenever a potential member state insisted on retaining its complex tax policies.