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Senate Proposal Would Impose Onerous Online Sales Tax

Small and Medium Online Retailers Will be Forced to Comply with Thousands of New Tax Jurisdictions

(Washington, D.C.) – Legislation introduced today by Senators Mike Enzi, R-WY and Lamar Alexander, R-Tenn. would force small out-of-state sellers to collect taxes for states where they have no physical presence, overturning a Supreme Court holding that tax systems are so complex that they represent an unreasonable burden on interstate commerce.

“Online sales tax supporters are promising a Thanksgiving feast, but all they’ll deliver are cold leftovers,” said Steve DelBianco, executive director of NetChoice. “Small online retailers are right to fear the costs and compliance burdens of this proposal.”

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.

Senator Enzi is a perennial co-sponsor of past SSTP bills, which included a \$5 million small seller exception. Enzi’s latest bill decreases that exception by 90%, while the complexities of collecting for 9,600 individual tax jurisdictions has only increased.”

Relative to the pain imposed on small business, there’s little for states to gain in new tax revenue. New research by Standard and Poor’s Ratings Services finds that any online sales tax scheme will [yield little](#).

In fact, [recent research](#) conducted by Jeffrey Eisenach found that, “total potential uncollected sales tax revenues in 2008 were approximately \$3.9 billion, or less than three-tenths of one percent of state and local tax revenues.”

“In essence, we’re seeing some members of Congress throw one of our best growth industries under the bus to pursue less than half a penny in new taxes,” said DelBianco. “Does anyone besides big-box retailers really think it’s a good idea to saddle small business owners with a new tax system?”

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.