



For Immediate Release
April 25, 2012

Contact
David Mack
415-609-7155

Online Sales Tax Would Harm Small Business and Interstate Commerce
Push for Legislation Driven by Big-Box Retailers Already Subject to Tax

(Washington, D.C.) – The United States Senate Committee on Finance today held a hearing to explore authorizing states to levy new taxes on out-of-state retailers. NetChoice submitted testimony to the committee that documented harm the proposal would cause to small online retailers. The entire testimony can be found at www.NetChoice.org/testimony .

“For a decade, state tax collectors have tried and failed to deliver on their promise of a simple online tax regime,” said Steve DelBianco, executive director of NetChoice. “The Streamlined Sales Tax is only a slogan, not the simplified standard its backers claim.”

The hearing, titled “Tax Reform: What It Means for State and Local Tax and Fiscal Policy,” explored requests by a handful of states for Congress to shrug off Supreme Court guidance and allow thousands of state and local tax jurisdictions to demand that out-of-state retailers remit sales taxes to states where they have no physical presence.

Calls for a new Internet tax are commonly framed as a fairness issue, but the truth is that both the potential state revenues and benefits for small retailers are grossly overstated. According to a study by economists Robert Litan and Jeffrey Eisenach, uncollected sales tax on e-commerce in 2012 is only 1/3 of one percent of total state and local tax revenue.

The SST’s own Cost of Collection¹ study found that a small business (under \$1M in annual sales) already spends 17 cents for every tax dollar it collects for a state. The SSTP would grow this burden by adding costs for computer system changes and integration, not to mention enduring audits from 46 state tax administrators.

In contrast, big-box retail chains are pushing hard for federal legislation because it serves their interests. Even a little simplification helps a big-box retailer who must already collect tax for most states. Big-box retailers now have expansive web-stores of their own and give customers the convenience of doing pickups and returns at their local stores. These chains use plenty of local public services wherever they have stores, so they must collect sales tax in all their states – as required under current law.

If Congress is determined to overturn Constitutional protections for interstate commerce, it must exempt small businesses, require states to adopt minimum simplification requirements, and create fair procedures to resolve disputes between states and taxpayers.

###

¹ Available at <http://www.netchoice.org/wp-content/uploads/cost-of-collection-study-sstp.pdf>.