

The e-Fairness Coalition

Internet Tax Issues: Congressional Legislation Necessary to Level the Playing Field

The e-Fairness Coalition supports a “level playing field” so that all retailers – in-store, catalog, and online – have the same sales tax collection responsibility. We support the enactment of federal legislation to allow states to treat all retail sales equally. We do not support new taxes on Internet sales.

Current Law

In 1992, the Supreme Court ruled in the *Quill* Decision that the multitude of complicated and diverse state and local sales tax rules were a burden on retailers engaged in interstate commerce. Therefore, Internet and catalog retailers cannot be required to collect sales taxes unless they have a physical presence, such as a store or warehouse, in the purchaser’s state.

The *Quill* decision has resulted in a situation where Internet and catalog retailers without physical stores do not collect sales taxes, while other “clicks and bricks” retailers with both online and traditional stores are required to collect sales taxes on all sales. This is not only unfair to traditional brick and mortar retailers, but is costing the financially strapped states billions in lost revenues. In the *Quill* Decision, the Supreme Court advised that allowing states to require collection is an issue that, “Congress maybe be better qualified to resolve, and one that it has the ultimate power to resolve.”

Streamlined Sales and Use Taxes

The Streamlined Sales and Use Tax Agreement (SSUTA), which was approved in November 2002 by 34 states and the District of Columbia, responds to the Supreme Court’s concerns by outlining one uniform system to administer and collect sales taxes. Individual states are currently passing legislation to implement the terms of the Agreement.

SSUTA will take effect on a voluntary basis once at least 10 states, representing over 20 percent of the U.S. population, implement its rules. The SSUTA will simplify the nation’s sales tax laws, reduce red tape on America’s businesses and facilitate equitable sales tax collection for all retailers.

The e-Fairness Coalition supports Congressional action to provide states that implement the Agreement with the authority to collect sales taxes from remote retailers. Adoption of the Agreement and Congressional authorization will provide a level playing field for brick and mortar and remote retailers.

Meaning of “Extend the Moratorium”

The Internet Tax Freedom Act of 1998 banned taxes on Internet access and it banned multiple or discriminatory taxes on electronic commerce. **The Act did not ban the collection of sales and use taxes on sales made over the Internet.** This issue is not widely understood and is regularly mischaracterized in the press.

Merely extending the current moratorium does nothing to address the more important issue of allowing states to require remote retailers to collect and remit sales taxes. Extending the moratorium will only delay a decision on this issue and allow the current inequitable situation to continue to the detriment of states and the “bricks and mortar” retailers that compete with remote sellers.

Organization Name: The e-Fairness Coalition. The e-Fairness Coalition includes brick-and-mortar and online retailers, retail corporations and associations, publicly- and privately-owned shopping centers, outlet centers and independently owned shops.

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Topic: Internet Tax Simplification: Is It Really That Simple?