* ***The current system hurts small businesses –*** Currently, if an online retailer does not have a physical presence (nexus) within a state, they are not required to collect and remit sales tax there. This loophole, which pre-dates the Internet, is exploited by online-only companies. Brick-and-mortar establishments simply cannot compete when online-only companies are able to achieve as much as a 10% price advantage by not collecting state sales tax. This special treatment has the effect of the government picking winners and losers in the marketplace, and local businesses simply cannot compete over the long term with online giants that have a competitive advantage based on government policy.
* ***States are losing millions of dollars*** - Brick-and-mortar retailers must pay sales and use and property taxes. As more and more commerce has migrated to the Internet, states are losing hundreds of millions in revenue every year that is not collected because they have no way to require online retailers to comply with state sales tax law, and no easy way to get state residents to remit the taxes they owe. Valuable money that is currently owed to the state that could be spent on state development and create new jobs is essentially uncollectable, and the burden falls on consumers. States need a way to effectively and efficiently collect the money owed, and brick-and-mortar businesses simply want to level the playing field.
* ***It’s a matter of states’ rights –*** The states should be able to enforce their laws regarding the collection of sale taxes, regardless of whether a product or service is purchased from an in-state or out-of-state vendor. Congress should allow the states to enforce their own sales-tax laws, taking the government out of the business of picking winners and losers based on sales-tax collection.
* ***This is NOT a new tax on internet sales*** –Just because some online-sellers don’t currently collect the tax doesn’t mean the state’s sales tax is not due. In fact, today online-only establishments are leaving individuals who purchase items on their Web sites exposed since these consumers are still legally responsible for paying the tax directly to the state. Moreover, individuals can be audited and penalized for any unmet tax obligation that hasn’t been paid. For the states, these uncollected sales taxes are growing accounts receivable, which they are currently barred from collecting in the same manner as on sales in a brick-and-mortar store.
* ***Congressional action is necessary*** - The Supreme Court stated in the *Quill vs. North Dakota* decision that states are not allowed to compel the collection of these taxes unless they are granted such authority by Congressional action. While over 30 states have attempted to remedy this problem on the state level, the only lasting solution to this interstate commerce dilemma is to enact federal legislation. Online retailers have responded to attempts by Texas, California, and South Carolina to pass collection legislation by threatening to remove jobs from the state in order to avoid having to comply with state laws.
* ***This legislation provides a common-sense solution*** - The debate over online sales tax collection has gone on for more than a decade. Legislation has been introduced over the years to attempt to remedy the situation, but those bills include expansive federal regulation of the ways that a state must conduct online tax collection. *This legislation* would not only empower states to require online retailers to collect and remit these sales taxes, but allows the state to decide how best to do so. By omitting multiple restrictions and regulations, this legislation empowers the states themselves to decide on the best method for collection. By broadly granting States the power to compel the collection and remittance of this tax, this legislation would also empower any state legislation that would incorporate the Streamlined Sales & Use Tax Agreement, which is currently unenforceable outside of member states.
* ***This legislation will not unduly burden small businesses*** - This legislation includes an important exemption for small businesses. As long as a small business does not have more than $100,000 in annual sales in an individual state per year, or $1 million in sales nationally, that small business is exempt from having to collect and remit sales tax from sales in that state. Furthermore, this amount operates as a floor, so that if a state chooses, they may set the threshold higher, but cannot set it lower. This legislation allows the state to not only opt into requiring collection, but choose what size of business from which they will require collection. In this way small businesses will not be disproportionately impacted by the collection requirement if a State chooses to require the collection and remittance of sales and use tax.