

Interview: Internet tax a states' rights issue

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This Sept. 14, 2011 file photo shows Sen. Mike Enzi, R-Wyo., at the Capitol in Washington. Enzi is scheduled to explain his proposal Thursday Nov. 17, 2011 that would allow states to require Internet vendors to collect sales tax for all the states regardless of vendor's location. (AP Photo/J. Scott Applewhite, File)

(AP) -- Before he became a U.S. senator, Mike Enzi ran a shoe store and was mayor of Gillette, in the heart of Wyoming's coal country.

Making payroll as a small businessman and sticking to a budget as a local [government official](#) drives Enzi now as he leads a bipartisan group of senators pushing legislation to help states recover billions in [sales taxes](#) they're losing to [Internet sales](#).

"We need to fix this so that the loophole doesn't exist anymore, and that will take care of those [local governments](#) without the federal government having to raise more taxes for them," Wyoming's senior Republican senator told The Associated Press in an interview this week.

Under the Marketplace Fairness Act, the 45 states with state sales taxes could require online retailers that sell more than \$500,000 a year to collect sales taxes for them regardless of where those retailers are headquartered. [Internet retailers](#) currently must collect sales tax only for those states they have a presence in, such as a store or an office.

In some cases, online consumers are required to pay tax to their home state but don't always do so.

States striving to make ends meet in tough times will lose more than \$23 billion in uncollected sales taxes in 2012, the [National Conference of State Legislatures](#) estimates.

"I used to be a retailer, and I find it discouraging when somebody comes in and they pick something up and they say, 'Now if you'll sell it to me without the sales tax, I'll buy it,'" Enzi said.

"And you say, 'Well that would be illegal, I can't do that.' And they come up with some alternate plans for how you could ship it out of state for them. But if you're a brick-and-mortar business, if you actually live in the community, then that's not an option. So they go and they buy it online so they don't have to pay sales tax."

Enzi said he commonly hears from Wyoming retailers that addressing the tax issue is essential for main street businesses that provide jobs and help their communities. Under the bill, state governments would share tax revenues with local governments based on address records of people ordering goods online.

Enzi and Sens. Dick Durbin, D-Ill., and Lamar Alexander, R-Tenn., lead the group of 10 U.S. senators behind the bill.

Internet retailer Amazon.com Inc. has said it supports the bill. The company fought taxation efforts in several states but said it would prefer a federal solution.

Online auction company eBay Inc. opposes the legislation, saying it would place an unfair burden on small retailers to collect and remit sales taxes around the country. Enzi said he believes that exempting businesses with less than \$500,000 in sales addresses those worries.

Enzi said he doesn't accept the argument from some Internet companies that they shouldn't have to collect taxes for states in which they don't have a physical presence or use state services.

"They have a presence there, otherwise people wouldn't be able to buy from them," he said. "It's not a brick-and-mortar presence in which there's property tax they have to pay as well. They don't have to pay the in-state employee fees. All of those are things that help to keep things going. I also used to be a mayor, so I know that this is a huge infrastructure and jobs bill."

Enzi also doesn't accept the argument that [states](#) should simply learn to live with less.

"Live with less, so that out-of-state retailers can live with more?" he asked. "No, I don't think that's a legitimate one to ask your out-of-state businesses to put your in-state businesses out of business."

The senator said he and his colleagues long have wrestled with the tax issue - and there's a good chance this bill can resolve it.

"I'm very optimistic this time," Enzi said. "I've been working on it for a number of years, and a drastic change that we made in the bill was to make it a state's rights issue, and each state will have to pass a law in order to be part of this."

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