

Amazon, Texas reach deal to settle sales tax spat

April 27 2012, By CHRIS TOMLINSON , Associated Press

(AP) -- Online retailer Amazon.com reached an agreement with Texas officials Friday to settle a sales tax dispute by expanding operations in the state and starting to collect sales taxes.

The deal comes less than a year after Amazon shut down a distribution center in Irving to protest a \$269 million tax bill sent by Texas Comptroller Susan Combs in 2010.

Combs and Amazon said in a joint statement that the settlement calls for the company to bring at least 2,500 jobs and \$200 million in capital investments. The company will begin collecting and paying [sales tax](#) July 1. Last year Gov. Rick Perry denounced Combs's decision to collect the taxes, saying it would cost Texas jobs and discourage companies from moving to Texas.

The announcement came the day after Amazon posted first-quarter profits that blew away analysts' estimates and boosted the company's stock.

The move is a dramatic reversal for Amazon, which has fought hard across the country against being forced to collect state sales taxes. Texas law requires companies with a physical presence in Texas to collect sales tax. After Combs concluded last year that the company owed \$269 million in uncollected sales taxes, Amazon closed down the warehouse and argued it did not qualify under the law. The deal announced Friday settled that dispute.

In a [Securities and Exchange Commission](#) filing Friday, Amazon said it still believes it never owed Texas any taxes but had nevertheless reached a settlement. The national fight over whether online retailers should have to collect state and local sales tax just the same way local merchants must remains unresolved.

Local shops argue online retailers have an unfair price advantage because they are not required to collect taxes on behalf of the state that in Texas can reach 8.5 percent of the sales price. Combs and Amazon's Vice President of Global Public Policy Paul Misener both committed to working toward a national solution to solving that problem.

"This is an important step in leveling the playing field in Texas," Combs said in a statement. "However, Congress should enact federal legislation that will give states access to revenues that are already due, which would resolve this issue fairly for all retailers and all states."

Amazon has said in the past that the complexity of the state and local sales tax system makes it impossible for big online retailers to accurately collect sales tax and that it supports a national, standardized approach.

"We appreciate Comptroller Combs working with us to advance federal legislation," Misener said. "We strongly support the creation of a simplified and equitable federal framework, because Congressional action will protect states' rights, level the playing field for all sellers, and give states like Texas the ability to obtain all the sales tax revenue that is already due."

The Alliance for Main Street Fairness, which has fought to force online retailers to collect state and local tax, also welcomed the agreement and called for Congress to enact a national solution.

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