

Amazon lobbies heavily for Internet sales tax

September 11 2013, by Kyung M. Song

When Peter Ollodart realized earlier this year a bill in Congress to require sales taxes on all Internet purchases could wipe out his company's slim profits, the owner of Puget Sound Instrument flew to Washington, D.C., to persuade lawmakers to oppose it.

The three-day trip cost Ollodart more than \$2,000, no small share of the \$50,000 salary he draws as the firm's president.

What Ollodart didn't know is his annual pay equals what Amazon.com Inc. spends per month for one powerhouse lobbying firm to get that same legislation enacted.

Seattle-based Amazon late last year hired Patton Boggs, a marquee Washington, D.C., lobbying group, to join two other firms on retainer as well as Amazon's in-house lobbyists in hopes of getting the Marketplace Fairness Act passed.

The bill cleared the Senate in May, 69-27. But the measure has stalled in the House Judiciary Committee, whose chairman, Rep. Bob Goodlatte, R-Va., has expressed "serious concerns" about the Senate version.

Still, the end of tax-free shopping on the Internet may be near. That prospect has spawned a fierce duel of special interests.

Amazon, Wal-Mart Stores Inc., Best Buy Co. Inc. and some brick-and-mortar retailers are whipping for votes in favor. Other types of small businesses, the conservative Heritage Foundation, and eBay Inc. are

leading the opposition.

The battle involves more than just campaign cash and a bevy of lobbyists. Both camps have made aggressive use of op-ed pages, social media, briefings for lawmakers and staff, and competing studies purporting to debunk the other side's "facts."

A coalition formed in February by Amazon, Sears and more than 200 other companies, for instance, produced a video testimonial by Goodlatte's clothier in Roanoke, Va., that the bill would help the family business by ending online sellers' sales-tax advantage.

The same group, Marketplace Fairness Coalition, supplied supportive lawmakers leaving town on August break with recess kits containing "top-line message points" to talk up how the bill would promote free markets, create jobs and reduce the need to raise taxes.

Though Amazon is a big beneficiary of tax-free shopping, the Seattle company for more than a decade has insisted it supports uniform federal rules that would apply to all but the smallest retailers. Achieving that could free Amazon from litigious confrontations with the growing number of states coming after it for uncollected taxes.

The Marketplace Fairness Act would override a pair of early Internet-era rulings by the U.S. Supreme Court that have kept states from compelling online and catalog retailers to collect sales taxes on orders from states where they do not have stores or another other physical presence.

One sign of the bill's priority for Amazon in this Congress is the company's visibly stepped-up presence on Capitol Hill. The company has spent \$1.7 million on lobbying so far this year, according to the Center for Responsive Politics, a nonprofit watchdog group in Washington, D.C.

San Jose, Calif.-based eBay, the bill's biggest foe, in comparison has spent \$1.2 million. It wants small businesses with less than \$10 million in sales to be exempt.

Amazon is on pace to surpass the record \$2.5 million it spent in 2012. Before 2006, its lobbying expenses never topped \$1 million.

In the nine months ending in June, Amazon has paid Patton Boggs \$500,000 for the services of nine lobbyists, according to federal lobbying reports. Among them are former Senate Majority Leader Trent Lott, R-Miss., and former Sen. John Breaux, D-La.

All but two Patton Boggs lobbyists on the Amazon account are former federal employees.

Amazon has lobbyists at two other firms working wholly or in part on the sales-tax bill. One, Elizabeth Frazee of TwinLogic Strategies, is Goodlatte's former legislative director.

In all, Amazon has 25 lobbyists handling the issue on its payroll.

Amazon is among at least 135 companies and groups that have lobbied for or against the sales-tax bill so far this year, according to data compiled by the Center for Responsive Politics.

The bill was Amazon's top concern, accounting for nearly as many visits to lawmakers as electronic privacy, skilled-worker visas and all other issues combined.

In addition, political-action committees of Amazon, eBay and similar businesses collectively are among the biggest sources of campaign donations to House Judiciary Committee members this year.

For Ollodart, 48, the stakes are nothing less than the survival of his company.

He bought Puget Sound Instrument in 2011 after a 14-year career as manager at Microsoft. The Tacoma, Wash., firm last year sold \$3.5 million worth of walkie-talkies, marine radars and other electronics.

More than a quarter of the orders went to buyers in Florida and other states, putting Ollodart close to tripping the \$1 million exemption on remote sales that would require him to collect local sales taxes.

Ollodart expects it would cost him thousands of dollars a year to file monthly returns to 44 states outside of Washington that levy sales taxes.

The legislation requires states to provide retailers with free software. But Ollodart and other small-business owners say that wouldn't cover the cost of integration or needed systems upgrades.

Ollodart said his 2012 tax return shows a net profit of \$350 - the sum left after paying for his salary, employee raises, computers and tools, better medical benefits and other investments as a new owner.

If Congress were to pass the sales-tax bill, Ollodart said, "it would put us out of business. It's a pretty simple message."

In May, Ollodart joined a grass-roots group called eMainStreet Alliance, which claims 700 small independent member businesses who oppose the bill. Ollodart said his venture into political activism has been largely dispiriting.

Of the five members of Congress from Washington whom Ollodart contacted, only his congressman, Dave Reichert, met with him. Reichert appeared sympathetic, he said, though on the fence.

Reichert's spokeswoman said the Republican has not decided his vote, but will weigh it carefully because "we don't want to place any undue burdens on small businesses."

Ollodart says he received only form replies from Washington Democrats Sens. Maria Cantwell and Patty Murray, both of whom voted for the bill. Same with Democratic Rep. Suzan DelBene, a House Judiciary Committee member and a co-sponsor of the bill; and Democratic Rep. Denny Heck, whose district includes Ollodart's business and who also supports universal sales taxes.

Ollodart said he philosophically objects to turning out-of-town retailers into tax collectors on behalf of states where they get little, if any, public benefit. That's a point Amazon itself once argued while fighting back against individual states. The taxes are technically owed by buyers, who rarely pay.

Pressure is rising to close what some regard as the Internet loophole. Editorials in The New York Times, Chicago Tribune and other major papers have supported it. The Washington Post called it overdue well before Amazon founder Jeff Bezos stepped out in August as the paper's soon-to-be owner.

The uncollected sales taxes from online and catalog vendors cost states \$23.3 billion in 2012, including \$541 million in Washington, according to estimates by the National Conference of State Legislatures. State and local revenue directors are firmly on the side of Amazon and other retail giants.

"I just don't know if we can overcome the lobbying efforts of these big guys," Ollodart said.

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