

Internet sales tax back on Congress' radar

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At least \$100,000 worth of business at Chase's Do It Best Hardware in Gainesville, Ga., shuffles out the door and onto the Internet each year to avoid sales taxes, in business manager Craig Shoemaker's estimation.

Shoemaker said he knows customers are about to make their purchase online when after perusing an outdoor kitchen they say: "I'll go home and measure."

Shoemaker came to Washington last month to share his business' story with Rep. Doug Collins, R-Ga., in a trip funded by a small-business advocacy group called the Main Street Alliance. The continued effort by businesses large and small has helped get a bill to tax the nation's \$4 trillion in Internet sales on the U.S. House radar, with a hearing Wednesday in the House Judiciary Committee.

Brick-and-mortar retailers have long complained that online sellers have an unfair advantage by not collecting state [sales taxes](#), but a federal fix is complicated and fraught with political difficulties. Conservative groups oppose such a bill as creating, in effect, a tax increase and being burdensome for e-tailers, who would have to figure out how to comply with the nation's patchwork of tax codes and enforcement.

And House Republicans have already signaled they are unlikely to take on any more major legislation in advance of the fall elections.

But the law has powerful backers from the business world and state governments who are missing out on billions of dollars in tax receipts.

People who buy big-ticket items from out of state are supposed to report them and pay a use tax, but few do.

The Marketplace Fairness Act passed the U.S. Senate last year, and Wednesday's hearing is intended to explore five different approaches on the issue. The committee did not describe what those approaches are.

"While this is not a new conversation, the process that the Committee takes today is unprecedented," Judiciary Committee Chairman Bob Goodlatte, R-Va., said in a news release. "Fresh alternatives on the remote sales tax issue are needed, and on Wednesday we will hear about new ideas from a panel of witnesses. I look forward to examining the pros and cons of their proposed solutions."

Collins plans to praise Goodlatte's "deliberate" approach at the hearing and declare his opposition to the Senate bill.

"Congress has the responsibility to address the inequities in the status quo in a manner that is constitutional, workable and respects all business models," Collins said through a spokeswoman. "In this economic environment, we must ensure that all businesses - large and small - can compete on a level and fair playing field."

It's a view shared by online retailer Overstock.com, which currently collects sales taxes only in three states where it has a physical presence.

Overstock Executive Vice Chairman Jonathan Johnson said the company does not like the Senate bill but wants to find a solution. If retailers are going to be forced to collect taxes for thousands of different tax jurisdictions, they deserve some compensation, he said.

The Senate bill does encourage states to simplify their codes so retailers will only have 50 potential auditors - instead of an estimated more than

9,000 tax jurisdictions around the country.

The Senate bill also does not apply to online retailers with \$1 million of business or less, a restriction Overstock's Johnson said he would like to get rid of.

"If you're arguing for a small-seller exemption, you're really admitting that it's not an easy proposition," he said.

The willingness and ability of the House to act is an open question, particularly since the Senate bill has been tagged with the scarlet letter of "tax increase" by Grover Norquist's Americans for Tax Reform. It would effectively increase the amount of taxes shoppers pay, even though they were supposed to be paying already.

Rep. Jason Chaffetz, R-Utah, is "considering legislation," according to a spokeswoman, with no timetable to introduce a revised Internet tax bill in the House.

National Retail Federation spokesman David French said that "there's a very real chance it could get through this Congress." The business group has been lobbying for the bill and has seen some positive signs from House GOP leaders.

"I view this hearing as an opportunity mostly for some of the opponents to air their opposition out," French said. "And I think that's going to be a healthy process because it allows us to clear away some of the misconceptions and myths."

But Dan Holler, spokesman for the conservative pressure group Heritage Action for America, sees the hearing as the reverse: a chance to mollify the bill's supporters.

"It's amazing that it was shelved as long as it has been with all the money pushing it," Holler said.

"Very few politicians want to vote for something that's a [tax increase](#). ... Everybody's using this as a new source of revenue at the state level. And what those states are using the revenue for is to grow the size and scope of government while putting a compliance burden on business."

Johnson, the Overstock executive, said he was not trying to block a bill, and he thinks one could get done this year, perhaps in a post-election lame duck session. And, as a rebuttal to Shoemaker's lament about his Gainesville hardware store, he said an Internet sales tax won't solve brick-and-mortar retailers' problems.

"The fact that [tax](#) isn't collected on the Internet, I don't think that's a big factor for most people," Johnson said. "I think price is a factor. And I think that's where Internet retailers like Overstock have an advantage because we're not paying rent in strip malls."

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