Internet sales tax will only benefit the state

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Get ready to pony up more dollars for online purchases.

On Friday, the U.S. Senate passed [1] the innocuously-titled "Marketplace Fairness Act" through the upper chamber on a 75-24 vote. The bill would require e-tailers to collect and remit sales tax on interstate commerce, even when the business has no physical presence in the state (a normal prerequisite for sales tax on out-of-state purchases).

Under current law — including the Interstate Commerce Clause and two Supreme Court precedents, National Bellas Hess v. Illinois (1967) and Quill Corp. v. North Dakota (1992) — consumers are supposed to report a "use tax" on out-of-state purchases on their own, but few do. The Marketplace Fairness Act "solves" this disparity in the worst possible way.

This malignant piece of legislation will harm the economy and impose an unfair burden on consumers. Despite all the impassioned pleas from the National Retail Federation, the Alliance for Main Street Fairness [2], and other brick-and-mortar special-interest groups, this decidedly *un*fair bill will only benefit the state.

The end-result is not a transfer of funds from one business to another; it’s the state(s) pilfering more of the citizens’ wealth. Brick-and-mortars won't win many converts, but consumers will pay more for the same purchases (or just buy less, which helps no one). This will not grow the economy. Main Street retailers who expect that fixing a perceived "competitive disadvantage" will bring consumers back into their fold will soon discover that e-commerce is more than the sum of its taxes — I prefer e-commerce for the convenience and wider selection, not any tax loophole.

And when this deliberate attempt to manipulate the free markets doesn’t have the desired effect, what’s next? Outlaw free shipping? Price controls for online sales?

I've spoken [3] about this issue [4] before and how the Marketplace Fairness Act runs contrary to the norms and traditions of the free markets. Instead of lobbying for more government, why not lobby for less? Brick-and-mortars who want to drag e-tailers down to their level should instead shore up their own deficiencies and lobby Washington for fewer burdens on consumers (meaning *less* taxes, not more). States should compete with each other by adjusting — or eliminating — their sales tax rates.

This entire scenario reminds me of hotel "green" initiatives. Ever seen those signs in hotel bathrooms that exhort you to save the environment by reusing towels? Conservation is a noble cause, but it's disingenuous to cloak your true agenda — lower water bills — in the guise of environmentalism.

And let's be clear — politicians support the Marketplace Fairness Act to enrich their own states' coffers, not to remove a "competitive disadvantage", which is political gobbledygook of the highest order.

This rampant cronyism played out in the Senate, where states' individual tax policies [5] dictated political support for the bill.

"This gives states and state legislatures the right to collect sales and use taxes from all the people who owe it, rather than just some," Sen. Lamar Alexander (R-Tenn.) said.

Sen. Kelley Ayotte (R-N.H.) said Durbin's amendment "tramples on states rights." "There is nothing fair about federal intervention in the Internet marketplace," Ayotte said. "It forces online businesses to become tax collectors. This amendment should be called the Internet Tax Collectors Act."

"It basically forces all states to have sales tax whether they want them or not," said Sen. Max Baucus (D-Mont.).

Tennessee has a sales tax. New Hampshire and Montana don't.

The Marketplace Fairness Act will hurt consumers far more than it helps retailers. Convenience — not sales tax — drives people to their keyboards rather than the mall. Witness the explosion in digital media — consumers increasingly prefer virtual goods over physical products, even when the price difference is negligible.

This bill probably won't convert many e-commerce consumers into Main Street loyalists, but it will take more of their money and redistribute it to the state. Does that sound "fair" to you?

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