

# Level the playing field between retailers and e-tailers

Colin Hanna, President, Let Freedom Ring

As a former local elected official, I know that tax revenues need to come from somewhere and that they should be levied on as fair a basis as possible.

It's a delicate balance, one that does not come easily. Government must be responsible in its spending and should not abuse its authority to effect change in the marketplace, whether through its taxing authority or its ability to impose regulations. There are times when new businesses or new technologies may be given a break until they are established, but those breaks should be temporary rather than permanent.

This was certainly the case in the early days of e-commerce. Now that the Internet adds hundreds of billions annually to U.S. GDP, it is time to rethink its protected status. By tacitly permitting most online retailers not to collect sales taxes the same way that brick-and-mortar retailers do, the federal government is in essence providing a government-created competitive advantage to a class of online e-tailers over the traditional retailers who are the backbone of American small business.

It's an obvious point, but one that even advocates of a tax-free Internet will understand. Currently, if you make a purchase from an Internet retailer with a physical presence in the state to which it will be shipped, the seller must collect the sales tax due. If you make a purchase from an out-of-state retailer, however, the responsibility for remitting the sales tax resides with the consumer who, it is easy to believe, rarely complies.

This provides out-of-state e-tailers with a probably unintended but nevertheless unfair competitive advantage over both traditional retailers on Main Street and in-state e-tailers. It also reduces the need for tax competition among the states where sales taxes are concerned. If all out-of-state purchases are implicitly tax-free because few if any people actually follow through on their responsibility to remit the sales or use-tax due, it reduces the incentive for taxpayers and the business community to lobby for tax reduction. If those same taxes were assessed — fairly and across the board at the point of sale — it might actually provide an incentive to bring taxes down.

Congress is considering legislation that would level the playing field between the e-tailers and Main Street America. The Marketplace Fairness Act would allow states to impose the same requirements on e-tailers for sales tax collect that currently exist for other businesses — as long as those states simplified their sales tax laws before doing so.

It's an idea whose time has come. Consumers might prefer to keep the Internet tax-

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free, but what that really does is hide the costs of government and promote irresponsibility and dishonesty. The law in most states already says that people should pay sales tax on goods they buy in other states without paying sales tax. Turning a blind eye to the fact that few people actually pay those taxes when the government does not force their remittance is to sanction lawlessness, even at a very petty level.

Current law on Internet retail sales does not promote transparency; instead it countenances a hidden subsidy to a certain kind of business. To support this is not a conservative position and actually undermines one of conservatism's cardinal principles: the rule of law.

Tax reform is needed at all levels. The personal and corporate tax codes are filled with special preferences and other items that could be eliminated in exchange for base-broadening and lower marginal rates. The same is true for sales taxes, which could actually be lowered if more people were paying what the law already said they were supposed to pay.

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Be sure to check out Technical Editor Jason Lomberg's take on this issue [here](#) [1].

See Mr. Hanna's original editorial in The Hill [here](#) [2].

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