

## **States press Congress to make Internet merchants collect sales taxes for them**

ANDRES GONZALEZ, The Associated Press

WASHINGTON (AP) -- More than 21 states have simplified how they collect taxes in hopes of recovering an estimated \$20 billion in sales taxes that go uncollected by out-of-state online merchants every year. But the nation's governors say they still need help from Congress.

Speaking on behalf of the National Governors Association, Tennessee Gov. Bill Haslam told the House Judiciary Committee on Tuesday it isn't fair to local businesses that online sellers are not required to collect and distribute state sales taxes for purchases made where they don't have a physical presence.

In states with sales tax, online buyers are required to pay a "use tax" for items upon which no sales tax has been paid, but often sellers don't enforce it or buyers are not aware of the requirement.

"This discussion isn't about raising taxes or adding new taxes," Haslam said. "This is about states having the flexibility and authority to collect taxes that are already owed by their own in-state residents."

Through the Streamlined Sales and Use Tax coalition, around 21 states are in full compliance with the laws and regulations set forth by the cooperative and have agreed to implement the policies and software technology that would make it easy for even the smallest businesses to collect and forward sales taxes across state lines.

Reps. Steve Womack, R-Ark., and Jackie Speier, D-Calif., urged the House to pass the Marketplace Equity Act of 2011, which is co-sponsored by 48 House lawmakers from both parties.

The act was in response to a 1992 Supreme Court decision that restricted states from collecting sales taxes on Internet transactions with online retailers that are not physically connected with the state.

Similar online sales tax legislation discussed in Congress during at least the past decade all have lacked enough support to become law. As both parties remain unwilling to let the other claim legislative victory, the bill's fate is dubious.

Some Republican governors such as Chris Christie of New Jersey and Terry Branstad of Iowa have endorsed legislative action to make out-of-state Internet merchants charge and collect state taxes.

Yet, ideological disagreements between conservatives have become more evident

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in the bill's two sister Senate measures: the Main Street Fairness Act and the Marketplace Fairness Act.

Republican Sens. Kelly Ayotte of New Hampshire and Jim DeMint of South Carolina have argued that any federal law that allows states to require the recollection of online sales tax would impose an unwarranted burden on struggling families and recovering businesses.

Steve DelBianco, executive director of NetChoice, a coalition of e-commerce companies, said the Marketplace Equity Act of 2011 does not provide enough guidelines to simplify the process of collecting and distributing taxes.

The bill "does not adequately protect America's small businesses, for whom new collection burdens would be disproportionately complex and expensive," DelBianco told the committee.

States that have no income taxes and those that rely on sales taxes for their revenue have a strong interest in the bill due to the additional income that could be generated if states start collecting online sales taxes.

Retailers' e-commerce sales increased by 16.3 percent between 2009 and 2010 to \$169 billion, according to the Census Bureau. The Forrester Research company estimated that around 25 million more Americans are expected to shop online in the next four years.

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