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SUBMITTED BY: D. Riggs

ABOUT US

**WE R
HERE**

Web Enabled Retailers
Helping Expand Retail Employment

werherecoalition.org

Internet Sales Tax Policy Overview

Current Internet sales tax law states that consumers only pay sales tax on an online purchase if the retailer has a physical presence in the consumer's state (such as a store, office or warehouse). On the other hand, if the retailer does not have a physical presence in the consumer's state, then sales tax is not collected by the retailer. Instead, states have use tax laws that they can use to collect taxes on sales made into their state.

Legislative proposals that would require all Internet retailers – even those that do not have a physical presence in a particular state – to collect and remit sales taxes for purchases made online have been re-introduced in the 113th Congress (notably, S. 336 and H.R. 684)

WE R HERE members oppose sales tax legislation introduced in the 113th Congress in its current form:

- ✓ It is not the job of small businesses to collect taxes for state and local governments where they don't live, don't do business and don't receive government services.
- ✓ Our members are small business retailers who are using the Internet to grow their businesses -- **Web Enabled Retailers**. Just like any small business, they are creating jobs in cities and towns across the country, growing local economies and giving back to their communities.
- ✓ Requiring small businesses to collect and remit state sales tax for online purchases in every state in America is unfair, unwise and it will undermine innovation.
 - It is **unfair** to saddle small companies with additional burdensome regulations.
 - It is **unwise** to believe new Internet sales tax collection will have no impact on small online retailers.
 - New Internet sales tax mandates will **undermine innovation** by changing the rules on those small business retailers and entrepreneurs who have been fueling the Internet economy.

Doug Riggs / NGRC



Internet Sales Tax Legislation: The Cost of Compliance for Small Business

The true cost of compliance for small businesses if Internet Sales Tax legislation is enacted would be a significant, on the order of 15 to 17 cents for every tax dollar collected by the merchant, according to a study¹ by PriceWaterHouseCooper. The study found that while the cost of compliance with Internet Sales Tax legislation varies from business to business, the cost can generally be broken down into 8 categories:

- Training personnel on sales tax
- Documenting tax-exempt sales
- Customer services relating to sales tax issues other than documenting tax exempt sales
- Sales tax-related software and licensing fees
- Programming and serving cash registers and other Point-of-Sale systems to address sales tax requirements
- Preparation and remittance of payments, refund and credit claims.
- Dealing with sales tax audits and appeals for 46 states
- Other costs (data storage, sales tax registration)

The study also found that to comply with Internet Sales Tax legislation, a business would have to spend **17 cents for each tax dollar that it collects** for states. Tax software, assuming it works correctly, lowers the cost to 15 cents for each tax dollar collected. This does not take into account the upfront costs associated with integrating “free” tax software such as testing, training, programming, etc.

The Bottom Line?

Don't believe the hype when supporters of Internet Sales Tax legislation suggest that complying with the legislation would be cheap and painless. It may work for big-box retailers with full-staff accounting departments and a physical presence in most states, but it would be very costly for small businesses.

¹ <http://www.netchoice.org/wp-content/uploads/cost-of-collection-study-sstp.pdf>