

Opposing points of view: Complicated sales tax collection requirements would hurt online businesses

BY ED BLACK

DETROIT FREE PRESS GUEST WRITER

The Internet empowers businesses and individuals to find consumers for their goods and **services**, not only from across the country but throughout the world. Now anyone with an Internet connection can be an importer or exporter.

But as local, state and the federal governments look for ways to close budget gaps and raise revenue, some are seizing on the opportunity to target online sales. Michigan legislators introduced a bill this month that would require online retailers to collect the state's 6% sales tax.

Earlier this year, Congress introduced legislation, sponsored in the House by U.S. Rep. John Conyers, D-Detroit, that would help pave the way to allow states to require out-of-state retailers to collect sales and use **taxes** on purchases made to residents of their states regardless of whether the retailer has a physical presence in the state.

The Computer & Communications Industry Association believes that the approach taken by this so-called Main Street Fairness Act is unwise and untimely, given the nation's current economic situation. The act would give states that have signed onto the Streamlined Sales and Use Tax Agreement the new power to foist a new tax collection burden on businesses.

But the "streamlined" agreement has yet to actually be streamlined. It still leaves in place thousands of different state and local tax jurisdictions and tax provisions that retailers would have to comply with -- a legal and accounting nightmare. This bill conscripts companies as tax collection agencies before having governments address their own responsibilities to tackle budget problems and to meaningfully simplify the tax code.

Saddling online companies with tax collection duties is certainly convenient for government, but it doesn't somehow create a level playing field among state and out-of-state retailers, as some would argue.

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Those who favor letting the marketplace decide issues can hardly **support** penalizing innovative new businesses with a remote tax system that would be much more burdensome than what brick-and-mortar stores endure.

Only Congress can change the physical presence requirement for remote sales taxation. But some states are attempting to expand the definition of "physical presence" to include local affiliates that link to out-of-state online retailers. This has backfired.

In Illinois, for example, Amazon and other big online retailers have simply cut ties with affiliates or directed them to move out of state. So by absurdly insisting that linking to a Web site constituted a physical presence, states like Illinois ended up eliminating actual physical jobs and businesses.

The goal of raising extra tax revenue is understandable. While the ability to technically say this is not a new tax makes this a tempting budget solution, the collection burden for online retailers will be an unwelcome additional burden in difficult economic times.

The technology industry is prepared to be a constructive player in meaningful efforts at tax reform that ideally would include steps to streamline the tax code. But requiring Internet retailers, especially small ones, to collect taxes across thousands of jurisdictions is heading in the wrong direction.

We hope that Michigan legislators and Congress will consider this broader context, and remember that good tax policy should promote and support new innovative models -- rather than simply protect the old.

Ed Black is president and CEO of the Computer & Communications Industry Association.

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