



Written by [Michael Tennant](#) on July 5, 2010

A Taxing Proposal for Online Retailers

There are many positive features about shopping online, including convenience, selection, and speed. There is also the fact that a customer doesn't have to pay sales tax on items purchased from retailers who don't have a presence in the customer's state — a significant savings on big-ticket items. Technically, the customer is still required to pay the tax come next April 15, but in practice hardly anyone does.



Naturally, this has not gone unnoticed by state governments, who have faced an uphill battle against both public opinion and court rulings in their attempts to force e-tailers to serve as unpaid tax collectors under 50 different sets of sales tax laws. The Supreme Court ruled in 1992 that it was up to Congress, via its constitutional authority to regulate interstate commerce, to establish the rules under which purchases from out-of-state retailers would be subjected to state sales taxes.

One Congressman is doing his best to see to it that Congress does just that. Rep. Bill Delahunt (D-Mass.) on July 1 introduced legislation to force Internet retailers to collect sales tax on each purchase and remit it to the state in which the purchasing customer resides. This is at least the second time Delahunt has given this a shot; the first was back in 2007, when a Republican senator, Michael Enzi of Wyoming, also sponsored similar legislation in his chamber of Congress.

To no one's great surprise, the "National Conference of State Legislatures applauded Delahunt's legislation, saying he should be commended for allowing states to collect as much as \$23 billion in new taxes," [according to a CNET News report](#). This assumes, of course, that consumers won't change their spending patterns in response to an increase in the cost of online purchases.

The Retail Industry Leaders Association, likewise, approved of Delahunt's legislation, the reason being that its members are largely brick-and-mortar retailers like Wal-Mart, Home Depot, Target, and IKEA. These retailers quite rightly believe that their online counterparts have an unfair advantage over them because they don't have to collect sales tax. Their solution, however, is not to demand a reduction in, or elimination of, sales taxes but to demand that their competitors be hobbled with the same disadvantage they have.

From the government's perspective, everyone's property rightfully belongs to the state, and Americans should simply be grateful for what they are allowed to keep. Thus, [reports CNET](#), when Delahunt and Enzi introduced similar bills three years ago, "Verenda Smith, government affairs associate for the Federation of Tax Administrators, framed the decision as a moral one of sorts: 'Do you want to be a



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good American, or do you want to be an American who wants to cheat your government deliberately? It's a harsh way to look at it, but it's true.'" In Smith's world, handing over your wallet (income tax) to a mugger who demands it but not telling him about the money stashed in your shoe (unpaid sales tax) is immoral. Then again, Smith is (or was) one of the muggers, so it makes perfect sense from her point of view.

Internet retailers, understandably, do not wish to be burdened with collecting sales tax for all the states, nor do they wish to lose their competitive advantage. Tod Cohen, vice president for governmental relations at eBay, said in a statement: "At a time when unemployment rates are high and small businesses across the country are closing shop, we are confident that Congress will protect small Internet retailers and the consumers they serve from another Internet tax scheme." eBay must have wined and dined a lot of legislators for Cohen to be so sure; Congress, after all, is about the least reliable friend of small business on the planet, as ObamaCare's [anti-small-business provisions](#) demonstrate.

Whether Delahunt's legislation will pass this time around is anybody's guess. The only certainty is that if it does pass, businesses will be harmed and state governments will be empowered — a bad turn of events anytime, but especially during a recession. Perhaps cooler heads, with eyes on the November elections, will prevail. In the meantime, get your online Christmas shopping done early.



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