



Written by [Michael Tennant](#) on March 13, 2011

Illinois Sales Tax Law Leaves Amazon Affiliates High and Dry

According to Rebecca Madigan, director of the Performance Marketing Association, an affiliate trade group, Amazon's decision is likely to result in a loss to the state of 25 to 30 percent of affiliate tax revenues, which totaled \$18 million in 2009, "because the affiliates will lose business, cut jobs or move out of the state," [the Wall Street Journal reports](#). The new law, she said, "has a devastating impact."



Surely this is not what Illinois legislators had in mind when they passed the law, nor Gov. Pat Quinn (D) when he signed it. (Quinn, in fact, declared that the law would "protect and create jobs and help us continue to grow in the global marketplace.") They undoubtedly expected Amazon, despite its threat to do precisely what it has done, simply to roll over and start collecting sales tax on every purchase made by an Illinois resident or business. Amazon, however, recognized the additional costs that collecting the tax would impose on both itself and its customers and decided to fight back; and there is nothing Illinois can do about it short of repealing the law.

In a letter to Illinois-based affiliates — websites that refer visitors to Amazon and collect commissions if those customers make purchases — Amazon said, "We had opposed this new tax law because it is unconstitutional and counterproductive. We deeply regret that its enactment forces this action." It will not, after all, be good for Amazon's business relationships and could potentially reduce traffic to its website.

Illinois is not the only state trying to tax online purchases. New York, Hawaii, Rhode Island, and North Carolina have passed laws similar to the one in Illinois; Amazon is challenging New York's law in court and is collecting the sales tax in the meantime. California is considering similar legislation, and Amazon has warned Sacramento that it will drop California affiliates if the law passes.

Brick-and-mortar retailers correctly view the playing field as tilted in favor of their online competitors. Unfortunately, instead of working with those competitors to convince state governments to reduce or eliminate sales taxes, they prefer to burden their competitors with the same onerous tax laws to which they themselves are subject. Thus, Sandy Kennedy, president of the Retail Industry Leaders Association, whose members include Wal-Mart, Best Buy, and other big-box retailers, praised the Illinois law, saying,



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“Gov. Quinn has taken a bold step today to help level the playing field for retailers in Illinois.”

All the Governor has done, however, is to reduce income to Illinoisans and tax revenues to the state. Amazon will continue to do boffo business as before; and its competitors, who chose to hobble Amazon (or so they thought) rather than to join with the online giant to battle government extortion, will continue to lose market share to web retailers.

Photo: Illinois state capitol



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