Gov. Gregoire urges Congress to require Internet businesses to collect sales tax

Local News

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OLYMPIA, Wash. - Washington’s main street businesses continue to battle unfair competition from Internet and mail-order retailers that fail to collect sales taxes. Congress could address this disparity by finally passing legislation that would treat large, out-of-state sellers the same as local businesses, requiring them to collect sales tax, Gov. Chris Gregoire said today.

If passed, the Marketplace Fairness Act would give states the option to collect sales and use tax revenues from out-of-state sellers through a new, simplified tax system. The bill was introduced a year ago by Senators Dick Durbin (D-IL), Lamar Alexander (R-TN) and Mike Enzi (R-WY).

Congress is now reconvening to address expiring tax provisions and the looming budget sequestration, a perfect opportunity to fix this long-standing issue impacting main-street businesses.

“Businesses should compete on price, quality and service, not on the ability of one class of competitor to avoid collecting sales tax,” Gregoire said. “It’s time for Congress to address the inequities that have given Internet and mail-order retailers an unfair competitive advantage over in-state retailers large and small.”

Brick-and-mortar retailers complain that they have become the unwilling showrooms for online competitors. Would-be customers try out products in stores and then buy them online on their smart phones so they don’t have to pay sales tax. The trend has contributed to a rapid increase in Internet sales, while traditional store sales growth has been much slower. A wide range of Washington state businesses and trade associations support federal legislation.

“Congress can and should close the Internet tax loophole by assuring fair and even sales tax responsibilities between traditional retailers and online-only vendors,” said Sally Jewell, President and CEO of REI and board member of the Retail Industry Leaders Association. “In doing so, our federal representatives will also help state and local governments strengthen their balance sheets.”

“Main Street retailers need a true free market in which to compete, where everyone plays by the same set of rules,” said Jan Teague, President and CEO of the Washington Retail Association. “Congress can make this the last holiday season retailers are put at a competitive disadvantage by passing common-sense legislation that recognizes the dynamic 21st century marketplace and ends special treatment for online-only sellers.”

Gregoire noted that these would not be new taxes, but rather current taxes that go uncollected by remote sellers due to a 1992 U.S. Supreme Court decision. Purchasers of goods that aren’t taxed already owe an equivalent use tax, but few individuals pay it. Adoption of the legislation would generate an estimated $558 million in state and local taxes during the Fiscal 2013-15 biennium and

$934 million by the Fiscal 2015-17 biennium, according to Washington’s Department of Revenue.