



Internet Sales Tax Bill Finds Few Friends in the House

A bill requiring customers to pay online sales tax floundering in the house

By Lauren Fox – June 18th, 2013

A bipartisan Internet sales tax bill that sailed through the Senate looks to be floundering in the House of Representatives where freshmen lawmakers are leading the charge to stop it.

"The so-called Marketplace Fairness Act is a job-killing tax hike that hurts American small businesses and hurts American consumers," says Rep. Steve Daines, R-Mont., a freshman lawmaker who hails from a state that collects no sales taxes.

Unlike many pieces of legislation where battle lines are drawn between Republicans and Democrats, the Internet sales tax is a fight between states with varying tax rates.

"This is fundamentally an issue that some states have big bloated governments and they are looking for ways to enforce their bloated tax rates," says Daniel Mitchell, senior fellow at the Cato Institute, a libertarian-leaning think tank. "If you are from a state with high sales taxes, you probably support the bill. If you are a state with a low tax rate, you are more likely to be against it. There is a standard self-interest story to this."

The Marketplace Fairness Act would require businesses to collect sales tax from customers who buy goods over the Internet. Right now, businesses don't have to tax customers unless they have a "physical presence" in the state. And while customers are technically supposed to track their online purchases and pay taxes on all items they buy online, few are aware of the rule or follow through on it.

One of the main arguments for the bill is it would stop the uneven competition that allows Internet companies to out-price brick-and-mortar stores that are required by law to charge sales tax.

"The Marketplace Fairness Act simply empowers states to collect already due taxes and levels the playing field for Main Street businesses across the country," says Rep. Steve Womack, R-Ariz, one of the key supporters of the bill in the House. "While those opposed to the legislation continue to push blatant untruths about it, the reality is that this is not a new tax or an undue burden on small businesses."

Supporters also cite a report by the National Governors Association that shows the bill would help states collect \$20 billion a year in lost tax revenues.

But while supporters of the bill say it closes a tax loophole, conservative groups like Americans for Tax Reform, the Heritage Foundation and FreedomWorks, say it is a new tax entirely.

The effort to kill the bill in the House has attracted the attention of some high profile opponents in the upper chamber. Sen. Ted Cruz, R-Texas, and Sen. Rand Paul, R-Ky., both came out to support the freshman's attempt to kill the legislation during a rally Tuesday.

"[The Internet] has been a portal to the American dream. The idea that Washington would get together to slam that door makes no sense at all," Cruz said. "The House of Representatives is where this will be defeated, and it is fitting because the House was intended to be the people's house not the house of giant lobbyists in Washington.

Big online retailers like Amazon and Walmart have come out in favor of the Marketplace Fairness Act, but Daines and other freshmen lawmakers say corporate support will not be enough to push the legislation past a passionate coalition.

Key House members have also aired their grievances with the bill publicly. House Judiciary Committee Chairman Bob Goodlatte, R-Va., who is managing the bill in committee, has said he doesn't see the bill passing out of his committee without substantial changes. And House Speaker John Boehner, who can make a call on whether to bring the bill to the floor, has also come out against the Internet sales tax legislation.