



NATIONAL CONFERENCE *of* STATE LEGISLATURES

The Forum for America's Ideas

STATEMENT OF
SENATOR PAMELA ALTHOFF, ILLINOIS
DELEGATE SHEILA HIXSON, MARYLAND
SENATOR CURT BRAMBLE, UTAH
NATIONAL CONFERENCE OF STATE LEGISLATURES'
EXECUTIVE COMMITTEE TASK FORCE ON STATE AND LOCAL TAXATION

ON BEHALF OF THE
NATIONAL CONFERENCE OF STATE LEGISLATURES

REGARDING
**"Marketplace Fairness: Leveling the Playing Field for Small
Business"**

BEFORE THE
COMMITTEE ON COMMERCE
UNITED STATES SENATE

AUGUST 1, 2012

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NATIONAL CONFERENCE OF STATE LEGISLATURES**

Chairman Rockefeller, Ranking Member Hutchinson and members of the Commerce Committee, we are pleased to submit this statement on behalf of the National Conference of State Legislatures and respectfully request that you submit it for the record. The National Conference of State Legislatures is the bipartisan national organization representing every state legislator from all fifty states and our nation's commonwealths, territories, possessions and the District of Columbia.

We are pleased to have the opportunity to inform you of the concerns of state legislators about state and local taxation in the new economy, specifically, the ability of state and local governments to collect the sales and use tax presently owed on transactions with remote sellers, which occur primarily through electronic commerce. We want to express our full support for the Marketplace Fairness Act, S. 1832 as introduced by Senators Mike Enzi of Wyoming, Richard Durbin of Illinois, Lamar Alexander of Tennessee and 17 other of your colleagues from both parties. The Marketplace Fairness Act will provide those states that comply with the simplification requirements outlined in the legislation, the authority to require remote sellers to collect those states' sales taxes.



Let us make this very clear, state legislators are not advocating any new or discriminatory taxes on electronic commerce. We desire, however, to establish a simplified sales and use tax collection system that allows sellers regardless of where they are located to collect and remit the legally owed sales and use taxes.

The new economy or if you prefer, electronic commerce, which is not bound by state and local borders makes it critical to simplify the collection state and local taxes to ensure a level playing field for all sellers, to enhance economic development, and to avoid discrimination based upon how a sale may be transacted. Government can not allow a tax system that was designed for an economy that existed almost 80 years ago, to be the deciding factor as to where our constituents make a transaction.

As many of you may know, state legislators and governors have been seeking the ability to collect sales taxes on out of state transactions for many years. With the growth of electronic commerce, the current financial and economic situation, and the effort to address the federal deficit, the urgency to act is even more immediate.

As you know, the recent recession has had a debilitating impact on state budgets. According to NCSL's survey of state legislative fiscal officers, between FY2008-FY2013, states closed a cumulative \$527.7 billion budget gap, primarily through program reductions. While some states have showed a slight increase in revenues, other states are still facing budget deficits and sluggish revenues. For FY 2012, states have closed over \$72 billion in state budget deficits.

With the enactment of the federal Budget Control Act and the resulting sequestration, states are preparing for additional reductions to many state federal programs. The likely \$400-\$500 billion in reductions in federal funds as a result of deficit reduction coupled with the over \$500 billion in state budget reductions during the recession will mean that states have \$1 trillion less for many essential programs than states had only five years



ago. Raising taxes in sluggish economy is not a viable option for most states, and closing the loophole on sales tax collection will provide states with additional revenue without having to raise new taxes.

According to the Center for Business and Economic Research at the University of Tennessee, in 2003, the estimated combined state and local revenue loss due to remote sales was between \$15.5 billion and \$16.1 billion. For electronic commerce sales alone, the estimated revenue loss was between \$8.2 billion and \$8.5 billion. The report from the University of Tennessee further estimates that the revenue loss will grow and that this year, 2012, the revenue loss for state and local governments could be as high as \$23 billion, of which it is estimated that \$11.4 billion would be from sales over the Internet. (See Table 1)

Table 1
Combined State & Local Revenue Losses
from E-Commerce and All Remote Commerce – 2012

*Source: Dr. Donald Bruce & Dr. William Fox, Center for Business & Economic Research
 University of Tennessee*

	Total All Out of State Electronic Sales	Total All Out of State Sales
Alabama	170,400,000	347,734,399
Alaska	1,500,000	3,035,981
Arizona	369,800,000	708,628,254
Arkansas	113,900,000	236,311,930
California	1,904,500,000	4,159,667,947
Colorado	172,700,000	352,563,574
Connecticut	63,800,000	152,367,405
District of Columbia	35,500,000	72,517,182
Florida	803,800,000	1,483,690,010
Georgia	410,300,000	837,610,389
Hawaii	60,000,000	122,514,495
Idaho	46,400,000	103,120,482
Illinois	506,800,000	1,058,849,588
Indiana	195,300,000	398,817,708
Iowa	88,700,000	181,012,560
Kansas	142,900,000	279,224,028
Kentucky	109,900,000	224,484,309



Louisiana	395,900,000	808,311,357
Maine	32,100,000	65,430,824
Maryland	184,100,000	375,944,240
Massachusetts	131,300,000	268,002,460
Michigan	141,500,000	288,954,339
Minnesota	235,300,000	455,219,250
Mississippi	134,900,000	303,286,360
Missouri	210,700,000	430,191,928
Nebraska	61,300,000	118,052,068
Nevada	168,900,000	344,923,618
New Jersey	202,500,000	413,390,425
New Mexico	120,500,000	245,989,786
New York	865,500,000	1,766,968,251
North Carolina	213,800,000	436,517,492
North Dakota	15,300,000	31,274,219
Ohio	307,900,000	628,613,189
Oklahoma	140,800,000	296,348,658
Pennsylvania	345,900,000	706,241,542
Rhode Island	29,000,000	70,436,458
South Carolina	124,500,000	254,290,538
South Dakota	29,800,000	60,826,849
Tennessee	410,800,000	748,480,889
Texas	870,400,000	1,777,090,593
Utah	88,500,000	180,658,961
Vermont	25,100,000	44,759,329
Virginia	207,000,000	422,651,971
Washington	281,900,000	540,968,704
West Virginia	50,600,000	103,284,206
Wisconsin	142,100,000	289,006,114
Wyoming	28,600,000	61,744,705
Total	11,392,700,000	23,260,009,564

We believe that the Marketplace Fairness Act would allow the states to close this significant and growing loophole in our sales tax revenue and level the playing field for all sellers regardless of the medium used to conduct a transaction. S. 1832 also ensures that our constituents do not fall guilty to tax avoidance. While the \$23.3 billion in uncollected sales taxes will not much any funding reductions from the federal government, it will provide state with some fiscal relief. In the words of Senator Roy Blunt, a sponsor of this legislation, it is “fiscal relief for the states that does not costs the federal government a single dime.”

Thank you.

