



NATIONAL CONFERENCE *of* STATE LEGISLATURES

The Forum for America's Ideas

November 9, 2011

The Honorable Richard Durbin
United States Senate
Washington, D.C. 20510

The Honorable Michael Enzi
United States Senate
Washington, D.C. 20510

The Honorable Lamar Alexander
United States Senate
Washington, D.C. 20510

The Honorable Tim Johnson
United States Senate
Washington, D.C. 20510

Stephen Morris
*Senate President
Kansas Senate
President, NCSL*

Michael P. Adams
*Director, Strategic Planning
Virginia Senate
Staff Chair, NCSL*

William Pound
Executive Director

Dear Senators Durbin, Enzi, Alexander and Johnson:

On behalf of the National Conference of State Legislatures (NCSL) we would like to express our support and appreciation for your introduction of the Marketplace Fairness Act, which 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.

At a time when states continue to face severe budget gaps—states closed shortfalls totaling \$72 billion leading into the FY 2012 budget process—it is essential states be allowed to collect the revenue generated by uncollected sales taxes. In 2012, states will collectively lose an estimated \$23.3 billion in uncollected sales taxes from out-of-state sales, with more than \$11.3 billion alone from electronic commerce transactions, according to a study by the University of Tennessee. The amount of uncollected sales taxes will continue to grow, especially with the unprecedented growth of online commerce.

The enactment of the Marketplace Fairness Act is imperative in light of the current deliberations by the Joint Select Committee on Deficit Reduction and resulting sequestration if the "Super Committee" is unsuccessful. Under either scenario, states will likely face hundreds of billions in reductions in many state-federal programs. While the \$23.3 billion in uncollected sales taxes will not match any funding reductions, it will provide states 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 cost the federal government a dime."

The Marketplace Fairness Act is also a win for local main street businesses throughout the country by leveling the playing field between these main street businesses who have to collect sales taxes and out-of-state merchants who currently do not. Allowing some remote sellers to avoid collecting this tax is unfair to the main street merchants that make up the lifeblood of our local communities. The legislation also removes the liability for businesses collecting sales

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taxes, ensuring that sellers are held harmless for calculations and collections using the information and certified technology provided by the states that have complied with the Act.

There will be some who claim that this is a new tax; nothing could be further from the truth. This legislation will not require any state to levy a sales tax on any product or means of buying a product. It merely corrects a tax avoidance problem that if not closed now, will only get worse and possibly push states to seek new revenue sources to make up for the uncollected sales taxes.

On behalf of our colleagues from across the country, we thank you for introducing this vital legislation and in doing so, enhancing state sovereignty and fiscal federalism.

Sincerely,



Senator Stephen Morris
President, Kansas Senate
NCSL President



Senator Richard Moore
Massachusetts Senate
NCSL Immediate Past President