

INTERNET SALES TAX FAIRNESS

Legislation Faces Hurdle in House

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The Issue

As a result of a Supreme Court ruling in the early 1990s, Internet retailers have largely been exempted from collecting state and local sales taxes on their sales transactions because these tax laws were seen as overly complex and placing too heavy a burden on interstate commerce, unless the retailer had a physical presence in the state.

Since that time, the number of people and businesses using the Internet for e-commerce transactions has grown exponentially, and a large component of these transactions remain tax-free. At issue is the fact that brick-and-mortar retailers must collect and remit state “sales-and-use” taxes, yet many remote sellers – such as catalog and online – only vendors – are exempt from such requirements. As a result, Internet retailers have an unfair advantage over their community-based counterparts, and states are losing out on billions of dollars in much-needed (but uncollected) revenue.

Impact on Americans

Because of the current treatment of Internet retailers, the amount of sales tax that a state or locality is able to collect will be less than otherwise provided. However, passage of federal legislation allowing states to require Internet retailers to collect sales tax for online purchases – and to level the playing field between brick-and-mortar and Internet-based retailers

– is gaining ground on Capitol Hill. This includes the “Marketplace Fairness Act” (H.R. 684), introduced by Representatives Womack (R-AR) and Speier (D-CA); and a Senate measure (S. 743) authored by Senators Enzi (R-WY) and Durbin (D-IL).

NAR Policy

Passage of H.R. 648 and S. 743 are necessary due to the deteriorating fiscal condition of many state and local governments. These budget shortfalls could lead them to opt for higher real estate and other property taxes/fees on consumers and business to make up for this lost revenue.

Legislative Outlook

Going back to 1994, the issue of marketplace fairness has had more than 30 hearings in both the U.S. House of Representatives and Senate, including hearings before the U.S. House Judiciary Committee in both 2011 and 2012.

In May 2013 the Senate passed S. 743. This legislation would create authority for state governments to collect sales taxes on Internet sales for goods that are delivered to their states, which would level the playing field between brick-and-mortar and e-commerce retail businesses while assisting the states in collecting billions of uncollected state sales taxes.

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With the passage of S. 743, the fate of Internet sales tax fairness rests with the House. The House bill, which closely resembles the Senate version, has been stalled in the House Judiciary Committee, where Chairman Robert Goodlatte (R-VA) has voiced concerns over the complexity of the bill. While the Chairman recognizes the need to resolve disputes over collection of sales tax on Web-based purchases, he opposes the bill as currently written because it would force businesses “to wage through potentially hundreds of tax rates and a host of different tax codes and definitions.” The bill, he says, “still has a long way to go.” Also, convincing conservative Republicans that the proposal would not amount to a tax increase on online consumers remains another major hurdle for the Marketplace Fairness Act.

Chairman Goodlatte held off on scheduling a markup last year, but he said he would hold a hearing on the issue in early 2014. The Chairman has released a list of principles for developing his own legislation.

Current NAR Action

In a January 2014 joint letter sent to Chairman Goodlatte, NAR along with hundreds of organizations that collectively represent more than 3 million American businesses – large and small – called for immediate action on the long overdue issue of marketplace fairness.

Citing more than 20 years of inaction and the Supreme Court’s recent decision affirming that this is a matter for Congress to address, the letter urges Congress “to make the 2013 holiday shopping season the last where Main Street businesses must compete at a government-created price disadvantage.”

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By Alex Ruggieri, CCIM, GRI

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Here are five apps that can speed your productivity, help you be more efficient and enhance your profile with clients.

10bii Financial Calculator

(In A Day Development; Platform iOS, Android; Cost \$5.99)

This one is a no brainer! Carry one less item with you on the go- all of the processing power of your physical 10BII calculator but now you can leave the old one back at the office.

TheAnalyst™ Real Estate

(Blyncc, LLC; Platform iOS; Cost \$9.99)

Written by a CCIM designee for commercial real estate practitioners, this is one app that understands what you need. Simply, enter a few data points and you can produce a lease vs buy analysis, do projections, print reports, and even add your logo for a very polished and professional look.