The Marketplace Fairness Act doesn't raise taxes
By Steve Thorngate
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When I filed my taxes earlier this month, I paid my use tax to the State of Illinois. A lot of people don't pay use tax, and enforcement is almost nonexistent. But there it was on the form I had to sign, and it was all of 50 bucks or something, so I paid it.

Those of us who live in a state with a sales tax are required to pay tax on online purchases. When the merchant doesn't have a physical presence in our state, typically the burden has fallen on us to choose to pay the tax rather than on merchants to add it to our orders. This approach hasn't gotten a ton of takers.

A while back some states, including Illinois, were trying to use the existence of brick-and-mortar affiliate partners as a way to force online retailers to start collecting sales tax. Amazon's resistance strategy included cutting the Century and other such Illinoyances out of its affiliate program.

But before long Amazon got on board with the Marketplace Fairness Act, a federal attempt to empower states to require online retailers to collect any sales tax due. As I wrote in the magazine last year, Amazon's technical edge in figuring out how to comply with such a requirement left them with more to gain competitively than they had to lose. And since then, Amazon has rolled out a customer-service strategy that doubles down on the value of a bona fide physical presence in most states.

Now the Senate's poised to pass the Marketplace Fairness Act, and Grover Norquist and others are calling it a new tax (which would be very bad, of course). But it isn't a new tax. The bill would empower states-cash-poor, social-services-slashing states-to actually collect the taxes they are already owed. That's a really good idea.

The best counterargument-far better than this tax-increase silliness-is that the bill could hit small online retailers hardest. But the bill exempts retailers doing less than $\$ 1$ million in annual business. And even if it didn't, states really need this money for essential services-and there's no reason to keep putting retailers that happen to have a building at a competitive disadvantage.

It looks like a large, bipartisan majority of senators agree. (Opposition is bipartisan as well.) But Norquist and friends have more sway in the House, so we'll see.

