

The Marketplace Fairness Act doesn't raise taxes

By [Steve Thorngate](#)

April 25, 2013

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 Illinoisances 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.