

From: Spaulding, Jeb
Sent: Thursday, March 17, 2011 11:20 AM
To: Peterson, Mary; Lofy, Bill; MacLean, Alex
Subject: FW: Wanted to make sure you saw this one.

I really think this part of Tom Evslin's op-ed is right on. How about making it the Administration position that we will support H.143 (Amazon Bill) only if amended with one of the approaches that Tom recommends? I would leave it to Mary to figure which approach makes the most sense for us. Jeb

However, we could make the legislation effective only when a critical mass of states passes similar legislation or when pending national legislation (HR5660) supporting ending the exemption passes. Vermont legislation is patterned after a New York law which Amazon has challenged; we can also trigger our legislation on New York winning its case.

From: Spaulding, Susan
Sent: Thursday, March 17, 2011 10:30 AM
To: Spaulding, Jeb
Subject: Wanted to make sure you saw this one.

Evslin: Lower and extend taxes to include Internet sales

By Opinion on March 16, 2011

Editor's note: This op-ed is by Tom Evslin, author, entrepreneur and former Douglas administration official.

"Hands off the Internet," I used to say when the WorldWideWeb was a fledgling competing for a share of untaxed mail order sales and I was chair of the policy committee of the Voice on the Net Coalition. Well, the strategy worked; the fledgling grew up; it's time that brick and mortar merchants have a chance to compete fairly. Of course, mail order and telephone sales should be subject to state taxes as well.

The consequence of continuing the policy of exempting companies with no instate presence from collecting sales taxes means that, as an increasing percentage of sales move online (which they will do with or without the sales tax exemption), sales tax revenue will decrease and the rate will have to be increased. A higher sales tax rate on traditional sales means even more sales going online – and the need for even higher rates. Even those who prefer to make some purchases in person will not be able to afford to do so. Companies which do have a physical presence in most states will spin off their Internet divisions to shelter them from tax and shutter some stores. To use an over-used word, the tax exemption for online purchases from some companies is unsustainable.

On the other hand, ending the exemption for Internet sales means a chance to reduce the sales tax and keep revenues level. Each state gets to make this decision on its own.

The Technical Objection

Some people say that it will be very difficult for online merchants to compute, collect, and remit the sales tax jurisdiction by jurisdiction. This argument is basically nonsense. The vast majority of online merchants – especially small ones – already use third party "shopping cart" services to facilitate their sales. These services already have an option

to collect and report sales tax by jurisdiction for the benefit of those web sites which do have a physical presence. Computers are good at this sort of stuff.

Implication for Vermont

There is legislation pending in Vermont to tax Internet sales (H.143). I don't think this legislation should be passed in its current form because, if Vermont moves alone on this front, there is a real risk that Amazon and other merchants will retaliate, as they have in other places, by NOT advertising on Vermont-based websites. We don't want to lose these businesses. However, we could make the legislation effective only when a critical mass of states passes similar legislation or when pending national legislation (HR5660) supporting ending the exemption passes. Vermont legislation is patterned after a New York law which Amazon has challenged; we can also trigger our legislation on New York winning its case.

In Vermont we also have a recommendation from a Blue Ribbon Commission that we broaden the sales tax not just to the Internet but also to services and other items exempt today in the Green Mountain State. The recommendation is designed to be revenue neutral and includes reducing the sales tax rate. So long as the rate is lowered, I support this recommendation for the same reason I support removing the exemption for Internet sales. Sales of services are increasing relative to the sale of goods.

Broader-based lower taxes are good for almost everyone. We will lose less sales to tax-free New Hampshire if our sales tax rate is lower than it is now.

Full disclosure: My blog Fractals of Change gets a small amount of revenue (under \$100/mo) both from sales on Amazon and Google ads which might be adversely affected if Vermont unilaterally taxes Internet sales. Losing that income would NOT cause me to stop blogging.

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