



## GOVERNMENT RELATIONS

# State, Local and Foreign Sales Tax Systems Should Allow Independent Small Businesses to Succeed Online

Ecommerce is now part of every modern retail business model. Retail is not a competition between online businesses and local stores. The largest retailers all combine Internet technology tools with their many stores and distribution hubs. Likewise, many small retailers with one tiny “Mom and Pop” store or a little warehouse use ecommerce platforms in an effort to grow their independent small business in a competitive global market. Finally, third-party logistics services allow retailers of all sizes to structure the kind of business they operate.

Sales tax proposals that once claimed to address “Internet issues” are increasingly a tool to penalize independent small businesses that do not enjoy the advantages of local facilities. Owning or renting access to retail and logistics space near customers brings business advantages and comes with appropriate costs, including tax costs. Large retailers make that trade because the facilities benefit their businesses. They also have a political presence in the taxing states and often enjoy special tax deals. Changing the tax rules and applying the tax burdens of giant businesses with local facilities to the many independent small businesses who operate from across the country is a new tax penalty for being small and independent and discourages entrepreneurship and job creation that our economy needs.

eBay opposes the spread of local, state or foreign sales tax models that penalize small remote businesses for using broad ecommerce marketplaces as if listing products for sale online was comparable to owning or renting local facilities, or having employees on the ground in a market. Rather than impose new taxes for using ecommerce platforms, independent small businesses everywhere should be encouraged to use technology to access new markets, find their niche and grow. Successful independent small businesses benefit local communities and the overall economy. As retailers grow in scale and expand their logistical presence, whether nationally or internationally, their tax obligations will expand as well. Applying taxes to independent small businesses online as if they were retail giants is a false premise that penalizes truly small businesses, which have provided 67% of new job creation during the recent recovery and are key to long term economic strength and robust competition in our markets.

# These Internet Sales Tax Bills Fail To Protect Small Businesses:



## The Marketplace Fairness Act (MFA)

- S. 976

- ✗ **Compliance Burdens:** Treat small businesses like multi-billion dollar retailers by forcing compliance with tax regimes in 9,600 state and local tax jurisdictions.
- ✗ **Audit & Enforcement:** Subjects small businesses to audits and enforcement from far-away state tax agencies where they have no representation.
- ✗ **Weak Small Business Protections:** Arbitrary \$1 million “small seller exception” disqualifies too many small businesses and deters growth.
- ✗ **Expensive Software Requirements:** Software does not protect from demand letters, investigations or litigation from remote states.



## The Remote Transactions Parity Act (RTPA)

- H.R. 2193

- ✗ **Even Occasional Sellers Must Comply:** All marketplace sellers, including the smallest businesses, artisans and garage sale sellers would face remote sales tax laws.
- ✗ **No Protections:** RTPA’s small seller exemption threshold phases out to zero in three years.
- ✗ **Vague Audit Standards:** Allows any state to audit a remote seller if unfounded suspicion of “misrepresentation” occurs, opening the door to out-of-state audits.
- ✗ **Home Field Advantage for Tax Collectors:** Small businesses seeking recourse must defend themselves in remote state court.

## A WORKABLE SOLUTION MUST BE FAIR TO ALL SMALL BUSINESSES AND SET A CLEAR INTERNATIONAL PRECEDENT



- Legislation to authorize state sales tax collection burdens to be placed on businesses with no meaningful connection to a state should ensure that independent small businesses can continue to use the Internet and broad-based marketplaces to compete and grow.
- Congress should include a meaningful small business exemption that would protect small businesses and entrepreneurs from the burdens of MFA and RTPA until they have the scale and capacity to manage tax requirements on a national scale.
- Over 97% of US-based small businesses selling on eBay export to foreign markets, and many foreign countries are proposing similar models of foreign sales and VAT tax collection on Internet marketplace-enabled small business retailers in ways that will undermine their exports and harm their growth opportunities.