

## **Fact Sheet**

### **Local Retail is the Backbone of Local Communities**

- One of out every 11 U.S. jobs is shopping center-related; for every 100 individuals directly employed at regional shopping centers, an additional 20 – 30 are supported in the community due to multiplier effects
- Each \$1 million of new retail sales adds 3.61 jobs. To illustrate:
  - \$1 million in new sales at Best Buy's average e-commerce and B&M shares is expected to create 3.47 jobs;
  - The same \$1 million in new sales at Amazon's average is expected to create 0.88 jobs.
- States are dealing with serious budget pressures and cannot afford to leave money already owed on the table.
  - Collectively, states are losing from \$21.5 billion to \$33.7 billion every year in sales tax revenue.
  - According to a University of Tennessee study released in April 2009, states could lose as much as \$23 billion from uncollected sales tax in 2012 alone.
  - Most at risk from reduced resources are critical community services – schools, law enforcement, first responders and government services, to name a few.
  - Many states and local governments are considering raising other taxes and fees, like property taxes and/or income taxes, to address massive budget deficits.

### **Internet Retailers Have an Unfair Advantage**

- Brick-and-mortar sellers are required to charge customers as much as 9.4% in sales tax while online retailers do not.
- Collectively, states are losing as much as \$33.7 billion in sales tax revenue every year.
- There are several recent examples of large Internet retailers severing ties with states (e.g. California) attempting to collect the sales tax to which they are entitled
- According to some estimates, the termination of affiliate relationships with online retailers will cost the state of California at least \$150 million in state income taxes.

### **The Current System is Outdated, Complicated and Flawed**

- While the Internet marketplace has rapidly expanded, tax collection for e-commerce sales lags significantly behind. The last time the current system was challenged was 1992, nearly two decades ago, yet the way Americans shop and spend a great deal of their lives has completely changed since then.

- In 1992 the Supreme Court ruled (*Quill Corporation v. North Dakota*) that complex state and local tax rules were a burden to interstate remote retailers. Therefore, Internet and catalog retailers were deemed exempt from collecting that tax unless they had a physical presence (e.g. a store or warehouse) in the customers' state.
- Forty four states and the District of Columbia have or are simplifying their sales tax system, putting them in a better position to collect the taxes owed by online retailers.
- Determining the required sales tax for a particular transaction is now akin to figuring out shipping costs; inexpensive software exists to make the calculations simple for all involved.

### **Congressional Action is Needed to Support a 21<sup>st</sup> Century Marketplace**

- Federal legislation to address this competitive imbalance, such as the Marketplace Equity Act or the Main Street Fairness Act, is not a new tax; it simply would give states the power to collect revenue they are already owed at the point of purchase.
- Traditional local retail is a critical element in our communities. Internet retail has become an important option for making purchases. A need exists to create a commerce structure that is vibrant, viable and equitable for both.
- Congressional action is supported by brick-and-mortar and online retailers; retail and real estate trade associations; publicly and privately owned shopping centers; state and local government groups.
- The 21<sup>st</sup> Century Marketplace holds the promise of an exciting future with even more technology as a part of our shopping experience and daily lives. Action from Congress to fix the current flaws in our sales tax system ensures that commerce is free from the relics of the past and creates a level playing field for all retailers to thrive.