



International Council
of Shopping Centers

ISSUE PAPER

Main Street Fairness Act

- Collectively, states are losing from \$21.5 billion to \$33.7 billion in sales tax revenue every year.
- 41 states and the District of Columbia have approved SSUTA.
- 23 states have passed legislation to implement the agreement.

Position: ICSC strongly supports the Main Street Fairness Act. By passing this legislation, Congress could level the playing field for Main Street retailers, provide needed funds for state and local governments, and lessen the regulatory burden placed on retailers across the country.

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Background: In 1992 the Supreme Court ruled (*Quill Corporation v. North Dakota*) that complex state and local sales tax rules were a burden to interstate remote retailers, and therefore, Internet and catalog retailers should be exempt from collecting sales taxes unless they have a physical presence, such as a store or warehouse, in the purchaser's state. As a result of the ruling, the burden to remit sales tax on Internet and catalog purchases falls on the consumer. Unfortunately, this obligation is often overlooked by the average tax payer who is usually unaware of their responsibility. The Supreme Court further advised that this problem was one that "Congress may be better qualified to resolve, and one that it has the ultimate power to resolve."

In response to the Supreme Court's ruling, the majority of states have taken steps to simplify their sales tax systems through the Streamlined Sales and Use Tax Agreement (SSUTA). The SSUTA provides one uniform system to administer and collect sales tax, eliminating the burden of the country's diverse sales tax systems on retailers and granting states the authority to collect sales taxes, without the costly special exemptions for remote sellers. Congressional action is now required to allow states to collect taxes from out-of-state sellers and online retailers.

Current Activity: The Main Street Fairness Act will authorize states to collect taxes from out-of-state sellers, while promote simplification and fairness in the administration and collection of sales and use taxes. Senator Mike Enzi (R-WY) and Congressman Bill Delahunt (D-MA) will be the lead sponsors of this legislation.

Rationale: Not only is the current system unfair to traditional brick-and-mortar retailers, but it also places an impractical burden on taxpayers, costing state and local governments billions in much-needed revenue. While the Internet marketplace has rapidly expanded, sales tax collection for e-commerce sales lags behind. States and localities are experiencing budget deficits, which may result in higher business and property taxes along with reduced resources for schools, parks, law enforcement, first responders and other government services.

Internet retailers should not receive a tax advantage at the expense of traditional retailers and state and local governments. The Main Street Fairness Act would permit states to collect what is currently owed from retailers and purchasers regardless of whether the purchase take place on Main Street, at shopping centers, via mail-order or over the Internet.

Summary: ICSC remains steadfast that our nation's tax policy should be consistent and equitable for all forms of consumer purchases. Congress should help level the playing field for the brick-and-mortar stores that act as the backbone of our communities by allowing states to enforce sales tax collection across all retailers. ICSC is a long-time supporter of this legislation and we strongly encourage co-sponsorship of the Main Street Fairness Act.